

PALLISER HEALTH REGION

FINANCIAL STATEMENTS

March 31, 2007



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PALLISER HEALTH REGION
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
Financial Statements
March 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Palliser Health Region Board. 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 that are 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 and 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 safeguarded. Palliser has established a code of ethics and corporate directives, which include communication of the code to employees.

Palliser's board members carry out their responsibility for the financial statements through the Corporate Services Committee. This Committee meets with management and the external auditors, Johnston Morrison Hunter & Co. LLP, to review financial matters, and recommends the financial statements to the Palliser Health Region Board for approval. The external auditors have free access to the Corporate Services Committee.

The external auditors, Johnston Morrison Hunter & Co. LLP, provide 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]

Tom Seaman
President / Chief Executive Officer

[Original Signed]

Seamas O'Fuarthain
Chief Financial Officer



AUDITORS' REPORT

**TO THE MEMBERS OF THE PALLISER HEALTH REGION
AND THE MINISTER OF ALBERTA HEALTH AND WELLNESS**

We have audited the statement of financial position of the **Palliser Health Region** as at March 31, 2007 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Palliser Health Region as at March 31, 2007 and the results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

CHARTERED ACCOUNTANTS

**MEDICINE HAT, ALBERTA
MAY 17, 2007**

PALLISER HEALTH REGION
STATEMENT OF FINANCIAL POSITION
March 31, 2007
(thousands of dollars)

	2007	2006
ASSETS		
Current assets:		
Cash and short-term investments (note 3)	\$20,711	\$11,067
Accounts receivable	4,473	3,965
Contributions receivable from Alberta Health and Wellness	2,105	1,589
Inventories	1,091	1,029
Prepaid expenses	1,972	1,940
	<u>30,352</u>	<u>19,590</u>
Non-current investments (note 3)	12,584	15,797
Non-current advance - continuing care partnerships (note 4)	9,190	9,594
Other assets (note 5)	322	478
Capital assets (note 6)	73,731	74,274
TOTAL ASSETS	<u>\$126,179</u>	<u>\$119,733</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank indebtedness (note 3)	\$0	\$934
Accounts payable and accrued liabilities	14,210	12,260
Accrued vacation pay	7,422	6,515
Deferred contributions (note 7)	15,534	10,522
	<u>37,166</u>	<u>30,231</u>
Deferred contributions - continuing care partnerships (note 4)	9,190	9,594
Unamortized external capital contributions	63,516	63,533
Net assets:		
Accumulated surplus (note 8)	6,092	5,634
Investment in capital assets from internally funded sources	10,215	10,741
	<u>16,307</u>	<u>16,375</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$126,179</u>	<u>\$119,733</u>



PALLISER HEALTH REGION
STATEMENT OF OPERATIONS
Year ended March 31, 2007
(thousands of dollars)

	2007 <i>Budget</i>	2007 Actual	2006 Actual
	<i>(unaudited - note 10)</i>		
Revenue:			
Alberta Health & Wellness contributions (note 11)	\$161,891	\$161,891	\$149,488
Other government contributions (note 12)	2,742	2,742	3,768
Fees and charges	15,426	16,858	16,091
Ancillary operations, net (note 13)	194	229	266
Donations	300	321	295
Investment and other income (note 14)	3,007	4,765	3,150
Amortization of external capital contributions	5,354	5,467	5,505
	<u>188,914</u>	<u>192,273</u>	<u>178,563</u>
Expenses (schedule 1):			
Facility-based inpatient acute nursing services	47,135	47,933	44,876
Facility-based emergency and outpatient services	10,886	10,901	9,846
Facility-based continuing care services	23,349	23,517	22,481
Ground Ambulance Discovery Project	4,397	4,403	4,395
Community-based care	6,349	6,485	5,623
Home care	8,414	8,612	7,882
Diagnostic and therapeutic services	33,845	34,001	31,849
Promotion, prevention and protection services	5,531	5,541	5,236
Administration	7,540	8,042	7,301
Information technology	5,929	5,707	3,379
Support services	33,404	34,281	32,761
Amortization of facilities and improvements	2,880	2,918	2,828
	<u>189,659</u>	<u>192,341</u>	<u>178,457</u>
Excess (deficiency) of revenue over expenses	<u><i>(\$745)</i></u>	<u>(\$68)</u>	<u>\$106</u>

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PALLISER HEALTH REGION
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2007
(thousands of dollars)

