

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

Auditor's Report

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Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statements of financial position of the Ministry of Health and Wellness as at March 31, 2010 and 2009 and the consolidated statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 Ministry as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

original signed by

Merwan N. Saher, CA
Auditor General

Edmonton, Alberta
June 11, 2010

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

(in thousands)

	2010	2009
		(Restated - Note 3)
Revenues (Schedule 1)		
Internal Government Transfers	\$ 457,341	\$ 322,531
Transfers from the Government of Canada	2,329,159	2,050,857
Premiums and Fees	640,759	1,375,711
Investment Income	47,771	70,304
Other Revenue	599,117	580,256
	4,074,147	4,399,659
Expenses - Directly Incurred (Note 2b(iv) and Schedules 2 & 5)		
Programs		
Physician Services	2,573,693	2,315,941
Supplementary Health Benefits	721,683	670,381
Healthy Living and Wellness	381,584	354,685
Provincial Programs	171,914	176,721
Facility Based Patient Care	4,423,799	4,244,506
Community Based & Home Care	1,058,635	907,853
Diagnostic, Therapeutic & Other Patient Services	2,347,539	1,978,214
Research and Education	237,233	241,511
Health Service Delivery Support	1,431,930	1,482,866
Administration & Support Services	908,458	830,425
Other	148,765	154,690
	14,405,233	13,357,793
Valuation Adjustments		
Health Care Insurance Premium Revenue (Recoveries) /		
Write-Offs	(14,851)	82,258
Other Write-Offs	24,526	13,645
Provision for Vacation Pay	17,974	27,280
	27,649	123,183
(Loss) on disposal of Tangible Capital Assets and		
Write-down of Inventory	(14,880)	(35,373)
Net Operating results	\$ (10,373,615)	\$ (9,116,690)

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

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31
(in thousands)

	2010	2009
		(Restated - Note 3)
ASSETS		
Cash and Temporary Investments (Note 5)	\$ 1,701,626	\$ 2,557,047
Portfolio Investments (Schedule 6)	544,945	613,180
Accounts Receivable (Note 6)	271,067	279,534
Tangible Capital Assets (Note 7)	6,270,111	5,631,173
Inventory	127,115	118,236
Prepaid Expenses	56,488	47,354
	\$ 8,971,352	\$ 9,246,524
LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 8)	\$ 1,757,929	\$ 2,073,068
Deferred Revenue (Note 9)	325,745	391,737
Notes, Debentures and Mortgages (Note 10)	275,704	201,285
	2,359,378	2,666,090
NET ASSETS		
Net Assets at Beginning of Year	6,580,434	5,501,156
Net Operating Results	(10,373,615)	(9,116,690)
Net Financing provided from General Revenues	10,405,155	10,195,968
Net Assets at End of Year (Note 13)	6,611,974	6,580,434
	\$ 8,971,352	\$ 9,246,524

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

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31
(in thousands)

	<u>2010</u>	<u>2009</u> (Restated - Note 3)
Operating Transactions		
Net Operating Results	\$ (10,373,615)	\$ (9,116,690)
Non-cash items:		
Health Care Insurance Premium Revenue Write-Offs	-	82,258
Other Write-Offs	24,526	13,645
Provision for Vacation Pay	17,974	27,280
Amortization of Tangible Capital Assets (Schedule 2)	433,192	395,953
Loss on Disposal of Tangible Capital Assets and and Write-down on inventory	14,880	35,373
(Gain)/Loss on disposal of Portfolio Investments	(6,526)	7,437
	<u>(9,889,569)</u>	<u>(8,554,744)</u>
(Increase) / Decrease in Accounts Receivable	(16,060)	119,725
(Increase) / Decrease in Prepaid Expenses	(9,134)	86,796
(Increase) in Inventory	(20,200)	(13,907)
(Decrease) in Accounts Payable and Accrued Liabilities	(333,113)	(106,744)
(Decrease) in Deferred Revenue	(65,992)	(117,704)
Cash (applied to) Operating Transactions	<u>(10,334,068)</u>	<u>(8,586,578)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,075,689)	(1,197,819)
Proceeds on disposal of Tangible Capital Assets	-	441
Cash (applied to) Capital Transactions	<u>(1,075,689)</u>	<u>(1,197,378)</u>
Investing Transactions		
Purchase of Portfolio Investments	(398,048)	(651,974)
Proceeds on sale of Portfolio Investments	472,809	710,880
Cash provided by Investing Transactions	<u>74,761</u>	<u>58,906</u>
Financing Transactions		
Net Financing provided from General Revenues	10,405,155	10,195,968
Principal payments of Notes, Debentures and Mortgages	(14,410)	(10,119)
Proceeds from Notes, Debentures and Mortgages	88,830	55,417
Cash provided by Financing Transactions	<u>10,479,575</u>	<u>10,241,266</u>
(Decrease)/Increase in Cash	(855,421)	516,216
Cash, Beginning of Year	2,557,047	2,040,831
Cash, End of Year	<u>\$ 1,701,626</u>	<u>\$ 2,557,047</u>

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

MINISTRY OF HEALTH AND WELLNESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31

Note 1 Authority and Purpose

The Minister of Health and Wellness (Minister) has been designated responsibilities for various Acts by the *Government Organization Act*. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together these organizations form the Ministry of Health and Wellness (Ministry).

