

**CAPITAL HEALTH**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**Capital Health**

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**Consolidated Financial Statements**  
**March 31, 2006**

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**CAPITAL HEALTH**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

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

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

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising of 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. Capital Health has established a code of ethics and corporate directives, which include communication of the code to employees.

Capital Health members carry out their responsibility for the 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 financial statements to the Capital Health Board for approval. The Auditor General has full and free access to the Audit and Finance Committee.

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

[Original Signed]

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**Sheila Weatherill**  
*President and  
Chief Executive Officer*

[Original Signed]

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**Allaudin Merali**  
*Executive Vice President &  
Chief Financial Officer*

**Auditor's Report**

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

I have audited the consolidated statement of financial position of Capital Health (the Region) as at March 31, 2006 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 schedule of costs of health outputs of the Region and Caritas Health Group for the year ended March 31, 2006, presented in accordance with the basis disclosed in Notes a and b to the schedule. These financial statements are the responsibility of the Region's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Region as at March 31, 2006 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 schedule of costs of health outputs presents fairly, in all material respects, the combined costs of health outputs of the Region and Caritas Health Group for the year ended March 31, 2006 in accordance with the basis of presentation disclosed in Notes a and b to the Schedule to the consolidated financial statements.

[Original Signed by Fred J. Dunn, FCA]

Auditor General

Edmonton, Alberta  
May 19, 2006, except as to Note 21 and Schedule 5,  
which are as of June 9, 2006

**CAPITAL HEALTH  
CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2006  
(thousands of dollars)**

ASSETS	2006	2005
<b>Current assets:</b>		
Cash and temporary investments (Note 2)	\$ 166,487	\$ 176,558
Accounts receivable:		
Contributions receivable	37,192	45,782
Other receivables	109,712	84,787
Inventories	14,337	12,842
Prepaid expenses	97,180	67,809
	424,909	588,178
Contributions receivable	363,282	10,213
Loans - long-term care partnership projects (Note 4)	44,731	38,806
Cash internally restricted for life lease	1,516	1,275
Non-current cash and investments (Note 3)	483,771	470,380
Capital assets (Note 5)	1,090,049	882,028
<b>TOTAL ASSETS</b>	<b>\$ 2,318,258</b>	<b>\$ 1,790,600</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 196,630	\$ 194,600
Accrued vacation pay	81,330	72,022
Deferred operating contributions (Schedule 3)	146,909	139,880
Current portion of long-term debt (Note 6)	-	802
	424,909	407,304
<b>Non-current liabilities:</b>		
Deferred contributions (Schedule 3)	3,290	3,180
Deferred capital contributions (Note 7)	833,987	460,647
Deferred contributions - long-term care partnership projects (Note 4)	48,282	49,494
Long-term debt (Note 6)	-	25,859
Life lease deposits (Note 8)	16,509	15,744
	900,158	515,924
Unamortized external capital contributions (Note 9)	865,699	368,740
<b>Net assets:</b>		
Unrestricted	-	-
Internally restricted funds for designated purposes	6,315	8,605
Accumulated surplus (deficit) (Note 10)	6,315	8,609
Investment in capital assets from internally funded sources	121,267	74,712
	127,492	81,327
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,318,258</b>	<b>\$ 1,790,600</b>
Commitments (Note 11)		
Subsequent Events (Note 25)		

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

**CAPITAL HEALTH  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2006  
(thousands of dollars)**

	2006		2005	
	Budget (Note 12)	Actual	Budget	Actual
<b>Revenue</b>				
Alberta Health and Wellness contributions (Note 13)	\$ 2,077,205	\$ 2,051,710	\$ 1,858,329	\$ 1,858,329
Other government contributions (Note 14)	36,527	40,630	38,496	38,496
Fees and charges (Note 15)	160,583	173,211	156,216	156,216
Ancillary operations, net (Note 16)	6,001	6,002	6,258	6,258
Research and education	32,000	55,207	40,946	40,946
Investment and other income (Note 17)	57,209	56,897	55,138	55,138
Amortization of external capital contributions (Note 9)	15,500	55,971	-	71,386
<b>TOTAL REVENUE</b>	<b>2,405,525</b>	<b>2,449,368</b>	<b>2,226,799</b>	<b>2,226,799</b>
<b>Expense (Schedule 1)</b>				
Facility-based inpatient acute care services	674,483	668,877	619,686	619,686
Facility-based emergency and outpatient services	271,067	268,221	246,624	246,624
Facility-based continuing care services	225,557	221,113	216,930	216,930
Ambulance services	13,159	12,956	10,289	10,289
Community-based care	85,294	86,063	66,940	66,940
Home care	74,390	74,346	67,023	67,023
Diagnostic and therapeutic services	452,214	449,934	424,978	424,978
Promotion, prevention and protection services	78,695	74,454	71,432	71,432
Research and education	106,262	109,335	85,565	85,565
Administration (Note 18)	60,113	56,609	55,648	55,648
Information technology	42,249	43,728	62,788	62,788
Support services (Note 19)	304,963	306,257	278,791	278,791
Amortization of facilities and improvements	34,049	35,010	31,828	31,828
<b>TOTAL EXPENSE</b>	<b>2,432,925</b>	<b>2,402,903</b>	<b>2,218,484</b>	<b>2,218,484</b>
<b>Excess (deficiency) of revenue over expense</b>	<b>\$ (27,400)</b>	<b>\$ 46,465</b>	<b>\$ 8,315</b>	<b>\$ 8,315</b>

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

**CAPITAL HEALTH  
CONSOLIDATED  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2006**  
(thousands of dollars)

	2006		2005	
	Accumulated Surplus (Note 10)	Investment in Capital Assets	Total	Total
Accumulated Surplus				
Unrestricted	\$ -			
Internally restricted funds for designated purposes	6,605			
Balance at beginning of year	6,605	\$ 74,722	\$ 81,327	\$ 69,111
Excess of revenue over expense	46,165	-	46,165	8,285
Capital assets purchased with internal funds	(83,444)	63,444	-	-
Amortization on internally funded assets	42,382	(42,382)	-	-
Transfer for internally funded capital assets	(241)	241	-	-
Repayment of long-term debt used to fund capital assets	(26,097)	26,097	-	-
Other	-	-	-	3,931
Life lease deposits received	835	(835)	-	-
Balance at end of year	\$ 6,225	\$ 821,267	\$ 127,692	\$ 81,327

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

**CAPITAL HEALTH  
CONSOLIDATED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2006**  
(thousands of dollars)

	2006		2005
	Budget	Actual	Actual
<b>Operating activities:</b>			
Excess (deficiency) of revenue over expense	\$ (17,400)	\$ 46,165	\$ 8,285
Non-cash transactions:			
Amortization of capital equipment - internally funded	39,000	33,148	37,988
Amortization of capital equipment - externally funded	21,451	25,279	38,176
Amortization of facilities and improvements	34,049	26,796	31,403
Amortization of long-term care partnership non-current loans (Note 4)	1,500	1,234	834
Amortization of external capital contributions (Note 9)	(35,500)	(35,482)	(71,467)
Amortization of long-term care partnership deferred contributions (Note 4)	(1,500)	(1,234)	(834)
Net loss on disposal of capital assets	-	3,041	14,284
Gain on disposal of investments	-	(4,181)	(2,305)
Change in non-cash working capital accounts	3,624	(9,295)	(16,971)
Cash generated by operations	52,224	75,271	40,378
<b>Investing activities:</b>			
Purchase of investments	(100,800)	(97,711)	(56,128)
Purchase of capital assets:			
Internally funded	(60,826)	(63,444)	(41,191)
Externally funded (Note 9)			
Equipment	(42,570)	(38,045)	(43,733)
Facilities and improvements	(110,000)	(114,796)	(74,996)
Proceeds on sale of investments	100,000	97,819	56,186
Long-term care partnership projects (Note 4)	-	(7,139)	(11,488)
Allocation to cash internally restricted for life lease	-	(241)	(250)
Allocations to non-current cash	50,679	(9,618)	(265,112)
Cash used for investing activities	(182,721)	(232,795)	(436,710)
<b>Financing activities:</b>			
Deferred contributions	-	310	125
Capital contributions (Note 7)	361,974	523,781	411,225
Long-term care partnership projects (Note 4)	-	22	54
Change in contributions receivable	-	(252,049)	(10,033)
Transfer for boundary realignment	-	-	3,931
Principal payments on long-term debt	(907)	(26,666)	(766)
Proceeds from long-term debt	-	-	19,000
Life lease deposits received (paid)	-	835	(748)
Cash generated from financing activities	361,067	347,053	432,798
Increase (decrease) in current cash and temporary investments	5,680	(10,471)	26,458
Cash and temporary investments at beginning of year	125,273	176,958	120,300
Cash and temporary investments at end of year	\$ 178,953	\$ 166,487	\$ 176,958

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

**CAPITAL HEALTH**  
**NOTES TO THE CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**Note 1 Authority, Purpose and Operations**

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

On May 26, 2003 under a Ministerial Order, the Health Authority was named Capital Health. Capital Health 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.