	2007 Accumulated Surplus	2007 Investment in Capital Assets From Internally Funded Sources	2007 Total	2006 Total
	<i>(Note 8)</i>			
Excess (deficiency) of revenue over expenses	(\$68)		(\$68)	\$106
Capital assets purchased with internal funds	(1,766)	1,766	0	0
Amortization on internally funded capital assets	2,292	(2,292)	0	0
Net change	<u>458</u>	<u>(526)</u>	<u>(68)</u>	<u>106</u>
Net assets, beginning of year	5,634	10,741	16,375	16,269
Net assets, end of year	<u>\$6,092</u>	<u>\$10,215</u>	<u>\$16,307</u>	<u>\$16,375</u>

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PALLISER HEALTH REGION
STATEMENT OF CASH FLOWS
Year ended March 31, 2007
(thousands of dollars)

	2007	2007	2006
	<i>Budget</i>	Actual	Actual
	<i>(unaudited - note 10)</i>		
Cash generated from (used by):			
Operating activities:			
Excess (deficiency) of revenue over expenses	(\$745)	(\$68)	\$106
Non cash transactions:			
Amortization of capital equipment - internally funded	2,175	2,292	1,835
Amortization of capital equipment - externally funded	2,100	2,145	2,272
Amortization of facilities and improvements	2,880	2,947	2,857
Amortization of continuing care partnership project	404	404	405
Amortization of external capital contributions	(5,384)	(5,496)	(5,534)
Change in non-cash working capital	1,430	8,975	6,467
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(1,808)	(1,766)	(4,191)
Externally funded - equipment	(2,643)	(2,025)	(2,471)
Externally funded - facilities and improvements	(2,880)	(3,050)	(2,857)
Reduction (increase) in other assets		156	(478)
Purchase of investments		0	(630)
Proceeds on sale of investments	2,000	3,213	8,086
	(5,331)	(3,472)	(2,541)
Financing activities:			
Capital contributions received	5,523	5,075	5,328
Decrease in bank indebtedness	(934)	(934)	(3,797)
	4,589	4,141	1,531
Increase (decrease) in cash and short-term investments	688	9,644	5,457
Cash and short-term investments, beginning of year	12,001	11,067	5,610
Cash and short-term investments, end of year	\$12,689	\$20,711	\$11,067

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(thousands of dollars)

1. Authority, Purpose and Operations

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

Palliser delivers appropriate, accessible and affordable health services in south-eastern Alberta ("the Region"), operating programs designed to promote, protect, maintain, restore and enhance physical and mental well-being.

Palliser's operations include the following facilities and sites:

Bassano Health Centre
Bow Island Health Centre and Alfred Egan Home
Bow Island Community Health Office
Brooks Health Centre
Brooks Home Care Office
Medicine Hat Regional Hospital
Medicine Hat Community Health Office - Dunmore Road
Medicine Hat Community Mental Health Office - Provincial Building
Oyen Big Country Hospital and Health Office

These financial statements do not include the assets, liabilities and operations of voluntary or private facilities providing health services in the Region, except as disclosed in Note 19.

2. Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 29. Following are the significant accounting policies:

a) Revenue Recognition

(i) Unrestricted Non-Capital Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the year receivable.

(ii) Restricted Non-Capital Contributions

Externally restricted non-capital contributions are recognized as revenue in the year when the related expenses are incurred.

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2. Significant Accounting Policies and Reporting Practices (continued)

(iii) Restricted Contributions – Continuing Care Partnership Projects

Externally restricted contributions received for the construction of continuing care facilities in the Region operated by voluntary/private health service contract operators are recorded as Deferred Contributions – Continuing Care Partnership Project and are recognized as revenue in the periods in which the related amortization expense of the funded Non-current Advance – Continuing Care Partnership Project is recorded.

(iv) Restricted Capital Contributions

Externally restricted capital contributions are recorded as Deferred Contributions until the contribution is invested in capital assets. Amounts invested, representing externally funded capital assets, are then transferred to Unamortized External Capital Contributions.

Unamortized External Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Externally restricted capital contributions for the purchase of land are recorded as direct increases to Investment in Capital Assets.

Investment income subject to external restrictions is deferred and recognized as revenue in the year the related expenses are incurred.

(iv) Asset and Service Contributions

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Volunteers contribute a significant amount of time each year to assist Palliser in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services of volunteers are not reported in these financial statements.

b) Services Contracted from Voluntary and Private Health Service Providers

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

Palliser contracts with voluntary and private providers to provide health services in the region. Where funding for such services is paid directly to the voluntary or private agency by Alberta Health and Wellness, the amount of such funding is reflected as Alberta Health and Wellness contributions and an equivalent amount is recorded as contracted health service expense of Palliser.

Revenue earned by contracted health service providers from Ministry of Health and Wellness designated fees and charges are recorded as fees and charges of Palliser. An equivalent amount is recorded as contracted health service expense of Palliser.