Department of Health and Wellness	<i>Government Organization Act</i>
Alberta Health Services	<i>Regional Health Authorities Act</i>
Health Quality Council of Alberta	<i>Regional Health Authorities Act</i>
Calgary Health Trust	<i>Regional Health Authorities Act</i>
Alberta Cancer Foundation	<i>Regional Health Authorities Act</i>

Effective April 1, 2009, the name of East Central Health was amended to Alberta Health Services. All other Regional Health Authorities, the Alberta Mental Health Board, the Alberta Cancer Board and the Alberta Alcohol and Drug Abuse Commission were disestablished and incorporated with Alberta Health Services.

The purpose of the Ministry is to maintain and improve the health of Albertans by providing increased access to quality health care and improve the efficiency and effectiveness of health care service delivery. The Ministry is also engaged in inter-ministerial initiatives to effectively address challenges to the health and well-being of the population.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation for government summary financial statements has been modified to more appropriately reflect the nature of the Ministry, which includes the financial statements of the Department and its controlled entities on a line by line consolidation basis.

(a) Reporting Entity and method of consolidation

The reporting entity is the Ministry of Health and Wellness, for which the Minister of Health and Wellness is accountable. These financial statements include the accounts of the following entities:

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(a) Reporting Entity and method of consolidation (continued)

Department of Health and Wellness
Alberta Health Services (AHS)
Health Quality Council of Alberta (HQCA)
Calgary Health Trust
Alberta Cancer Foundation

The accounts of the above entities are consolidated on line-by-line basis after adjusting them to a basis consistent with the accounting policies described below. Revenue and expense transactions, capital, investing, and financing transactions, and related asset and liability balances between consolidated entities have been eliminated.

The Ministry has entered into various partnerships with one or more partners outside the reporting entity to establish Primary Care Networks. The Ministry has also entered into a partnership with the University of Alberta to establish the Northern Alberta Clinical Trials Centre. The Ministry and its partners share, on an equitable basis, the significant risks and benefits associated with operating the partnership. The Ministry's 50 per cent interests in these partnerships are included in these financial statements under the proportionate consolidation method. The Ministry includes its proportionate share of assets, liabilities, revenues and expenses on a line-by-line basis, after conforming the accounting policies and eliminating its proportionate share of the balances and transactions with the partnerships.

(b) Basis of Financial Reporting

(i) Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided or used for purposes specified by year end are recorded as unearned revenue or included in accounts payable and accrued liabilities.

(ii) Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Restricted internal government transfers are reported as liabilities and included in deferred revenue until the transfer is used for the purposes specified. Unrestricted internal government transfers are recognized in revenue when received.

(iii) Transfers from the Government of Canada

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. Overpayments relating to Canada Health Transfers and other transfers received before revenue recognition criteria have been met are included in either Unearned Revenue or Accounts Payable and Accrued Liabilities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

(iv) Expenses

Directly Incurred

Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability for.

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

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

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

Incurred by Others

Services contributed by other entities in support of the Ministry's operations are not recognized and are disclosed in Schedule 4 and 5.

(v) Assets

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

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. Tangible capital assets are amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Inventory is valued at the lower of cost and net realizable value and is determined on a first-in, first-out basis.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

(vi) Liabilities

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

(vii) Net Assets

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

(viii) Valuation of Financial Assets and Liabilities

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

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

Public fixed-income securities and equities are valued at the average of the latest bid and ask prices.

The fair value of long term debt is an approximation of its fair value to the holder.

(ix) Contracted Health Service Operators

To account for the full extent of the Ministry's responsibility for the provision of health services in Alberta, fees and charges earned by the contracted health service operators for designated services are recorded as revenue. An equivalent amount is recorded as contracted health services expense. Also, grants paid to contracted health services operators are reclassified as program expense.

(x) Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the recognized or disclosed amount and another reasonably possible amount. Measurement uncertainty that is material to these financial statements exists in the accrual of Canada Health Transfer. The nature of uncertainty for Canada Health Transfers can arise from changes in the base allocations which are primarily a result of updated personal and corporate tax information or from new entitlement with little historical experience.