Capital Health's geographic boundaries include the cities of Edmonton, Fort Saskatchewan, Leduc, Spruce Grove and St. Albert; the communities of Devon, Stony Plain, Sherwood Park, Evansburg, Morinville and Redwater; and the counties of Leduc, Parkland, Strathcona, Sturgeon and the eastern part of Yellowhead county.

Capital Health 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.

Capital Health operations include the following:

- a) **Acute Care Hospitals, Community Hospitals and Health Centres**
  - 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
  - Devon General Hospital
  - Alberta Hospital Edmonton
  - Fort Saskatchewan Health Centre
  - Redwater Health Centre
  - Westview Health Centre

**Note 1 Authority, Purpose and Operations (continued)**

- b) **Innovative Primary Health Facilities**
  - Northeast Community Health Centre
  - Health First Strathcona Primary Care Centre
  - Eastwood Primary Health Care Centre
- c) **Continuing Care Facilities**
  - Capital Care Group Inc. (wholly owned subsidiary of Capital Health):
    - Dickinsfield, Grandview, Norwood, Lynnwood, Kipness Centre for Veterans, Strathcona Care Centre, McConnell Care Centres, Laurier Houses, and Strathcona Alzheimer Care Centre
    - Aspen House
    - Edmonton General Hospital (operated by the Caritas Health Group)
    - Private and Voluntary Continuing Care Providers:
      - 16 providers under contract operating at 30 sites
      - Supportive Living – Private and Voluntary Operators
        - 19 designated assisted living sites
        - 92 support homes
- d) **Home Care** - contracts with 15 agencies, 38 seniors residences/ lodges and 305 self managed care contracts with individuals/guardians
- e) **Public Health Clinics** - 22 sites
- f) **Public Health Speciality Clinics** - 5 sites and 4 school health 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 66 sites under contract and 4 public sites and 16 other contract rehabilitation providers (audiology, respiratory therapy, etc.)
- l) **Community Organizations** - 121 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 Schedule 4.

Note 2 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 26 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 20). The entities consolidated are Capital Health and its wholly owned subsidiary, Capital Care Group Inc.

In addition, Capital Health 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 Capital Health'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, by definition unrestricted means no designation.
  - (ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year proportional to the related expenses incurred. Unspent contributions are recorded as deferred contributions.
  - (iii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Basis of Presentation (continued)

- (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

Capital Health 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 are recorded as fees and charges of Capital Health. An equivalent amount is recorded as contracted health service operator expense of Capital Health.
- (ii) Payments from Alberta Health and Wellness directly to contracted health service operators for health programs are recorded as revenue. An equivalent amount is recorded as program expenses as these payments represent part of the cost of Capital Health's health programs.
- (iii) The fair value for use of acute care facilities not owned by Capital Health is recorded as revenue from other government contributions and as program expense, since contract payments from Capital Health do not include an amount for use of these facilities.
- (iv) The fair value for use of non-acute care facilities not owned by Capital Health and provided to Capital Health 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 Capital Health 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits

(i) Pension Obligation

Capital Health and its eligible employees participate in the Local Authorities Pension Plan. This is a multi-employer defined benefit pension plan that provides pensions for Capital Health'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 Capital Health 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. Capital Health does not record its portion of the pension plan's deficit or surplus.

Capital Health has a supplementary defined benefit plan for certain management staff. Capital Health's benefit obligations are based on the projected benefit method prorated on services valuation that includes employee service to date and present compensation levels as well as a projection of salaries and service to retirement. No cash payments are made to staff relating to this plan until their retirement. All actuarial gains and losses are recognized as expense in the year incurred.

(ii) Other Future Benefits

Capital Health 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 are entitled to collect pay in an amount equivalent to twenty-five percent (25%) of any unexpended sick leave credits.

Capital Health 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.

Capital Health fully accrues its obligations for employee non-pension future benefits.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Short-term investments are recorded at lower of cost and market value. Non-current investments are recorded at cost. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal. Where there has been a loss in the value of an investment other than a temporary decline, the investment is written down to recognize the loss. The value after write-down 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 3.

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 approximates its fair value.

(f) Inventories

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

(g) Capital Assets

Capital assets and construction projects in progress are recorded at cost. Capital assets costing less than five thousand dollars 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.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets (continued)

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

(h) Asset Retirement Obligation

Capital Health recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. Capital Health concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

(i) Trust Funds Received by Capital Health

Capital Health received trust funds from Alberta Infrastructure that are to be paid to operators of non-owned facilities for capital purposes or facility repairs. In addition, Capital Health administers funds received in trust from Alberta Health and Wellness for specific projects. These amounts are not reflected in the financial statements but are disclosed in Note 23.

(j) 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.

Capital Health 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.

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Note 3 Cash and Temporary Investments

	2006		2005	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Cash	\$ 513,627	\$ 513,627	\$ 530,998	\$ 530,998
Money market securities	11,828	11,497	10,394	10,297
Bonds	91,227	94,027	76,894	80,822
Equities	33,576	46,322	28,752	37,541
Total	<u>\$ 650,258</u>	<u>\$ 665,473</u>	<u>\$ 647,038</u>	<u>\$ 659,658</u>
Classified as:				
Current	\$ 166,487		\$ 176,958	
Non-current	<u>483,771</u>		<u>470,080</u>	
	<u>\$ 650,258</u>		<u>\$ 647,038</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 the 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 March 2008 to June 2033. Bond yields to maturity range from 3.6% to 6.7% as at March 31, 2006 (March 31, 2005 – 3.5% to 5.4%). The weighted average term to maturity is 8.9 years.

Fixed-income securities, such as bonds, have an average effective yield of 3.2% per annum based on the market for securities maturing within a year, 4.2% per annum for securities maturing between 1 and 3 years, 4.3% per annum for securities maturing between 3 and 5 years, 4.5% per annum for securities maturing between 5 and 7 years, 4.6% per annum for securities maturing between 7 and 10 years and 4.5% per annum for securities maturing over 10 years.

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Note 3 Cash and Temporary Investments (continued)

(b) (continued)

As at March 31, 2006 the securities have the following term structure based on market.

	%
Under 1 Year	1.1
1 to 5 years	24.3
5 to 10 years	56.6
Over 10 years	18.0
	<u>100.0</u>

The carrying value of certain investments is in excess of fair market value at March 31, 2006. The carrying value of equities has been reduced by an amount 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. Based on a review any decline in carrying value of equities not written down is deemed to be temporary.

(c) Equities are comprised of publicly traded equities in Canadian and United States resident corporations.

(d) Non-current cash and investments held relate to the following:

	2006	2005
	(thousands of dollars)	
Funds committed for long-term care partnership projects (Note 4)	\$ 48,282	\$ 49,494
Non-current loan - long-term care partnership projects (Note 4)	(44,731)	(38,806)
Contributions externally restricted for operating purposes	3,290	3,180
Contributions externally restricted for capital purposes (Note 7)	833,987	460,647
Contributions receivable	(363,282)	(10,233)
Internally restricted funds (Note 10)	6,225	6,605
Current portion of long-term debt (Note 6)	-	(807)
	<u>\$ 483,771</u>	<u>\$ 470,080</u>

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Note 4 Long-term Care Partnership Projects

Capital Health uses the Forgivable Mortgage Model for reporting the receipt and advancement of funds for long-term care partnership projects. The Provincial Government supports partnerships between Capital Health and private, public or voluntary organizations by providing a one-time, up-front capital grant to Capital Health. These funds are recorded as deferred contributions - long-term care partnership projects; except for funds used by Capital Care Group Inc. to construct the Strathcona Care Centre and Ripnes Centre for Veterans which are accounted for as deferred capital contributions. Capital Health 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. Capital Health does not accrue interest on the loan as Capital Health 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).

Capital Health amortizes loans - long-term care partnership projects to facility-based continuing care services and recognizes an equal amount of revenue as other government contributions through the amortization of deferred contributions long-term care partnership projects.

a) Loans - Long-term care partnership projects

	2006	2005
	(thousands of dollars)	
Balance at beginning of year	\$ 38,806	\$ 28,192
Funds advanced for construction of facilities	7,159	11,468
Amount recognized as facility-based continuing care services expense	(1,234)	(854)
Balance at end of year	<u>\$ 44,731</u>	<u>\$ 38,806</u>

b) Deferred contributions - long-term care partnership projects

	2006	2005
	(thousands of dollars)	
Balance at beginning of year	\$ 49,494	\$ 50,294
Net interest earned	22	54
Amount recognized as other government contribution revenue (Note 14)	(1,234)	(854)
Balance at end of year	<u>\$ 48,282</u>	<u>\$ 49,494</u>

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Note 5 Capital Assets

	Cost (thousands of dollars)				
	Opening Balance	Transfers from	Additions	Disposals	Closing Balance
	April, 2005	Work in Progress			March 31, 2006
Buildings	\$ 1,035,792	\$ 10,319	\$ 57,327	\$ (1,167)	\$ 1,102,071
Parking lots	48,878	-	1,956	-	50,834
Land and improvements	13,215	1,192	1,508	-	15,915
Furniture and equipment	437,904	-	77,390	(15,466)	499,828
Equipment under capital lease	9,532	-	-	-	9,532
Leasehold improvements	11,325	-	-	-	11,325
Projects in progress <sup>(1)</sup>	76,007	(11,511)	77,904	-	142,400
Intangible asset - leases	8,552	-	-	-	8,552
	<u>\$ 1,641,205</u>	<u>\$ -</u>	<u>\$ 215,885</u>	<u>\$ (16,633)</u>	<u>\$ 1,840,457</u>