2. Significant Accounting Policies and Reporting Practices (continued)

c) Employee Future Benefits

Palliser participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for Palliser'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 Palliser has insufficient information to apply defined benefit plan accounting.

Pension costs comprise the employer's contributions for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plans. Palliser does not record its portion of the pension plan's deficit or surplus.

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

Palliser provides a non-contributory defined Supplemental Executive Retirement Plan (SERP) for certain senior executives. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a discount rate of 5.2%, expected long-term rate of return on plan assets of 2.6% and a rate of compensation increase of 3.5%. Net actuarial gains or losses of the benefit obligation are amortized over the average remaining service life of the group.

d) Investments

Non-current investments are recorded at cost unless there has been an other-than-temporary impairment in value. At that time, the value is reduced. Any discounts or premiums arising on purchase are amortized on a straight-line basis over the maturity period. Gains or losses realized on disposal are recognized in the period of disposal.

e) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, contributions from Alberta Health and Wellness, accounts payable and accrued liabilities, and accrued vacation pay approximates their fair value because of the short-term maturity of these items. It is management's opinion that Palliser is not exposed to significant interest, currency or credit risks arising from these financial instruments, except as disclosed in these financial statements.

f) Inventories

Inventories are valued at the lower of cost or net realizable value, with cost determined by the average cost method. In common with general industry practice, inventories are expensed when issued from central inventory locations to the end user departments.

g) Capital Assets

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

2. Significant Accounting Policies and Reporting Practices (continued)

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

	<u>Useful Life</u>
Buildings	40 years
Land improvements	20 years
Building service equipment	20 years
Equipment	5-20 years

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

h) Measurement Uncertainty - Use of Estimates and Assumptions

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

3. Cash, Investments and Bank Indebtedness

Palliser pools its cash and investment funds with Health Foundations and other associated third parties within the Region. The cash and investments are held in Palliser's name and consist of the following:

	2007	2006
Cash	\$ 20,556	\$ 9,720
Bonds	23,882	25,720
Bank indebtedness	-	(934)
Less Third Party funds	(5,726)	(3,688)
Less Health Foundations' funds	(5,417)	(4,888)
	<u>\$ 33,295</u>	<u>\$ 25,930</u>

Cash and investments are classified as follows:

	2007	2006
Cash and short-term investments	\$ 20,711	\$ 11,067
Non-current investments (unrestricted)	12,584	15,797
Bank indebtedness	-	(934)
	<u>\$ 33,295</u>	<u>\$ 25,930</u>

Cash has an effective yield related to prime interest rate. Bonds have effective yields of 4.72% to 7.39% (2006 - 4.64% to 7.39%).

Total pooled funds have a market value of \$1,497 greater than book value (2006 - \$1,629). Valuation of bonds has been obtained from independent brokerage firms.

Included in cash and short-term investments is \$7,005 (2006 - \$9,685) held in a capital bank account representing advances from Alberta Infrastructure for capital and renovation projects. These funds are not available for Palliser's general operations.

At the fiscal year end, the investments have the following maturity structure:

	2007	2006
1 to 5 years	36%	52%
6 to 10 years	57%	43%
11 to 15 years	7%	5%
	<u>100%</u>	<u>100%</u>

Palliser has arranged a line of credit facility of up to \$5,000,000, secured by a general security agreement over all of its assets. The line of credit is payable on demand with interest calculated at prime interest rate less 0.25%.

4. Non-Current Advance - Continuing Care Partnerships

Funds received from Alberta Infrastructure and advanced for the construction of continuing care facilities in the Region, operated by voluntary/private health service contract operators, are recorded as a non-current advance.

Palliser uses the Forgivable Mortgage Model for reporting the contribution and advancement of funds. Under this model, Palliser finances the capital construction costs and extends an advance, which is secured by the facility and is forgivable for services rendered by the owner over the predicted life of the facility. The funding received is recorded as Deferred Contributions - Continuing Care Partnerships and each year a portion is included in revenue with an offsetting expense in accordance with the accounting policies for restricted contributions described in Note 2 (a) (iii). The portion included in revenue, representing the amount forgiven during the year, is \$404 (2006 - \$405).

During 2002, funding of \$7.100 million was received from Alberta Infrastructure and advanced to the Good Samaritan Society for the construction of the 80 bed Southridge Village Project. During 2005, funding of \$4.013 million was received from Alberta Infrastructure and advanced to Club Sierra Lifestyles at River Ridge Inc. for the construction of the 50 bed Club Sierra Project.