Note 3 Reporting Changes
(in thousands)

As explained in note 2, the Ministry consolidates all controlled entities on a line-by-line basis. Previously, AHS and HQCA were included in the Ministry's consolidated financial statements on a modified equity basis. Also Calgary Health Trust and Alberta Cancer Foundation were previously excluded from the Ministry reporting entity. This change in accounting policy has been retrospectively applied.

As a result of transfer of responsibility for programs between the Ministry of Health and Wellness and the Ministry of Infrastructure and Ministry of Seniors and Community Support, the comparatives for 2008/2009 have been restated as if the respective Ministries had always been assigned with its current responsibilities.

The following is a summary of the effect of the reporting changes on the 2008/2009 financial statements:

	March 31, 2009		
	As Previously Reported	Increase/ (Decrease)	As Restated
(1) Revenues	\$ 3,171,530	\$ 1,228,129	\$ 4,399,659
(2) Expenses	12,881,070	635,279	13,516,349
(3) Net Operating Results	(9,709,540)	592,850	(9,116,690)
(4) Net Financing provided from General Revenues	10,201,168	(5,200)	10,195,968
Net Assets(Liabilities) at March 31, 2008	(800,734)	6,301,890	5,501,156
(4) Net Change in Fair Values	(44,019)	44,019	-
Net Assets(Liabilities) at March 31, 2009	<u>\$ (353,125)</u>	<u>\$ 6,933,559</u>	<u>\$ 6,580,434</u>

- (1) Revenues increased because of the change in the method of reporting the results of AHS and HQCA.
- (2) Expenses increased because of the change in the method of reporting the results of AHS and HQCA \$640,479 and transfer of responsibilities between the Departments of Health and Wellness and the Department of Infrastructure \$248 and Department of Seniors and Community Support (\$5,448).
- (3) Net financing provided from General Revenue decreased because of the transfer of responsibilities between the Departments of Health and Wellness and the Department of Infrastructure and Department of Seniors and Community Support.
- (4) Net assets increased and net change in fair values increased because of the change in method of reporting the results of AHS and HQCA.

Note 4 H1N1 Pandemic Response
(in thousands)

During the year the Ministry responded to the need for providing health awareness, vaccination and assessment clinics, and emergency and acute care for the outbreak of H1N1 influenza. The following costs in the mentioned programs are included in the Statements of Operations.

	2010	2009
Physician compensation	\$ 15,696	\$ -
Vaccines dispensed	5,760	-
Facility Based Patient Care	19,674	-
Diagnostic, Therapeutic & Other services	5,646	-
Healthy Living and Wellness	22,619	-
Other	1,014	-
	<u>70,409</u>	<u>-</u>
Write-down of expired vaccines	4,678	-
	<u>\$ 75,087</u>	<u>\$ -</u>

Note 5 Cash and Temporary Investments
(in thousands)

Cash and temporary investments include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2010, securities held by the Fund had a time-weighted return of 1.0% per annum (March 31, 2009: 3.0% per annum).

	2010	2009
		(Restated -Note 3)
Cash	\$ 1,701,124	\$ 2,377,905
Term Deposits	-	1,827
Money Market Securities	-	68,373
Treasury Bills	502	108,942
Total	<u>\$ 1,701,626</u>	<u>\$ 2,557,047</u>

Note 6 Accounts Receivable
(in thousands)

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	(Restated - Note 3) Net Realizable Value
Accounts receivable	\$ 297,062	\$ (36,090)	\$ 260,972	\$ 263,402
Other receivable	10,095	-	10,095	16,132
Total	<u>\$ 307,157</u>	<u>\$ (36,090)</u>	<u>\$ 271,067</u>	<u>\$ 279,534</u>

Note 7 Tangible Capital Assets
(in thousands)

	2010						2009		
	Land	Buildings ⁽¹⁾ 10-40 years	Land Improvements 5-25 years	Equipment 2-20 years	Computer Hardware and Software 3-10 years	Leasehold Assets Term of Lease	Others ⁽²⁾	Total	Total (Restated - Note 3)
Historical Cost									
Beginning of year	\$ 106,330	\$ 5,000,137	\$ 63,045	\$ 1,461,073	\$ 803,936	\$ 148,748	\$ 1,515,163	\$ 9,098,432	\$ 8,042,333
Additions	-	436,624	478	142,109	150,572	8,020	337,886	1,075,689	1,197,819
Disposals, including write-downs	-	(7,328)	(45)	(38,506)	(22,002)	-	-	(67,881)	(141,720)
	106,330	5,429,433	63,478	1,564,676	932,506	156,768	1,853,049	10,106,240	9,098,432
Accumulated Amortization									
Beginning of year	-	1,991,147	41,303	896,017	485,971	52,821	-	3,467,259	3,177,212
Amortization expense	-	138,827	4,469	162,399	114,222	13,275	-	433,192	395,953
Effect of disposals	-	(4,646)	(45)	(37,629)	(22,002)	-	-	(64,322)	(105,906)
	-	2,125,328	45,727	1,020,787	578,191	66,096	-	3,836,129	3,467,259
Net Book Value at March 31, 2010	\$ 106,330	\$ 3,304,105	\$ 17,751	\$ 543,889	\$ 354,315	\$ 90,672	\$ 1,853,049	\$ 6,270,111	
Net Book Value at March 31, 2009	\$ 106,330	\$ 3,008,990	\$ 21,742	\$ 565,056	\$ 317,965	\$ 95,927	\$ 1,515,163	\$ 5,631,173	