  

	Accumulated Amortization (thousands of dollars)					Net Book Value 2006	Net Book Value 2005
	Opening Balance	Current year	Closing	Net			
	April, 2005	amortization	Balance	Book Value	Book Value		
			March 31, 2006	2006	2005		
Buildings	\$ 365,053	\$ 31,707	\$ (235)	\$ 396,525	\$ 705,546	\$ 670,739	
Parking lots	25,830	1,907	-	27,737	23,097	23,048	
Land and improvements	3,837	239	-	4,076	11,839	9,378	
Furniture and equipment	347,142	58,425	(13,357)	392,210	107,618	99,762	
Equipment under capital lease	9,532	-	-	9,532	-	-	
Leasehold improvements	5,863	772	-	6,635	4,690	5,462	
Projects in progress <sup>(1)</sup>	-	-	-	-	142,400	75,007	
Intangible asset - leases	1,920	1,773	-	3,693	4,899	6,632	
	<u>\$ 799,177</u>	<u>\$ 94,823</u>	<u>\$ (13,357)</u>	<u>\$ 840,498</u>	<u>\$ 1,000,049</u>	<u>\$ 882,028</u>	

<sup>(1)</sup> Projects in progress include the Masariowski Alberta Heart Institute, North Treatment Centre, Royal Alexandra Hospital redevelopment, other major capital upgrades and information technology projects under development.

Note 5 Capital Assets (continued)

(a) Land

Land at the following sites has been leased to Capital Health at nominal values:

Site	Leased From	Lease Period
Royal Alexandra Hospital	City of Edmonton	In negotiation
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

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

	2006	2005
	(thousands of dollars)	
Externally funded (unamortized external capital contributions) (Note 9)	\$ 865,699	\$ 768,740
Internally funded (investment in capital assets)	121,267	74,722
Financed through:		
Long-term debt (Note 6)	-	26,666
Life lease deposits (Note 8)	14,599	13,744
Cash internally restricted for life lease	(1,516)	(1,275)
Other	-	(569)
	<u>\$ 1,000,049</u>	<u>\$ 882,028</u>

(c) Asset Retirement Obligation

Capital Health has recorded a liability for asset retirement obligation of \$9,037,000 (2004/05 - Nil). The asset retirement obligation represents the legal obligation associated with the eventual disposition of three Capital Health buildings. \$3,691,000 related to asset retirement obligation is included in amortization expense at March 31, 2006.

Interest (accretion) of \$746 was recorded on the asset retirement obligation.

Note 6 Long-term Debt

	2006	2005
	(thousands of dollars)	
Debentures	\$ -	\$ 26,666
Less: current portion	-	807
Long-term portion	<u>\$ -</u>	<u>\$ 25,859</u>

Alberta Capital Finance Authority debentures with maturity dates of October 1, 2018 and March 23, 2029 were repaid in the current year.

Note 7 Deferred Capital Contributions

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

	2006	2005
	(thousands of dollars)	
<b>Amounts received:</b>		
Restricted Alberta Health and Wellness contributions	\$ 119,157	\$ 90,295
Restricted other government contributions	382,051	279,588
Interest on externally restricted contributions	289	310
Donations restricted for capital purposes	5,511	28,419
Other	18,773	12,614
	<u>525,781</u>	<u>411,226</u>
Transferred to unamortized external capital contributions (Note 9)	<u>(152,441)</u>	<u>(118,749)</u>
Change during the year	373,340	292,477
Balance at beginning of year	<u>460,647</u>	<u>168,170</u>
Balance at end of year	<u>\$ 833,987</u>	<u>\$ 460,647</u>

Balance at the end of the year is restricted for equipment, construction projects, facility upgrades and information technology projects.

Note 8 Life Lease Deposits

Funding for the Laurier House facilities, a project for long-term care residents, is provided by the tenants with a non-interest bearing repayment deposit, for the right to occupy the unit they are leasing. When the life lease agreement is terminated, which may be by death of the tenant 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 9 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.

	2006	2005
	(thousands of dollars)	
Balance at beginning of year	\$ 768,740	\$ 721,458
Add amounts transferred from deferred capital contributions (Note 7)	152,441	118,749
Less amounts recognized as revenue:		
Ancillary operations (Note 16)	(111)	(81)
Amortization of external capital contributions - equipment	(26,864)	(45,699)
Amortization of external capital contributions - buildings	<u>(28,507)</u>	<u>(25,687)</u>
Balance at end of year	<u>\$ 865,699</u>	<u>\$ 768,740</u>

Note 10 Accumulated Surplus

Capital Health's accumulated surplus comprises the following:

	2006	2005
	(thousands of dollars)	
Unrestricted net assets	\$ -	\$ -
Internally restricted funds:		
Amounts appropriated for capital commitments and Information Systems projects	4,293	1,714
Debt repayment	-	807
Northern Alberta Clinical Trials Research Centre	1,932	1,807
Amounts appropriated for health innovation projects	-	1,333
Maintenance and other reserves for continuing care facilities	-	944
	<u>6,225</u>	<u>6,605</u>
Balance at end of year	<u>\$ 6,225</u>	<u>\$ 6,605</u>

Note 11 Commitments

Capital Health is committed to operating lease payments in future years as follows:

	(thousands of dollars)	
For the year ending March 31,		
2007	3,200	
2008	2,277	
2009	1,094	
2010	676	
2011	465	
and thereafter	<u>71</u>	
	<u>\$ 7,783</u>	

The leases expire at various dates from 2006 to 2021.

Capital Health has outstanding commitments for capital equipment purchases of \$25,402,000 commitments for information technology projects of \$10,234,000, and capital project commitments of \$215,921,000.

Capital Health 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 (Schedule 4). Capital Health has contracted for services in the year ending March 31, 2007 similar to those provided by these operators in 2006.

Capital Health has a contingent liability in respect of a claim concerning the methodology used to calculate pension benefit payments under LAPP. The claim has been filed jointly and severally against the Province of Alberta and the employers participating in LAPP. The claim specified an amount of \$1,250,000,000. The outcome of the claim is not determinable.

Capital Health has been named as a defendant in a legal action in respect of increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The amount of the claim is in excess of \$150 million based on the amount of the increase in accommodation charges levied, which came into effect August 1, 2004. The outcome of the claim is not determinable.

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

Note 12 Budget

	Approved Budget <sup>(1)</sup>	Adjustments <sup>(2)</sup>	Adjusted Budget
	(thousands of dollars)		
<b>Revenue</b>			
Alberta Health and Wellness contributions	\$ 2,057,205	\$ -	\$ 2,057,205
Other government contributions	36,527	-	36,527
Fees and charges	147,083	13,500	160,583
Auxiliary operations, net	4,301	1,500	6,001
Research and education	32,000	-	32,000
Investment and other income	57,709	-	57,709
Amortization of external capital contributions	70,500	(15,000)	55,500
	<u>2,405,325</u>	<u>-</u>	<u>2,405,325</u>
<b>Expense</b>			
Facility-based inpatient acute services	729,483	(55,000)	674,483
Facility-based emergency and outpatient services	254,097	17,000	271,097
Facility-based continuing care services	240,557	(15,000)	225,557
Ambulance services	10,559	3,000	13,559
Community-based care	46,294	39,000	85,294
Home care	104,390	(30,000)	74,390
Diagnostic and therapeutic services	451,214	1,000	452,214
Promotion, prevention and protection services	58,695	20,000	78,695
Research and education	88,262	18,000	106,262
Administration	55,113	5,000	60,113
Information technology	60,249	(18,000)	42,249
Support services	295,963	15,000	304,963
Amortization of facilities and improvements	34,049	-	34,049
	<u>2,422,925</u>	<u>-</u>	<u>2,422,925</u>
Excess of expense over revenue	<u>\$ (17,400)</u>	<u>\$ -</u>	<u>\$ (17,400)</u>

- (1) The Capital Health Board approved the budget on May 25, 2005.  
 (2) Adjustments to expense budget amounts represent reallocation between expense categories to more closely reflect classification of expenses in 2006.