5. Other Assets

On November 2, 2005, Palliser initiated a fully funded Supplemental Executive Retirement Plan (SERP) for certain senior executives, as noted in 2 (c). At March 31, 2007, the fair value of plan assets is \$770 (2006 - \$719), the accrued benefit obligation is \$448 (2006 - \$241) and the net asset is \$322 (2006 - \$478).

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(thousands of dollars)

6. Capital Assets

	Cost				Closing Balance Mar 31/07
	Opening Balance Apr 1/06	Asset Additions	Asset Disposals	Closing Balance Mar 31/07	
Land	\$ 852	\$ -	\$ -	\$ 852	\$ 852
Buildings	111,130	837	-	-	111,967
Land improvements	2,533	-	-	-	2,533
Building service equipment	15,906	1,378	-	-	17,284
Equipment	29,981	3,791	5,000	-	28,772
Construction in progress	3,726	835	-	-	4,561
	\$ 164,128	\$ 6,841	\$ 5,000		\$ 165,969

	Accumulated Amortization				Net Book Value
	Opening Balance Apr 1/06	Additions	Disposals	Closing Balance Mar 31/07	Closing Balance Mar 31/07
Land	\$ -	\$ -	\$ -	\$ -	\$ 852
Buildings	61,442	2,612	-	64,054	47,913
Land improvements	2,515	4	-	2,519	14
Building service equip.	12,898	331	-	13,229	4,055
Equipment	12,999	4,437	5,000	12,436	16,336
Construction in progress	-	-	-	-	4,561
	\$ 89,854	\$ 7,384	\$ 5,000	\$ 92,238	\$ 73,731

Capital assets have been funded from the following sources:

	2007	2006
Externally funded (Unamortized External Capital Contributions)	\$ 63,516	\$ 63,533
Internally funded (Investment in Capital Assets)	10,215	10,741
	\$ 73,731	\$ 74,274

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(thousands of dollars)

7. Deferred Contributions

The balance at the end of year is restricted for the following purposes:

	2007	2006
Alberta Telestroke program	\$ 51	\$ -
Continuing care projects	798	-
Innovation in immunization	250	-
Mental health projects	1,159	607
Physician on call	835	620
Security of systems	-	219
Telehealth clinical funds	-	100
Diagnostic/medical equipment	1,459	-
EHR client registry transition	75	-
PCN – proportionate share of deferred contributions (Note 17)	1,500	-
Infrastructure Maintenance Program	2,125	294
CT Scanner - Brooks	1,650	-
Alberta Infrastructure – HSI	5,632	8,682
	\$ 15,534	\$ 10,522

8. Accumulated Surplus

Palliser's accumulated surplus comprises the following:

	2007	2006
Unrestricted net assets	\$ -	\$ -
Internally restricted net assets:		
Future capital equipment replacement	6,092	5,634
	\$ 6,092	\$ 5,634

9. Commitments and Contingencies

Palliser has entered into various multi-year commitments for the purchase of consumables, reagents and chemicals. Also, Palliser contracts on an ongoing basis with unions and health service operators to provide services to the Region. These commitments have contracts terms varying from one to eight years in length, are part of the ordinary course of operations and are contracted for in upcoming years on similar terms to those in effect for the current fiscal year.

In the normal course of operations, various claims and lawsuits are brought against Palliser. Palliser has determined that there will be no material adverse effect on its financial position from these claims.

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(thousands of dollars)

10. Budget (unaudited)

	Approved Budget	Adjustments (a)	Reported Budget (b)
Revenue:			
Alberta Health & Wellness contributions	\$162,714	(\$823)	\$161,891
Other government contributions	2,629	113	2,742
Fees and charges	15,426		15,426
Net ancillary operations	194		194
Donations	300		300
Investment and other income	3,007		3,007
Amortization of external capital contributions	5,354		5,354
	189,624	(710)	188,914
Expenses:			
Facility-based inpatient acute nursing services	47,117	18	47,135
Facility-based emergency and outpatient services	10,886		10,886
Facility-based continuing care services	23,068	281	23,349
Ground Ambulance Discovery Project	4,397		4,397
Community-based care	6,419	(70)	6,349
Home care	8,414		8,414
Diagnostic and therapeutic services	33,845		33,845
Promotion, prevention and protection services	5,237	294	5,531
Administration	7,540		7,540
Information technology	5,710	219	5,929
Support services	34,856	(1,452)	33,404
Amortization of facilities and improvements	2,880		2,880
	190,369	(710)	189,659
Deficiency of revenue over expenses	(\$745)	\$0	(\$745)

(a) **Approved Budget** - The budget was approved by the Palliser Health Region Board in May 2006 and submitted to the Minister for Health and Wellness for approval.