⁽¹⁾ Buildings include parking lots

⁽²⁾ Others include work in progress

Note 8 Accounts Payable and Accrued Liabilities
(in thousands)

	<u>2010</u>	<u>2009</u> (Restated- Note 3)
Accounts Payable & Accrued Liabilities	\$ 1,392,660	\$ 1,725,773
Accrued vacation pay	365,269	347,295
	<u>\$ 1,757,929</u>	<u>\$ 2,073,068</u>

The Ministry recognizes the fair value of the asset retirement obligations associated with tangible capital assets as liabilities and adjustments to the carrying values of the relevant tangible capital assets. These adjustments are amortized over the remaining useful life of the assets. The asset retirement obligation is recognized when it is possible to estimate the fair value of the obligation.

Accounts payable and accrued liabilities above include asset retirement obligations of \$11,474 (2009 - \$13,767). Asset retirement obligations represent the legal obligation to remove asbestos during planned renovations at certain of the Ministry's health services facilities.

Note 9 Deferred Revenue
(in thousands)

	<u>2010</u>	<u>2009</u> (Restated- Note 3)
Deferred Contributions	\$ 246,720	\$ 244,549
Deferred Capital Contributions	52,126	85,459
Unearned Revenue	26,899	61,729
	<u>\$ 325,745</u>	<u>\$ 391,737</u>

Note 10 Notes, Debentures and Mortgages
(in thousands)

	Maturity	Interest Rate	2010		2009 (Restated - Note 3)	
			Carrying Value	Fair Value	Carrying Value	Fair Value
Debentures ^(a)	2013 to 2031	4.40-4.93%	\$ 176,662	\$ 180,340	\$ 182,982	\$ 188,393
Mortgages			-	-	2,022	2,022
Bank Loan	September 2011	2.76%	83,000	83,000	326	326
			259,662	263,340	185,330	190,741
Capital Lease Obligation	2011 to 2028	6.50%	16,042	18,902	15,955	19,203
Total			<u>\$ 275,704</u>	<u>\$ 282,242</u>	<u>\$ 201,285</u>	<u>\$ 209,944</u>

^(a) The debentures have been issued by AHS to Alberta Capital Finance Authority (ACFA).

The Ministry is committed to making payments as follows:

	Debentures Payable and Bank Loan	Capital Leases	Total
2010-11	\$ 11,852	\$ 1,716	\$ 13,568
2011-12	98,113	1,659	99,772
2012-13	15,277	1,465	16,742
2013-14	10,040	1,453	11,493
2014-15	6,870	1,453	8,323
Thereafter	117,510	19,752	137,262
Less: amount representing interest under leases	-	(11,456)	(11,456)
	<u>\$ 259,662</u>	<u>\$ 16,042</u>	<u>\$ 275,704</u>

Note 11 Contractual Obligations
(in thousands)

Contractual Obligations are obligations of the Ministry to others that will become liabilities in future when the terms of those contracts or agreements are met. As at March 31, 2010, the Ministry has the following contractual obligations:

	2010	2009 (Restated - Note 3)
Specific programs commitments	\$ 522,897	\$ 975,836
Capital construction contracts	1,562,025	2,249,018
Service contracts and operating leases	302,004	267,866
	<u>\$ 2,386,926</u>	<u>\$ 3,492,720</u>

Note 11 Contractual Obligations (continued)
(in thousands)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Specific Programs Commitments	Capital Construction Contracts	Service Contracts and operating leases	Total
2011	\$ 489,151	\$ 841,973	\$ 100,451	\$ 1,431,575
2012	16,470	488,253	47,710	552,433
2013	4,525	179,420	41,902	225,847
2014	4,256	52,311	26,597	83,164
2015	4,224	5	21,455	25,684
Thereafter	4,271	63	63,889	68,223
	<u>\$ 522,897</u>	<u>\$ 1,562,025</u>	<u>\$ 302,004</u>	<u>\$ 2,386,926</u>

Canadian Blood Services

The Government of Alberta is committed to provide funding to the Canadian Blood Services (CBS) for the provision of blood services in Canada. This commitment was outlined in a Memorandum of Understanding, signed in January 1998, which recorded the understandings and commitments of the Minister of Health of Canada and the Provincial and Territorial Ministers of Health (except Quebec) regarding their respective roles and responsibilities in a renewed national blood system.