Note 13 Alberta Health and Wellness Contributions

	2006	2005
	(thousands of dollars)	
Unrestricted funding	\$ 1,962,354	\$ 1,766,478
Transfers from deferred contributions	87,891	84,220
<b>Alberta Health and Wellness payments to contract operators:</b>		
Legacy Mortgage Assistance Program for nursing home upgrades	1,465	1,486
Capital debt retirement program	-	6,145
	<u>\$ 2,051,710</u>	<u>\$ 1,858,329</u>

Note 14 Other Government Contributions

	2006	2005
	(thousands of dollars)	
Alberta Infrastructure	\$ 1,120	\$ 1,217
Alberta Mental Health Board Forensic Psychiatry	19,844	18,165
Alberta Mental Health Board	1,682	721
School health initiatives	5,249	5,658
Federal government projects	360	178
Community Lottery Boards	-	30
AADAC smoking cessation	166	180
Fair value of rent less rent charges for non- acute care facilities used by Capital Health (Schedule 4)	10,107	10,149
Fair value of use of non-owned acute care facilities (Schedule 4)	17	335
Amortization of long-term care partnership deferred contribution (Note 4)	1,234	854
Other	831	1,009
	<u>\$ 40,610</u>	<u>\$ 38,406</u>

Note 15 Fees and Charges

	Inpatient Resident		Outpatient	
	2006	2005	2006	2005
	(thousands of dollars)		(thousands of dollars)	
<b>Acute Care</b>				
Out-of-province	\$ 59,980	\$ 50,977	\$ 6,318	\$ 5,221
Out-of-country base amount	252	164	196	158
Out-of-country surcharge	321	209	246	199
WCB standard charges	13,247	9,385	7,421	6,532
Federal	1,711	1,531	859	797
Uninsured residents self pay	861	504	279	179
Preferred accommodation	1,744	1,947	-	-
Continuing care standard ward	553	337	-	-
Continuing care semi-private	65	60	-	-
Continuing care private	-	8	-	-
	<u>78,734</u>	<u>65,122</u>	<u>15,319</u>	<u>13,686</u>
<b>Continuing Care</b>				
Continuing care standard ward	8,451	5,472	-	-
Continuing care semi-private	34,733	41,190	-	-
Continuing care private	32,435	28,165	-	-
Day programs	737	619	-	-
WCB standard charges	82	64	-	-
	<u>76,438</u>	<u>75,510</u>	<u>-</u>	<u>-</u>
<b>Home Care</b>				
Other	140	80	-	-
	<u>140</u>	<u>80</u>	<u>-</u>	<u>-</u>
<b>Public Health</b>				
Other	2,680	2,341	-	77
<b>Total</b>	<u>\$ 157,992</u>	<u>\$ 143,053</u>	<u>\$ 15,319</u>	<u>\$ 13,163</u>
Inpatient Resident	157,992	143,053		
Outpatient	15,319	13,163		
	<u>\$ 173,311</u>	<u>\$ 156,216</u>		

Note 16 Ancillary Operations

	2006				2005
	(thousands of dollars)				
	Non-Patient Services Operations	Food Services Operations	Other Operations	Parking Operations	Total
<b>Revenue:</b>					
Revenue	\$ 12,505	\$ 22,282	\$ 10,900	\$ 45,687	\$ 43,102
Amortization of external capital contributions	35	48	38	111	81
	<u>12,540</u>	<u>22,330</u>	<u>10,938</u>	<u>45,798</u>	<u>43,183</u>
<b>Expense:</b>					
Other expenses	11,048	21,449	5,282	33,379	33,394
Amortization of capital assets	35	48	1,034	2,617	1,621
	<u>11,083</u>	<u>21,497</u>	<u>7,216</u>	<u>36,796</u>	<u>36,925</u>
Excess of revenue over direct expense 2006	<u>\$ 1,457</u>	<u>\$ 833</u>	<u>\$ 3,712</u>	<u>\$ 6,002</u>	<u>\$ 6,258</u>
Excess (deficiency) of revenue over direct expense 2005	<u>\$ 1,348</u>	<u>\$ 1,352</u>	<u>\$ 3,558</u>	<u>\$ 6,298</u>	

Note 17 Investment and Other Income

	2006	2005
	(thousands of dollars)	
Investment income	\$ 23,362	\$ 15,142
Other contributions	17,093	16,539
Northern Alberta Clinical Trials Centre	1,162	981
Sales and recoveries	25,240	22,476
	<u>\$ 66,857</u>	<u>\$ 55,138</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 18 Administration

	2006	2005
	(thousands of dollars)	
General administration	\$ 16,359	\$ 15,866
Human resources	12,953	12,668
Financial services	10,618	10,256
Insurance	3,177	3,863
Administration - contract operators (Schedule 4)	13,502	12,995
	<u>\$ 56,609</u>	<u>\$ 55,648</u>

Note 19 Support Services

	2006	2005
	(thousands of dollars)	
Building maintenance, operations, security and utility	\$ 82,426	\$ 68,748
Patient food services	32,412	29,282
Materials management	25,208	23,327
Housekeeping	25,375	24,070
Patient registration and health records	20,362	17,607
Clinical engineering	7,029	6,795
Communications	4,117	4,415
Education	3,375	2,545
Patient transportation	629	873
Other services	2,114	2,126
Support services - contract operators (Schedule 4)	103,270	99,003
	<u>\$ 306,257</u>	<u>\$ 278,791</u>

Note 20 Related Parties

(a) Provincial Government

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

Capital Health is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints the Board members. Capital Health 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 Capital Health and the Province are disclosed in the Consolidated Statement of Operations, Schedule 3, and notes 7, 13 and 14 to the consolidated financial statements.

(b) Health Authorities and Other Related Parties

Capital Health shares a common relationship with other Health Authorities through its relationship with the Province of Alberta. Transactions between Capital Health and other Health Authorities are reported in the consolidated financial statements.

Capital Health had the following transactions with other related parties recorded in the Statement of Financial Position and Statement of Operations at the amounts agreed upon by the parties:

	(in thousands)			
	Receivable from:		Payable to:	
	2006	2005	2006	2005
Post-secondary institutions	\$ -	\$ 919	\$ 2,745	\$ 3,057
School boards	-	-	16	34
Health related boards	563	44	-	1
Other health authorities	879	707	895	35
	<u>\$ 1,442</u>	<u>\$ 1,670</u>	<u>\$ 3,656</u>	<u>\$ 3,127</u>

	(in thousands)			
	Revenue		Expenses	
	2006	2005	2006	2005
Post-secondary institutions	\$ -	\$ 4,831	\$ 48,801	\$ 37,891
School boards	5,351	-	1,504	1,217
Health related boards	23,208	28,198	76	56
Other health authorities	4,173	3,683	1,819	892
	<u>\$ 32,832</u>	<u>\$ 26,712</u>	<u>\$ 52,200</u>	<u>\$ 40,056</u>

Note 20 Related Parties (continued)

(c) Foundations

Capital Health has an economic interest in the following foundations:

	Contributions Received <sup>(1)</sup>		Resources Held by Foundations		
	2006	2005	2006		
			Endowments & Externally Restricted	Internally Restricted	Unrestricted
	2006	2005	(thousands of dollars)		
University Hospital Foundation	\$ 9,058	\$ 3,434	\$ 32,147	\$ 8,280	\$ 6,046
Royal Alexandra Hospital Foundation	1,318	1,376	11,236	1,200	329
Stollery-Children's Hospital Foundation	5,465	4,228	2,515	7,099	-
Capital Care Foundation	2,745	690	9	1,079	244
Black Gold Health Foundation	165	115	213	83	-
Glenrose Foundation	448	365	646	190	1,684
Sturgeon Community Hospital Foundation	405	253	231	352	718
Council of Foundations	120	60	-	650	-
Alberta Hospital Edmonton Foundation	-	-	-	-	-
Tri Community Health & Wellness Foundation (Stony Plain)	-	3	33	8	32
Devon Hospital Foundation	-	-	-	-	211
	<u>\$ 19,722</u>	<u>\$ 12,254</u>	<u>\$ 47,561</u>	<u>\$ 18,941</u>	<u>\$ 9,314</u>

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

Note 20 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)	
	2006	2005	2006	2005
	(thousands of dollars)			
University Hospital Foundation	\$ -	\$ -	\$ -	\$ -
Royal Alexandra Hospital Foundation	-	-	-	140
Stollery-Children's Hospital Foundation	-	-	3,531	3,290
Capital Care Foundation	108	129	-	-
Black Gold Health Foundation	25	-	(4)	-
Glenrose Foundation	75	150	4	416
Sturgeon Community Hospital Foundation	-	-	106	11
Council of Foundations	-	-	-	-
Alberta Hospital Edmonton Foundation	-	-	-	-
Tri Community Health & Wellness Foundation (Stony Plain)	-	-	-	-
Devon Hospital Foundation	-	-	-	(7)
	<u>\$ 208</u>	<u>\$ 279</u>	<u>\$ 4,037</u>	<u>\$ 3,846</u>

(d) Other Voluntary Organizations

Capital Health has an economic interest in the following organizations affiliated with the hospitals:

	Contributions Received		Resources Held by Organizations		
	2006	2005	2006		
			Endowments & Externally Restricted	Internally Restricted	Unrestricted
	2006	2005	(thousands of dollars)		
The Friends of University Hospital	\$ 110	\$ 210	\$ 148	\$ 635	\$ 182
Royal Alexandra Hospital Women's Auxiliary	-	-	-	-	-
Sturgeon Healthcare Auxiliary Volunteer Association	-	210	-	-	-
Glenrose Rehabilitation Hospital Women's Auxiliary	-	-	-	-	-
Stony Plain and District Health Centre Auxiliary	-	-	-	-	-
	<u>\$ 110</u>	<u>\$ 420</u>	<u>\$ 148</u>	<u>\$ 635</u>	<u>\$ 182</u>



Note 21 Province Wide Services

Alberta Health and Wellness contributions include funding for Province-wide services, which are a range of complex, high technology and high cost medical services available to Albertans. Funding and cost information included in revenue and expenses are as follows:

	2006 (In thousands)			
	Funding	Costs	Variance \$	%
Inpatient	\$ 146,248	\$ 143,930	\$ 2,318	1.6
Clinics & Home Services	82,113	85,870	(3,757)	(4.4)
High Cost Drugs and Devices	32,840	32,524	316	1.0
One time unallocated funding (where applicable)	4,500	-	4,500	100.0
Subtotal	\$ 265,701	\$ 262,324	\$ 3,377	1.3
Amortized external capital contributions	3,966	-	3,966	
Total	\$ 269,667	\$ 262,324	\$ 7,343	2.7

\*These amounts exclude the \$2 million equipment funding and the estimated \$10.8 million of annual equipment replacement costs for Province Wide Services.

	2005 (In thousands)			
	Funding	Costs	Variance \$	%
Inpatient	\$ 138,147	\$ 137,749	\$ (6,602)	(5.0)
Clinics & Home Services	74,812	76,309	(1,497)	(2.0)
High Cost Drugs and Devices	25,619	28,636	(3,017)	(11.8)
One time unallocated funding (where applicable)	-	-	-	
Subtotal	\$ 238,578	\$ 242,694	\$ (11,116)	(4.8)
Amortized external capital contributions	4,168	-	4,168	
Total	\$ 235,746	\$ 242,694	\$ (6,948)	(2.9)

\*These amounts exclude the \$2 million equipment funding and the estimated \$10.7 million of annual equipment replacement costs for Province Wide Services.

- (1) Total funding includes amortization of related external capital contributions. Amortized external capital contributions represent the revenue associated with amortization expense of externally funded capital assets.
- (2) Inpatient, and clinics and home services include direct costs, allocation of overhead and internally funded and externally funded amortization of equipment.
- (3) Inpatient services consist of organ and bone marrow transplants, most heart surgeries, angioplasties, high-end trauma and burn cases, selected neurosurgery procedures, neonatology and selected oncology procedures.

(4) Clinics and home services represent actual costs for programs such as renal and peritoneal dialysis services, dialysis prevention program, pre and post transplant services, islet cell transplantation, home enteral nutritional therapy, medical genetic testing, COMPRU (osseointegration procedures), visudyne therapy, pediatric transport, HIV clinic, 1-800 AIDS Hotline and STD/TB clinics.

(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 defibrillators and cochlear implants.

Note 22 Surgical Services Contracts

Capital Health has entered into contracts with accredited surgical facilities pursuant to the *Health Care Protection Act* to provide health services. Information on the facilities, contract values and payments is as follows:

Entity	Services	Terms of Contract		Total Value of Contract	Total Expense	
		Start Date	End Date		2006	2005
(Amounts in dollars)						
Berry Lyda	Dermatology	1-Apr-05	31-Mar-06	\$ 43	\$ 36	\$ 43
Don Groat Professional Corporation	Dermatology	1-Apr-05	31-Mar-06	263	240	239
Alberta Eye Institute, Inc.	Ophthalmology	1-Apr-05	31-Mar-06	254	254	233
Baski Eye Centre and Surgical Suite	Ophthalmology	1-Apr-05	31-Mar-06	-	-	3
Concession Day Surgery Centre	Ophthalmology	1-Apr-05	31-Mar-06	76	76	38
David B. Clinechaga Professional Corporation	Ophthalmology	1-Apr-05	31-Mar-06	233	233	232
Dr. Carlo (R. Johnson Anesi)	Ophthalmology	1-Apr-05	31-Mar-06	-	-	28
Gimbel Eye Centre - Edmonton, Inc.	Ophthalmology	1-Apr-05	31-Mar-06	263	262	263
Royce L.C. Johnson Professional Corporation	Ophthalmology	1-Apr-05	31-Mar-06	227	221	112
Daniel Andrew Paul Gosses Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	309	81	73
E. Christopher Robinson Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	52	32	53
E. Wayne Tunis Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	55	51	44
Kevin E. Lung Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	106	96	109
Randall W. Kreutz Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	55	43	34
Semenjev Leth	Oral Surgery	1-Apr-05	31-Mar-06	18	19	-
Tamara K. Vaniska Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	33	33	28
Thomas R. Sarvason Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	33	25	54
Walter Dubrowski Professional Corporation	Oral Surgery	1-Apr-05	31-Mar-06	108	96	109
Concession Day Surgery Centre	Otolaryngology	1-Apr-05	31-Mar-06	136	123	112
Concession Day Surgery Centre	Plastic Surgery	1-Apr-05	31-Mar-06	22	8	9
Plastic & Cosmetic Laser Surgical Centre	Plastic Surgery	1-Apr-05	31-Mar-06	258	215	237
Baya 91 Limited - Morgentaler Clinic	Reproductive Health	1-Apr-05	31-Mar-06	1,829	1,920	1,322
				<u>\$ 4,230</u>	<u>\$ 4,036</u>	<u>\$ 3,332</u>

Note 23 Trust Funds

Capital Health 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 Capital Health received \$8,817,000 (2005 \$23,424,000) and disbursed \$11,908,000 (2005 \$9,451,000) for capital and facility repairs for non-owned facilities. The balance of funds held by Capital Health is \$14,509,000 (2005 \$17,600,000).

During the year Capital Health received from Alberta Health and Wellness \$45,000 for Management of Obstetrical Risk (MORE), \$770,000 for Genotyping for Hepatitis C Virus, \$1,075,000 for Provincial Perinatal Health Program under a Tripartite Partnership, \$425,000 for Provincial Laboratory HIV Hepatitis B funding, \$150,000 for Complex Invasive Therapies, \$160,000 for Western Canada Children's Health Network and \$38,000 for evaluations of Health LINK.

The balance of funds held by Capital Health for these projects at the end of 2005/06, including interest where applicable, was \$4,327,000 for Management of Obstetrical Risk (MORE), \$278,000 for Genotyping for Hepatitis C Virus, \$185,000 for Provincial Perinatal Health Program under a Tripartite Partnership, \$61,000 for Western Canada Children's Health Network and \$38,000 for evaluations of Health LINK.

The entire funding for Provincial Laboratory HIV Hepatitis B, and Complex Invasive Therapies funding have been expended.

Note 24 Pension Costs

Capital Health participates in the Local Authorities Pension Plan (LAPP), which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to Capital Health's annual contributions payable. In the current fiscal year employer contribution rates were increased from 7.4% to 7.8% for earnings up to the Year's Maximum Pensionable Earnings (YMPE) and from 10.1% to 10.6% for earnings above YMPE. The LAPP Board of Trustees cautions that depending on LAPP's return on investments over the next few years and other factors such as interest rates, retirement rates and other demographic cost changes, further rate increases could be necessary. At December 31, 2005 LAPP reported a deficit of \$863,558,000 (2004 deficit of \$1,288,924,000).

Capital Health has a supplementary defined benefit plan for certain management staff. There are no cash payments made to staff relating to this plan until their retirement. The plan is secured by a letter of credit from a financial institution. Actuarial valuations are completed annually. The obligation and pension expense can vary with changes in actuarial assumptions used to estimate the obligation. The actuarial valuation assumed a discount rate of 5.0% per annum (2005 = 5.9%). Accrued benefit liability \$5,023,000 (2005 = \$3,682,000) on supplementary defined benefit plan is equal to the accrued benefit obligation and included in benefits payable under current liability.

Note 24 Pension Costs (continued)

Pension plan expense comprises the following:

	2006	2005
	(thousands of dollars)	
Local Authorities Pension Plan	\$ 56,982	\$ 43,837
Supplementary defined benefit plan	583	477
	<u>\$ 57,565</u>	<u>\$ 44,314</u>

Note 25 Subsequent Events

Subsequent to the year ended March 31, 2006, Alberta Infrastructure and Transportation transferred ownership of the following facilities to Capital Health:

St. Joseph's Auxiliary Hospital, Grey Nuns Community Hospital and Misericordia Community Hospital. These transfers will be recorded at net book value provided by Alberta Infrastructure and Transportation.

Note 26 Comparative Figures

Certain March 31, 2005 figures on the Consolidated Statements have been restated to conform to the current year's presentation.

Note 27 Approval of Financial Statements

These financial statements have been approved by the Capital Health Board.