The Province's obligation for the operational costs of CBS is determined on a per capita basis, and the costs for fractionated blood and blood products is determined on the basis of annual utilization of these products. During the year, payments to CBS amounted to \$156,274 (2009 - \$140,175). Budgeted expenditure for the 2011 fiscal year is \$162,702.

Note 12 Contingencies, Equity Agreements with Voluntary Hospital Owners and Indemnity
(in dollars)

Hepatitis C

In June 1999, the Federal, provincial and territorial governments entered into an agreement to provide financial assistance to Canadians who were affected by the Hepatitis C virus through the Canadian blood system during the period from January 1, 1986 to July 1, 1990. The agreement provided for a total federal, provincial and territorial contribution of \$1.1 billion plus interest. Interest is calculated and accrued quarterly on the outstanding balance at a rate equal to the 3 month Government of Canada Treasury Bill rate for the quarter. In the fiscal year 1999/2000, the Ministry accrued \$30 million; representing Alberta's estimated proportionate share of the financial assistance, excluding accrued interest. At March 31, 2010, the outstanding unpaid balance, including Alberta's proportionate share of the accrued interest, was \$17.7 million (2009-\$17.9 million).

Note 12 Contingencies, Equity Agreements with Voluntary Hospital Owners and Indemnity (continued)
(in dollars)

Equity Agreements with Voluntary Hospital Owners

The Ministry has a contingent liability for buy-out of equity under Equity Agreements entered into between the Ministry and Voluntary Hospital Owners. The Ministry's payout liability is contingent upon notification by the voluntary hospital owner of termination of the equity agreement. At March 31, 2010, the contingent payout liability upon termination is estimated at \$12.8 million (2009 - \$12.8 million).

Other Contingencies

At March 31, 2010, the Ministry was named as defendant in 378 legal actions; the outcome of which is indeterminable. 324 of these claims have specified amounts totaling \$914.6 million and the remaining 54 have no specified amount. Included in the total legal actions are 20 claims amounting to \$315.4 million in which the Ministry has been jointly named with other entities and individuals. 333 claims amounting to \$469.3 million are covered by either the Alberta Risk Management Fund or other insurance carriers. 2 claims amounting to \$205.9 million are partially covered by Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

Indemnity

As described in Note 11, CBS provides blood services in Alberta. CBS has established two wholly-owned captive insurance corporations, CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited (CBSE). CBSI provides insurance coverage up to \$250.0 million with respect to risks associated with the operation of the blood system.

Effective September 28, 2006, CBSE has entered into an agreement whereby the provinces (except Quebec) and territories guarantee and indemnify the risks of operation of the blood system in the amount of \$750.0 million in excess of the \$250.0 million provided by the insurance coverage from CBSI. Alberta's Pro Rata Share of the \$750.0 million is 13.1 per cent or \$98.0 million. Authority for Alberta to provide the indemnity under the CSA is pursuant to section 5.05 of the Indemnity Authorization Regulation 22/1997, under the *Financial Administration Act*.

The expense recognition criterion for the indemnity is notification from the CBS that the indemnity is required. At March 31, 2010, no amount has been recognized for this indemnity.

Note 13 Endowment Funds
(in thousands)

Endowment funds are included in net assets and are represented by financial assets amounting to \$50,875 (2009 - \$49,921). Donors have placed restrictions on their contribution to the endowment funds. The principal restriction is that the original contribution should not be spent.

Note 14 Reciprocal Insurance Arrangement
(in thousands)

AHS participates in a reciprocal insurance arrangement with other health care organizations to share the insurable liability and property risks. The arrangement is established and registered under the *Insurance Act (the Act)* as the Provincial Health Authorities of Alberta Liability and Property Insurance Plan (LPIP).

The plan participants do not have ongoing access to the net assets of the plan which are retained to provide for the potential deterioration of the accrued claims and future catastrophic claims. However, if, in the opinion of the plan administrator, the net assets are in excess of the requirements to meet the plan's obligations, the administrator may apply the excess to reduce future premiums. Under *the Act* the plan is required to maintain two reserves; a reserve fund and a guarantee fund, which as at December 31, 2009 totalled \$76,547. If the net assets are insufficient to cover the cost of the claims, participants maybe required to pay additional assessments.