Schedule 1

**CAPITAL HEALTH**  
**CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT**  
**FOR YEAR ENDED MARCH 31, 2006**  
(thousands of dollars)

	2006		2005
	Budget	Actual	Actual
Salaries and benefits (Schedule 2)	\$ 1,118,496	\$ 1,114,672	\$ 1,030,733
Contracts with health service operators (Schedule 4)	661,178	662,635	595,023
Medical, consulting and other professional services	140,346	136,885	125,190
Medical and surgical supplies	106,767	105,908	89,875
Drugs and gases	85,503	85,420	74,052
Contracts under the Health Care Protection Act (Note 22)	4,579	4,036	3,332
Interest on long term debt	3,371	2,573	1,340
Other <sup>(1)</sup>	244,687	232,756	213,018
Amortization:			
Capital equipment - internally funded	39,000	33,148	37,988
Capital equipment - externally funded	21,451	25,279	39,171
Facilities and improvements	34,049	36,296	31,403
Net loss on disposal of capital assets	-	3,041	14,284
	<u>2,405,427</u>	<u>2,442,699</u>	<u>2,255,409</u>
Less amounts reported in ancillary operations (Note 16)	<u>(36,502)</u>	<u>(39,796)</u>	<u>(36,925)</u>
	<u>\$ 2,402,905</u>	<u>\$ 2,402,903</u>	<u>\$ 2,218,484</u>

<sup>(1)</sup> Significant amounts under "Other" include:

Office, general supplies and miscellaneous	\$ 48,600	\$ 46,327
Diagnostic and therapeutic supplies	26,591	23,585
Plant operations	30,255	30,566
Referred-out services	14,838	13,001
Equipment maintenance	16,660	15,740
Food supplies	19,155	17,066
Equipment (minor, construction, rental, and building/ground maintenance)	32,338	24,602
Transportation	16,118	12,575

**CAPITAL HEALTH**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
(thousands of dollars)

	2006						2005				
	Number of Individuals	Salaries and Honoraria	Benefits and Allowances	Sub-total Salaries, Benefits and Honoraria	Severance		Number of Individuals	Salaries, Benefits, Honoraria	Severance	Total	
					Number of Individuals	Amount					
<b>Board Compensation</b>											
Chairperson											
Wilkinson, Neil	1	\$ 79	\$ -	\$ 79	-	\$ -	1	\$ 69	\$ -	\$ 69	
<b>Board Members</b>											
Members at March 31, 2005											
Blumenthal, Leonard	1	26	-	26	-	-	1	23	-	23	
Burch, Bill	1	14	-	14	-	-	1	11	-	11	
Butti, Olivia	1	28	-	28	-	-	1	19	-	19	
Crevoilin, Pierre	1	8	-	8	-	-	1	2	-	2	
Dennett, Jack	1	15	-	15	-	-	1	9	-	9	
Goss, Doug	1	4	-	4	-	-	1	3	-	3	
Hartwell, Vernon	1	5	-	5	-	-	-	-	-	-	
Kinsella, Wendy	1	18	-	18	-	-	1	13	-	13	
Plain, Margaret	1	22	-	22	-	-	1	15	-	15	
Polowick, Karen M.	1	22	-	22	-	-	1	18	-	18	
Ramsay, John C.	1	14	-	14	-	-	1	6	-	6	
Sewell, George	1	10	-	10	-	-	1	7	-	7	
Wade, Margaret	1	20	-	20	-	-	1	13	-	13	
Warring, Molly	1	24	-	24	-	-	1	16	-	16	
<b>Total honoraria</b>	<b>15</b>	<b>\$ 309</b>	<b>\$ -</b>	<b>\$ 309</b>	<b>-</b>	<b>\$ -</b>	<b>14</b>	<b>\$ 224</b>	<b>\$ -</b>	<b>\$ 224</b>	

**CAPITAL HEALTH**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
(thousands of dollars)

	2006						2005				
	Number of Individuals	Salaries and Honoraria	Benefits and Allowances	Sub-total Salaries, Benefits and Honoraria	Severance		Number of Individuals	Salaries, Benefits, Honoraria	Severance	Total	
					Number of Individuals	Amount					
						Total					
<b>Staff</b>											
Chief Executive Officer	1.00	\$ 601	\$ 20	\$ 621	-	\$ -	\$ 621	1.00	\$ 538	-	\$ 538
<b>Management persons reporting to the CEO:</b>											
<b>Vice Presidents, Operating Officers and Others</b>											
Senior Vice President Facilities Planning & Construction	1.00	312	20	332	-	-	332	1.00	321	-	321
Executive Vice President & Chief Operating Officer - Health Services	1.00	320	20	340	-	-	340	0.25	67	-	67
Vice President - Academic Affairs	1.00	216	-	216	-	-	216	1.00	199	-	199
Executive Vice President & Chief Financial Officer	1.00	390	20	410	-	-	410	1.00	385	-	385
Director - Government Affairs	1.00	158	19	177	-	-	177	1.00	153	-	153
Vice President - Human Resources	1.00	289	20	309	-	-	309	1.00	251	-	251
Vice President - Medical Affairs	1.00	357	20	377	-	-	377	1.00	374	-	374
Vice President - Public Affairs	1.00	200	18	218	-	-	218	1.00	200	-	200

**CAPITAL HEALTH**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
 (thousands of dollars)

	2006						2005				
	Number of Individuals	Salaries and Honoraria	Benefits and Allowances	Sub-total Salaries, Benefits and Honoraria	Severance		Number of Individuals	Salaries, Benefits, Honoraria	Severance	Total	
					Number of Individuals	Amount					Total
Other management person(s) reporting to those above (avg. 2006 \$98, avg. 2005 \$93) (excluding severance)	902	\$ 75,301	\$ 12,967	\$ 88,268	11	\$ 628	\$ 88,896	818	\$ 76,143	\$ 402	\$ 76,545
Medical doctors not included above (avg. 2006 \$195, avg. 2005 \$183) (excluding severance)	32	5,660	571	6,231	-	-	6,231	32	5,849	-	5,849
Regulated nurses not included above -RNs, Reg. Psych. Nurses, Grad Nurses (avg. 2006 \$90, avg. 2005 \$86) (excluding severance)	4,779	367,122	62,497	429,619	1	75	429,694	4,562	392,085	88	392,173
- LPNs (avg. 2006 \$55, avg. 2005 \$53) (excluding severance)	784	36,688	6,104	42,792	-	-	42,792	766	40,732	29	40,761
Other health technical and professionals (avg. 2006 \$83, avg. 2005 \$81) (excluding severance)	2,402	166,766	33,694	200,460	6	134	200,594	2,340	189,308	220	189,528
Unregulated health service providers (avg. 2006 \$45, avg. 2005 \$43) (excluding severance)	1,300	49,765	8,109	57,874	1	1	57,875	1,271	55,283	9	55,292
Other frontline staff (avg. 2006 \$90, avg. 2005 \$48) (excluding severance)	5,730	242,158	42,264	284,422	22	276	284,698	5,529	266,822	574	267,396
Supplemental Executive Retirement Plan <sup>(1)</sup>	-	-	583	583	-	-	583	-	477	-	477
<b>Capital Health Total</b>	<b>15,953.00</b>	<b>\$ 946,612</b>	<b>\$ 166,946</b>	<b>\$ 1,113,558</b>	<b>41</b>	<b>\$ 1,114</b>	<b>\$ 1,114,672</b>	<b>15,340.25</b>	<b>\$ 1,029,411</b>	<b>\$ 1,322</b>	<b>\$ 1,030,733</b>
Caritas Health Group Total	3,152.00										
<b>Total Capital Health and Caritas Health Group</b>	<b>19,105.00</b>										

**SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2006**

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 2,022.75 hours, except for named individuals.
- Total actual discrete number of individuals employed were 27,857 (2005 26,445)

2. Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.

3. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, unemployment insurance, workers compensation, car benefits and allowances, and tuition. The President & CEO is also provided with an automobile allowance.

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.

6. Other adjustments include non-cash increases in pension accruals. No cash payment has been made to any named staff during the year. These non-cash adjustments relate to accrued supplementary pension benefit obligation and consists of the following:

a) The Current Year Costs of the plan were:

	2006 <small>(thousands of dollars)</small>		2005	
	Service Costs	Service Costs	Service Costs	Service Costs
President & Chief Executive Officer	\$ 72	\$ 58		
Senior Vice President Facilities Planning & Construction	38	36		
Executive Vice President & Chief Operating Officer - Health Services	22	19		
Executive Vice President & Chief Financial Officer	34	31		
Director - Government Affairs	3	-		
Vice President - Human Resources	-	-		
Vice President - Public Affairs	13	12		
Other	64	59		
	<b>\$ 246</b>	<b>\$ 215</b>		

b) The annual amortized cost of the prior service liability and interest costs amounted to:

	2006		2005	
	Prior Service Costs	Interest Costs	Prior Service Costs	Interest Costs
President & Chief Executive Officer	\$ 43	\$ 57	\$ 28	\$ 60
Senior Vice President Facilities Planning & Construction	12	34	14	31
Executive Vice President & Chief Operating Officer - Health Services	30	(1)	5	8
Executive Vice President & Chief Financial Officer	35	8	7	17
Director - Government Affairs	2	1	5	-
Vice President - Human Resources	19	6	8	11
Vice President - Public Affairs	2	8	3	5
Other	28	53	16	44
	<b>\$ 171</b>	<b>\$ 166</b>	<b>\$ 86</b>	<b>\$ 176</b>



Schedule 3

**CAPITAL HEALTH**  
**CONSOLIDATED SCHEDULE OF DEFERRED OPERATING CONTRIBUTIONS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
 (thousands of dollars)

	Amounts received or receivable					Amounts recognized as revenue					Transfers				Closing Balance March 31, 2006
	Alberta Health and Wellness	Other government contributions	Foundations	Donors	Investments and other	Alberta Health and Wellness	Other government contributions	Foundations	Donors	Investments and other	Between projects/regions	To UECC	To Deferred Capital Contributions	Returned Funds	
Opening Balance April 1, 2005															
<b>Alberta Health and Wellness :</b>															
Unrestricted	\$ -	\$ 1,962,354	\$ -	\$ -	\$ -	\$ 1,962,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	52,172	270,848	-	-	-	87,891	-	-	-	-	(1,344)	-	(119,157)	(22)	64,606
Direct Alberta Health and Wellness funding to related parties	-	1,465	-	-	-	1,465	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>52,172</b>	<b>2,184,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,051,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,344)</b>	<b>-</b>	<b>(119,157)</b>	<b>(22)</b>	<b>64,606</b>
<b>Other contributors:</b>															
Other government contributions	2,053	-	27,766	-	-	-	27,301	-	-	-	-	-	-	-	2,518
Research & Education	56,278	11,350	-	883	59,431	8,136	-	-	817	44,489	-	-	(5,554)	-	68,746
Other contributions	9,377	-	-	112	18,661	-	-	64	46	16,983	-	-	-	-	11,059
<b>Total 2005/06</b>	<b>\$ 119,880</b>	<b>\$ 2,195,817</b>	<b>\$ 27,766</b>	<b>\$ 112</b>	<b>\$ 885</b>	<b>\$ 2,059,846</b>	<b>\$ 27,301</b>	<b>\$ 64</b>	<b>\$ 863</b>	<b>\$ 61,472</b>	<b>\$ (1,344)</b>	<b>\$ -</b>	<b>\$ (124,711)</b>	<b>\$ (22)</b>	<b>\$ 146,929</b>
				<b>2006</b>	<b>2005</b>										
Unspent amounts at year end are as follows:															
Current				\$ 146,929	\$ 119,880										
Non-current				3,290	3,180										
				<b>\$ 150,219</b>	<b>\$ 123,060</b>										



**CAPITAL HEALTH**  
**CONSOLIDATED SCHEDULE OF VOLUNTARY AND PRIVATE HEALTH SERVICE PROVIDERS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
 (thousands of dollars)

Voluntary and private facility name	Direct Region Funding	Direct Alberta Health and Wellness Funding	Approved Patient Fees and Charges	Full cost adjustments	Total Revenue	Facility-based inpatient acute services	Facility-based emergency and outpatient services	Facility-based continuing care services	Community based care	Home care	Diagnostic and therapeutic services	Promotion, prevention and protection services	Research and education	Administration	Support services	Total Expenditures
Allen Gray Auxiliary Hospital	\$ 6,416	\$ -	\$ 2,349	\$ 17	\$ 8,782	\$ -	\$ -	\$ 5,603	\$ 80	\$ -	\$ 750	\$ -	\$ -	\$ 176	\$ 2,173	\$ 8,782
Caritas Health Group	253,499	-	15,821	10,107	279,427	115,128	33,666	13,530	-	-	46,634	248	3,097	9,713	37,400	279,427
China Town	3,363	-	1,245	-	4,608	-	-	2,957	279	-	127	-	-	92	1,153	4,608
Central Park Lodge	13,061	-	5,392	-	18,453	-	-	12,410	149	-	1,062	-	-	357	4,475	18,453
Extensicare Canada Inc.	9,883	184	4,192	-	14,259	-	-	8,871	-	-	1,006	-	-	289	4,099	14,259
Good Samaritan Society	37,187	207	11,432	-	48,916	772	-	24,178	8,285	-	4,250	-	-	977	10,454	48,916
Hardisty Nursing Home	6,192	-	2,685	-	8,877	-	-	5,638	-	-	554	-	-	177	2,508	8,877
Qualicare Health Services Corp.	10,965	628	4,096	-	15,689	-	-	10,571	-	-	1,022	-	-	314	3,782	15,689
Salem Manor	3,683	54	1,634	-	5,371	-	-	3,332	-	-	396	-	-	108	1,535	5,371
Shepherd's Care Foundation	8,370	-	3,021	-	11,391	-	-	7,524	-	-	846	-	-	228	2,799	11,391
Sherwood Park Care Centre	3,887	-	1,588	-	5,475	-	-	3,438	-	-	440	-	-	109	1,488	5,475
St. Joseph's Auxiliary Hospital	10,290	-	3,260	-	13,550	-	-	8,789	272	-	1,412	-	-	267	2,830	13,550
St. Michael's Long Term Care Centre	6,665	-	2,448	-	9,113	530	-	5,057	362	-	717	-	-	182	2,265	9,113
Summit Care Corp. Ltd./Devonshire Care Centre	5,708	-	2,082	-	7,790	-	-	5,369	-	-	303	-	-	156	1,962	7,790
Vesta Nursing Home	5,092	237	2,155	-	7,484	-	-	4,911	-	-	418	-	-	149	2,006	7,484
Yoursville Nursing Home	6,747	65	2,419	-	9,231	-	-	5,994	-	-	803	-	-	185	2,249	9,231
Other DNU Providers	8,341	-	-	-	8,341	-	-	-	8,341	-	-	-	-	-	-	8,341
Personal care homes	9,377	-	-	-	9,377	-	-	-	9,377	-	-	-	-	-	-	9,377
Homecare providers	46,206	-	-	-	46,206	-	1	-	49	46,156	-	-	-	-	-	46,206
Physiotherapy providers	7,732	-	-	-	7,732	-	-	-	-	-	7,732	-	-	-	-	7,732
Mental health providers	8,202	-	-	-	8,202	-	-	-	8,202	-	-	-	-	-	-	8,202
Non-hospital surgical facilities	5,679	-	-	-	5,679	-	5,679	-	-	-	-	-	-	-	-	5,679
Other	108,682	-	-	-	108,682	1,323	683	3,352	1,485	-	81,440	4,603	15,660	21	115	108,682
<b>Total 2005/06</b>	<b>\$ 585,227</b>	<b>\$ 1,465</b>	<b>\$ 65,819</b>	<b>\$ 10,124</b>	<b>\$ 662,635</b>	<b>\$ 117,753</b>	<b>\$ 40,020</b>	<b>\$ 131,524</b>	<b>\$ 36,881</b>	<b>\$ 46,156</b>	<b>\$ 149,912</b>	<b>\$ 4,851</b>	<b>\$ 18,737</b>	<b>\$ 13,502</b>	<b>\$ 103,270</b>	<b>\$ 662,635</b>
<b>Total 2004/05</b>	<b>\$ 513,041</b>	<b>\$ 7,631</b>	<b>\$ 63,867</b>	<b>\$ 10,484</b>	<b>\$ 595,023</b>	<b>\$ 103,197</b>	<b>\$ 36,102</b>	<b>\$ 128,931</b>	<b>\$ 4,949</b>	<b>\$ 63,444</b>	<b>\$ 143,235</b>	<b>\$ 222</b>	<b>\$ 2,945</b>	<b>\$ 12,995</b>	<b>\$ 99,009</b>	<b>\$ 595,023</b>

CAPITAL HEALTH  
 CONSOLIDATED SCHEDULE OF COSTS OF HEALTH OUTPUTS  
 FOR COMBINED EXPENSES OF CAPITAL HEALTH AND CARTAS HEALTH GROUP  
 FOR YEAR ENDED MARCH 31, 2006

	2006			2005		
	Activity Measure	Average Cost	Total Cost	Activity Measure	Average Cost	Total Cost
	(thousands of dollars)			(thousands of dollars)		
<b>Acute Care</b>						
<b>Inpatient</b>	Cases			Cases		
Cardiac Sciences	7,249	\$ 13,406	97,183	7,180	\$ 12,611	90,544
Child Health	10,920	12,032	131,390	10,834	11,356	123,036
Family Health	9,606	7,033	67,562	8,876	6,443	57,190
Geriatrics	1,016	28,966	29,429	1,042	27,650	28,811
Medicine	13,132	12,322	161,810	13,050	11,473	149,725
Mental Health	3,861	10,683	41,246	3,597	10,461	37,627
Neurosciences	3,453	14,187	48,988	3,256	13,664	44,490
Ophthalmology	1,650	2,086	3,442	1,517	2,311	3,506
Palliative	358	17,676	6,328	375	17,029	6,386
Rehabilitation	893	28,765	25,687	965	27,714	26,744
Renal	701	18,409	12,905	615	16,823	10,346
Surgery	28,521	8,581	244,745	27,822	8,053	224,037
Transplants	283	87,693	24,817	245	86,824	21,272
Women's Health	31,537	2,274	71,719	31,048	2,194	68,134
Alberta Hospital Edmonton	1,131	63,322	71,617	1,172	56,854	66,633
Other	53	7,453	395	62	5,048	313
<b>Inpatient cases (Note b(i))</b>	<b>114,364</b>	<b>\$ 9,087</b>	<b>\$ 1,039,263</b>	<b>111,656</b>	<b>\$ 8,587</b>	<b>\$ 958,795</b>
Cost per patient day	Days			Days		
	969,082	1,072	1,039,263	938,022	1,022	958,795
<b>Outpatient services</b>	Visits			Visits		
Emergency	361,374	\$ 268	96,957	352,926	\$ 269	94,946
Day procedures	83,216	1,112	92,562	81,685	1,016	82,962
Clinic visits	1,762,777	154	272,073	1,692,079	150	254,610
Alberta Hospital Edmonton	n/a		18,803	n/a		17,991
Other:						
Home peritoneal dialysis supplies (therapy days)	57,574	73	4,219	50,585	60	3,060
Pediatric transport (trips)	182	4,445	809	227	4,115	934
Telehealth (participants)	40,445	34	1,377	38,386	20	782
<b>Total outpatient services</b>			<b>\$ 486,800</b>			<b>\$ 455,285</b>
<b>Total inpatient and outpatient acute care expenses</b>			<b>\$ 1,526,063</b>			<b>\$ 1,414,080</b>
Other acute care expenses (Note b(ii))			24,460			23,211
Outpatient drugs			21,191			19,465
Provincial Laboratory			6,093			3,434
Organ & tissue procurement						
Other costs (neuromodulation, air ambulance, brain injury services, etc.)			16,706			15,455
Work in progress (Note b(ii))			9,824			5,596
<b>Total acute care expenses</b>			<b>\$ 1,604,337</b>			<b>\$ 1,481,241</b>