The financial results of LPIP are as follows:

	December 31, 2009	December 31, 2008
Total assets	\$ 87,468	\$ 75,959
Total liabilities	73,605	61,534
Net assets	\$ 13,863	\$ 14,425
Revenues	\$ 12,332	\$ 11,950
Expenses	19,714	15,439
Underwriting loss	(7,382)	(3,489)
Investment income/(loss)	6,820	(1,249)
Net loss	\$ (562)	\$ (4,738)

Note 15 Trust Funds under Administration
(in thousands)

Trust funds under administration are funds consisting of public money over which the Legislature has no power of appropriation. Because the Ministry has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March, 2010, trust fund was under administration were as follows:

	2010	2009
Research and development, education and others	\$ 6,558	\$ 7,081 (Restated - Note 3)

Note 16 Benefit Plans
(in thousands)

Except as noted below, the Ministry participates in the multi-employer pension plans, Management Employees Pension Plan (MEPP) and Public Service Pension Plan (PSPP). The Ministry also participates in the multi-employer Supplementary Executive Retirement Plan (SERP) for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions.

Alberta Health Services also participates in the Local Authorities Pension Plan (LAPP), which is a multi-employer defined benefit plan. The pension expense for this plan is equivalent to the annual contributions. In addition, Alberta Health Services also participates in defined contribution plan.

Alberta Health Services provides defined supplementary executive retirement plan for certain management staff. The cost of these benefits is actuarially determined on an annual basis 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.

At March 31, 2010, these plans have net accrued benefit asset of \$6,156 (2009 - net accrued benefit liability of \$14,529). The accrued benefit asset/liability is included in accounts payable and accrued liabilities.

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of \$483,199 (2008 - \$568,574) and the Public Service Pension Plan reported a deficiency of \$1,729,196 (2008 - \$1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$39,516 (2008 - \$7,111).

At December 31, 2009, the Local Authorities Pension Plan reported an actuarial deficiency of \$3,998,614 (2008 - \$4,413,971).

Ministry's pension expense for the year is as follows:

	2010	2009
		(Restated - Note 3)
Registered Benefit Plans	\$ 307,994	\$ 260,089
SERP	4,237	6,848
Defined Contribution Plan	11,326	9,808
Expense of transferring PSPP service to LAPP	33,000	7,000
	<u>\$ 356,557</u>	<u>\$ 283,745</u>

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of \$8,335 (2009 - \$33,540) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$7,431 (2009 - deficiency of \$1,051). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 17 Comparative Figures

Certain 2009 figures have been reclassified, where necessary, to conform to the 2010 presentation.

Note 18 Subsequent Events

Effective April 1, 2010, the responsibility for Health Facilities Infrastructure will be transferred over to the Department of Infrastructure.

Note 19 Approval of Financial Statements

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

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED SCHEDULES OF REVENUES
FOR THE YEAR ENDED MARCH 31
(in thousands)

	<u>2010</u>	<u>2009</u> (Restated - Note 3)
Internal Government Transfers		
Transfer from the Lottery Fund	\$ 392,034	\$ 260,495
Transfer from Alberta Cancer Prevention Legacy Fund	21,874	19,257
Transfer from Other Government Departments	43,433	42,779
	<u>457,341</u>	<u>322,531</u>
Transfers from Government of Canada		
Canada Health Transfer	2,260,243	1,947,239
Wait Times Reduction	27,316	61,222
Other Health Transfers	41,600	42,396
	<u>2,329,159</u>	<u>2,050,857</u>
Premiums and Fees		
Health Care Insurance Premiums*	-	758,707
Supplementary Health Benefit Premiums	42,305	25,904
Fees and Charges	598,192	588,840
Other	262	2,260
	<u>640,759</u>	<u>1,375,711</u>
Investment Income	<u>47,771</u>	<u>70,304</u>
Other revenue		
Third Party Recoveries	93,187	90,000
Previous years' refunds of expenditure	20,520	34,037
Donations to Alberta Health Services	129,929	229,783
Other	355,481	226,436
	<u>599,117</u>	<u>580,256</u>
	<u>\$ 4,074,147</u>	<u>\$ 4,399,659</u>

*Health Care Insurance Premiums have been eliminated effective January 1, 2009

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED SCHEDULES OF EXPENSES -
DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31
(in thousands)

	<u>2010</u>	<u>2009</u> (Restated - Note 3)
Grants	\$ 3,688,055	\$ 3,434,473
Supplies and Services	4,006,984	3,840,804
Salaries, Wages and Employee Benefits	5,541,946	5,026,920
Amortization of Tangible Capital Assets	433,192	395,953
Inventory Consumed	726,081	652,448
Financial Transactions and Others	8,975	7,195
	<u>14,405,233</u>	<u>13,357,793</u>
Valuation Adjustments		
Health Care Insurance Premium (Recoveries) / Write-Offs	(14,851)	82,258
Other Write-Offs	24,526	13,645
Provision for Vacation Pay	17,974	27,280
Total Expenses	<u>\$ 14,432,882</u>	<u>\$ 13,480,976</u>