CAPITAL HEALTH  
 CONSOLIDATED SCHEDULE OF COSTS OF HEALTH OUTPLITS  
 FOR COMBINED EXPENSES OF CAPITAL HEALTH AND CARITAS HEALTH GROUP  
 FOR YEAR ENDED MARCH 31, 2006

Schedule 5 (continued)

	2006			2005		
	Activity Measure	Average Cost	Total Cost	Activity Measure	Average Cost	Total Cost
	(thousands of dollars)			(thousands of dollars)		
<b>Community Health and Continuing Care (Note b)(v))</b>						
Community Rehabilitation	Visits			Visits		
Physiotherapy	191,008	\$ 34	\$ 6,575	252,583	\$ 35	\$ 8,789
Speech and language pathology	101,784	85	8,682	112,122	78	8,718
<b>Total Community Rehabilitation</b>		<b>\$ 15,257</b>			<b>\$ 17,507</b>	
Home care	Hours			Hours		
	3,095,694	32	<b>100,124</b>	2,803,305	33	<b>92,502</b>
Continuing Care Services	Client Days			Client Days		
Continuing care facilities	1,727,349	\$ 176	\$ 304,506	1,728,833	\$ 178	\$ 308,277
Day programs	169,961	73	12,395	175,255	70	12,348
Palliative care	20,598	376	7,737	20,599	339	6,992
Personal care homes/assisted living	422,156	69	29,099	304,235	79	24,112
Subacute care	59,904	257	15,423	52,236	256	13,355
<b>Total continuing care services</b>	2,399,968	\$ 154	<b>\$ 369,160</b>	2,281,158	\$ 160	<b>\$ 365,084</b>
Prevention, protection, promotion and other related services	Visits			Visits		
Antenatal services	8,027	120	\$ 966	7,777	123	\$ 955
Birth control	8,907	94	836	8,534	94	798
Health link (calls)	635,275	18	11,751	614,117	18	10,787
Healthy beginnings (cases)	61,846	106	6,539	59,264	104	6,179
Immunizations	438,849	32	14,115	357,222	38	13,397
Environmental health	110,802	65	7,159	98,086	61	5,965
Sexually transmitted diseases services	19,118	99	1,902	16,815	101	1,703
Traveler's clinic (doses)	58,598	50	2,902	50,243	46	2,333
TB services	7,821	124	966	6,562	140	918
Preventative dental services	46,192	49	2,265	35,319	55	1,933
<b>Total prevention, protection, promotion services</b>			<b>\$ 49,401</b>			<b>\$ 44,968</b>
Community diagnostic services (procedures)	Procedures			Procedures		
	10,709,143	\$ 7	72,924	10,507,022	\$ 6	64,830
Community mental health services (visits)	-		64,763	n/a		48,663
<b>Total community health and continuing care expenses</b>		<b>\$ 671,629</b>			<b>\$ 633,554</b>	
<b>SUMMARY</b>						
Total acute care expenses		\$ 1,604,337			\$ 1,481,241	
Total community health and continuing care expenses		671,629			633,554	
Research and education		108,585			85,775	
Amortization of facilities and improvements		40,143			35,734	
<b>Total expenses</b>		<b>\$ 2,424,694</b>			<b>\$ 2,236,304</b>	
Consolidated Capital Health per statement of operations		\$ 2,402,903			\$ 2,218,484	
Caritas Health Group - additional expenses not reported		21,791			17,820	
<b>in the consolidated statement of operations</b>		<b>\$ 2,424,694</b>			<b>\$ 2,236,304</b>	

CAPITAL HEALTH  
NOTES TO THE COMBINED CONSOLIDATED SCHEDULE OF HEALTH OUTPUTS  
MARCH 31, 2006

Note a) Introduction

Capital Health has prepared Schedule 5 “Combined Consolidated Schedule of Health Outputs” to classify the combined expenses of Capital Health 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 Capital Health’s costing system, 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, 2005 figures have been reclassified to conform to the March 31, 2006 presentation.

Capital Health 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. Days stay represents the total day stay of patient separations (discharges, deaths) during the year.

Outpatient Services are measured by outpatient visits during the periods.

Outpatient visits comprise persons who receive one or more services at a healthcare facility without being admitted as an inpatient:

- 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. Clinic visits counts are based on the Alberta Health & Wellness ambulatory care visit definition.
- Alberta Hospital Edmonton – patients receiving outpatient adult, geriatric or forensic services at the facility, satellite clinic or other location.

Note b) Basis of Presentation (continued)

(i) Patient Specific Acute Care Expenses (continued)

- Home Peritoneal Dialysis Supplies reflect supplies consumed in the home.
- 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 – technical and infrastructure costs are associated with comparative output measures on the number of clinical, educational, administrative and other participants at teleconference sessions. Clinical costs are included in Clinics.
- 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 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.

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

(iii) Work in Progress

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

(iv) Community Health including Continuing Care, Rehabilitation, Primary Care and Public Health – Activity Measures

Community Rehabilitation Visits reflect the number of contacts for physiotherapy, speech and language pathology, audiology and respiratory therapy assessment or intervention funded by the Capital Health community rehabilitation program.

## Note b) Basis of Presentation (continued)

(iv) Community Health including Continuing Care, Rehabilitation, Primary Care and Public Health – Activity Measures (continued)

Home Care Hours reflect the number of hours of service provided by home care agencies, the operators of residences, Capital Health's professional staff, and staff hired by 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 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.

(iv) Community Health and Continuing Care – Activity Measures (continued)

Prevention, Protection, Promotion and Other Related Services Visits reflect contacts for specific community health services:

- Birth Control – visits to the birth control clinic;
- Health Link (calls) - telephone calls for health advice;
- Healthy Beginnings (cases) - families with a newborn receiving home visits and other services for the first few weeks following discharge from hospital;
- Immunization (doses) - vaccinations or inoculations administered;
- Environmental Health - visits to premises for licensing, inspection and response to complaints;
- STJD Services - visits to the specialized sexually transmitted diseases health service;
- Traveller's Clinic (doses) - vaccinations or inoculations administered;
- TB Services - contacts with the specialized tuberculosis team;
- Antenatal Services – visits for centralized prenatal and antenatal care; and
- Preventative Dental - visits for preventative dental education and treatment.

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

Community Mental Health Services visits include assessments, treatments and support services provided in the community.

Pandemic Preparedness includes the cost of personal protection supplies for pandemic preparedness.

Other Community Health Services include a number of prevention, protection and promotion services, including Boyle McCauley Health Centre, weightwise, sexual assault response, west mile virus testing, and the development of local primary care initiatives.

**ASPEN REGIONAL HEALTH AUTHORITY  
FINANCIAL STATEMENTS  
MARCH 31, 2006**

Statement of Management Responsibility  
Statement of Financial Position  
Statement of Operations  
Statement of Changes in Net Assets  
Statement of Cash Flows  
Notes to the Financial Statements  
Schedule 1 – Schedule of Expenses by Object  
Schedule 2 - Schedule of Salaries and Benefits  
Schedule 3 – Schedule of Deferred Contributions  
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**ASPEN REGIONAL HEALTH AUTHORITY  
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING  
FINANCIAL STATEMENTS  
MARCH 31, 2006**

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The 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 based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards, procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides 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 carries out its responsibility for the financial statements through the Finance Committee. This Committee meets with management and the external auditor, PricewaterhouseCoopers LLP, to review financial matters, and recommends the financial statements to the Aspen Regional Health Authority Board for approval. The external auditor has full and free access to the Finance Committee.

The external auditor, PricewaterhouseCoopers LLP, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

[Original Signed]

Andrew Will  
President and Chief Executive Officer

[Original Signed]

Shelly Pusch  
Vice President Corporate Services