MINISTRY OF HEALTH AND WELLNESS
RECONCILIATION OF BUDGET WITH ACTUAL
FOR THE YEAR ENDED MARCH 31, 2010
(in thousands)

	Budget	Actuals without SUCH sector	Actuals SUCH sector	Adjustments	Actuals with SUCH sector
REVENUES					
Internal Government Transfers					
Transfer from Lottery Fund	\$ 392,034	\$ 392,034	\$ -	\$ -	\$ 392,034
Transfer from Alberta Cancer Research Prevention Legacy Fund	25,000	21,874	-	-	21,874
Transfer from Alberta Health / Other Departments	-	-	8,968,460	(8,925,027)	43,433
	<u>417,034</u>	<u>413,908</u>	<u>8,968,460</u>	<u>(8,925,027)</u>	<u>457,341</u>
Transfers from Government of Canada					
Canada Health Transfer	1,961,782	2,260,243	-	-	2,260,243
Wait Times Reduction	26,956	27,316	-	-	27,316
Other Health Transfers	47,691	41,600	-	-	41,600
	<u>2,036,429</u>	<u>2,329,159</u>	<u>-</u>	<u>-</u>	<u>2,329,159</u>
Premiums and Fees					
Supplementary Health Benefit Premiums	34,000	42,305	-	-	42,305
Fees and Charges	-	-	598,192	-	598,192
Others	190	262	-	-	262
	<u>34,190</u>	<u>42,567</u>	<u>598,192</u>	<u>-</u>	<u>640,759</u>
Investment Income	32,000	11,944	35,827		47,771
Other Revenue					
Third Party Recoveries	94,300	93,187	-	-	93,187
Previous years' refunds of expenditure	-	20,520	-	-	20,520
Donations	-	-	101,662	28,267	129,929
Other	2,346	6,448	653,508	(304,475)	355,481
	<u>96,646</u>	<u>120,155</u>	<u>755,170</u>	<u>(276,208)</u>	<u>599,117</u>
Total Revenues	<u>2,616,299</u>	<u>2,917,733</u>	<u>10,357,649</u>	<u>(9,201,235)</u>	<u>4,074,147</u>
EXPENSES					
Grants	12,625,680	12,690,916	-	(9,002,861)	3,688,055
Supplies and Services	130,252	100,723	3,975,550	(69,289)	4,006,984
Salaries, Wages and Employee Benefits	76,096	74,364	5,470,874	(3,292)	5,541,946
Amortization of Tangible Capital Assets	29,979	24,569	408,623	-	433,192
Inventory Consumed	45,751	43,674	682,407	-	726,081
Financial Transactions and Others	113	130	8,845	-	8,975
Total Expenses	<u>12,907,871</u>	<u>12,934,376</u>	<u>10,546,299</u>	<u>(9,075,442)</u>	<u>14,405,233</u>
Valuation Adjustments					
Cancer Research and Prevention Investment	25,000	21,874	-	(21,874)	-
Health Care Insurance Premium Revenue (Recoveries) / Write-offs	-	(14,851)	-	-	(14,851)
Other Write-Offs	2,000	3,977	20,549	-	24,526
Provision for Vacation Pay	-	124	17,850	-	17,974
Total Expenses	<u>\$ 12,934,871</u>	<u>\$ 12,945,500</u>	<u>\$ 10,584,698</u>	<u>\$ (9,097,316)</u>	<u>\$ 14,432,882</u>

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED SCHEDULES OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31
(in thousands)

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

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

The Ministry had the following transactions with related parties recorded in the Consolidated Statements of Operations and Financial Position at the amount of consideration agreed upon between the related parties.

	<u>2010</u>	<u>2009</u>
Revenues		(Restated - Note 3)
Grants	\$ 413,908	\$ 279,752
Other	43,433	42,779
	<u>\$ 457,341</u>	<u>\$ 322,531</u>
Expenses - Directly Incurred		
Grants	\$ 94,490	\$ 70,882
Other	125,292	123,260
Interest (ACFA)	8,845	6,050
	<u>\$ 228,627</u>	<u>\$ 200,192</u>
Receivables	<u>\$ 6,800</u>	<u>\$ 15,046</u>
Payables	<u>\$ 14,291</u>	<u>\$ 13,934</u>
Debt to related parties e.g. ACFA	<u>\$ 176,662</u>	<u>\$ 183,820</u>

The Ministry receives services under contracts managed by Service Alberta. Any commitments under these contracts are reported by Service Alberta.

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

	<u>2010</u>	<u>2009</u>
Expenses - Incurred by Others		(Restated - Note 3)
Accommodation	\$ 45,988	\$ 38,709
Legal	2,555	3,058
Other	7,194	7,119
	<u>\$ 55,737</u>	<u>\$ 48,886</u>

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED SCHEDULES OF ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31
(in thousands)

Program	2010										2009	
	Expenses - Incurred by Others					Valuation Adjustments					(Restated - Note 3)	
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Other	Health Care Insurance Premium Recoveries	Other Write-Offs	Vacation Pay	Total	Total			
Physician Services	\$ 2,573,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,573,693	\$ 2,315,941
Supplementary Health Benefits	721,683	-	-	-	-	-	-	-	-	-	721,683	670,381
Healthy Living and Wellness	381,584	-	-	-	-	-	-	-	-	-	381,584	354,685
Provincial Programs	171,914	-	-	-	-	-	-	-	-	-	171,914	195,728
Facility Based Patient Care	4,423,799	36,088	-	-	-	-	-	-	-	17,974	4,477,861	4,271,786
Community Based & Home Care	1,058,635	-	-	-	-	-	-	-	-	-	1,058,635	907,853
Diagnostic, Therapeutic & Other Patient Services	2,347,539	-	-	-	-	-	-	-	-	-	2,347,539	1,989,055
Research and Education	237,233	-	-	-	-	-	-	-	-	-	237,233	241,511
Health Service Delivery Support	1,431,930	-	-	-	-	-	-	-	-	-	1,431,930	1,482,866
Administration & Support Services	908,458	9,900	2,555	7,194	-	-	-	-	-	-	928,107	849,463
Health Care Insurance Premium Revenue (Recoveries) / Revenue Write-Offs ⁽⁴⁾	-	-	-	-	(14,851)	-	-	-	-	-	(14,851)	82,258
Others	148,765	-	-	-	-	24,526	-	-	-	-	173,291	168,335
	\$ 14,405,233	\$ 45,988	\$ 2,555	\$ 7,194	\$ (14,851)	\$ 24,526	\$ 17,974	\$ 14,488,619	\$ 13,529,862			

⁽¹⁾ Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

⁽²⁾ Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 4.

⁽³⁾ Costs shown for Legal Services on Schedule 4.

⁽⁴⁾ Health Care Insurance Premium Revenue (Recoveries) / Write-Offs relate to Premiums and fees revenue.

MINISTRY OF HEALTH AND WELLNESS
CONSOLIDATED SCHEDULES OF PORTFOLIO INVESTMENTS
FOR THE YEAR ENDED MARCH 31
(in thousands)

	2010		2009	
	Cost	Fair (Market) Value	Cost	Fair (Market) Value
Money Market	\$ 92,839	\$ 92,845	\$ 117,646	\$ 118,107
Fixed-income securities:				
Government of Canada, direct and guaranteed	59,503	59,783	59,825	62,689
Provincial - Alberta	1,197	1,233	599	622
Provincial - Other	87,997	88,934	62,905	54,080
Municipal	6,384	6,617	6,132	4,663
Corporate	126,093	130,137	164,767	172,687
Pooled investment funds	16,322	16,715	23,622	30,307
	297,496	303,419	317,850	325,048
Equities:				
Canadian	92,435	112,782	90,315	86,739
Foreign	29,918	28,423	41,966	30,085
Real estate	-	-	76	76
Pooled investment funds	32,257	30,627	45,327	26,479
	154,610	171,832	177,684	143,379
Total	\$ 544,945	\$ 568,096	\$ 613,180	\$ 586,534

The majority of Portfolio Investments are held by AHS. In order to earn optimal financial returns at an acceptable level of risk, AHS has established an investment bylaw with maximum asset mix ranges for money market securities, fixed income securities and equities.

a) Interest Rate Risk

The interest rate risk exposure of its fixed income investments is managed by the management of average duration and laddered maturity dates.

Fixed Income securities have an average effective market yield of 3.7 per cent (2009 - 3.00 per cent to 7.39 per cent) per annum and the following maturity structure (in per cent).

	<u>2010</u>	<u>2009</u>
Under 1 Year	6	22
1 to 5 years	39	38
6 to 10 years	31	25
Over 10 years	24	15

b) Currency Risk

AHS is exposed to foreign exchange fluctuations on its investments denominated in foreign currencies. However, this risk is mitigated by the fact that AHS' investment bylaw limits non - Canadian equities to 50 per cent to total equities.

c) Credit and Market Risks

AHS' investment bylaw restricts the type and proportions of eligible investments. Money market investments are limited to a rating of R1 or equivalent or higher and no more than 10 per cent may be invested in any other issuer. Investments in corporate bonds are limited to BBB rated bonds or higher and no more than 40 per cent of the total fixed income investments. No more than 10 per cent may be invested in BBB rated bonds. Equities are comprised of publicly traded securities in major stock markets. Investment in debt and equity of any issuer are limited to 5 per cent of the issuer's total debt and equity. Short selling is not permitted.