(b) **Adjustments** - Over the course of the fiscal year, the Minister provided additional funding. Palliser has allocated these adjustments to address funding expectations and there were also adjustments to existing funding based on program expenditures.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007
(thousands of dollars)

11. Alberta Health and Wellness Contributions

	2007	2006
Unrestricted contributions	\$ 152,228	\$ 140,145
Transfers from deferred contributions	9,471	9,145
Legacy Mortgage Assistance Program for nursing home upgrades	192	198
	\$ 161,891	\$ 149,488

12. Other Government Contributions

	2007	2006
Persons with Developmental Disabilities - Alfred Egan Home	\$ 2,742	\$ 2,767
Alberta Infrastructure – Infrastructure Maintenance Program	-	1,001
	\$ 2,742	\$ 3,768

13. Ancillary Operations

	2007		2006	
	Non-patient Food Services	Parking Operations	Total	Total
Revenue:				
Operating revenue	\$ 763	\$ 289	\$ 1,052	\$ 1,145
Amortized external capital contributions		29	29	29
Direct Expenses:				
Other expenses	(763)	(60)	(823)	(866)
Amortization	-	(29)	(29)	(42)
Excess (deficiency) of revenue over expenses	\$ -	\$ 229	\$ 229	\$ 266

Ancillary operations consist of the sale of goods and services that are not related to the direct provision of health services.

Non-patient food services are intended to operate on a break even basis. The other expenses for these non-patient food operations are estimated to be equal to the revenue earned.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2007
 (thousands of dollars)

14. Investment and Other Income

	2007	2006
Investment income	\$ 1,623	\$ 1,522
Other income	3,142	1,628
	<u>\$ 4,765</u>	<u>\$ 3,150</u>

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

Other income comprises Student Health Initiative Program (SHIP), WCB compensation, rental income and miscellaneous recoveries.

15. Related Party – Province of Alberta and Other Health Authorities

The Minister of Health and Wellness appoints Palliser's Board Members. Palliser is economically dependent upon the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry. Transactions between Palliser and the Province are disclosed in the Statement of Operations and in notes to the financial statements.

Palliser shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between Palliser and other health authorities are reported in the appropriate expense classification in the Statement of Operations.

16. Related Parties – Regional Shared Health Information Program (RSHIP)

The seven non-metro health regions (Palliser Health Region, Chinook Health Region, David Thompson Health Region, East Central Health, Aspen Health Region, Peace Country Health, Northern Lights Health Region) have entered into an agreement under the name Regional Shared Health Information Program (RSHIP), to develop and implement a common, integrated health information system. The standard system will integrate with Alberta's Provincial Electronic Health Record (EHR) initiative.

	2007	2006
Alberta Health and Wellness funding	\$ 1,048	\$ 884
Palliser contribution	519	528
	<u>\$ 1,567</u>	<u>\$ 1,412</u>
<u>Reported as follows:</u>		
Expenses	\$ 625	\$ 645
Capital assets	942	767
	<u>\$ 1,567</u>	<u>\$ 1,412</u>

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2007
 (thousands of dollars)

17. Related Parties – Primary Care Network

During 2007, there was one Primary Care Network (PCN) which commenced operation within Palliser. Palliser's share of the PCN is included in the financial statements under the proportionate consolidation method, as follows:

	2007	2006
Opening balance	\$ -	\$ -
Contributions from Alberta Health and Wellness	1,500	-
Amounts recognized as revenue	-	-
Amounts deferred	<u>\$ 1,500</u>	<u>\$ -</u>

18. Related Parties - Community Health Foundations

Palliser formed five Foundations in 1996 and has the ability to appoint two of Palliser's Board Members to each Foundation board.

The Foundations were incorporated under the Regional Health Authorities Act and are registered charities under the Income Tax Act. The Foundations primary activities are to raise funds for the improvement of health care services within their respective communities.

The Foundations are not consolidated in the financial statements of Palliser.

Palliser provides certain fundraising, financial services and administrative support to the Foundations. Because of the difficulty in determining its fair value, this assistance is not reported in the financial statements.

Resources held by the Foundations at the end of the year, representing funds which must be used for specific communities, are as follows:

	Unres- tricted	Externally Restricted	2007 Total	2006 Total
Bassano & District Health Foundation	\$ 11	\$ 14	\$ 25	\$ 22
Bow Island & District Health Foundation	43	89	132	121
Brooks & District Health Foundation	185	412	597	423
Medicine Hat & District Health Foundation	3,369	1,078	4,447	4,254
Oyen & District Health Care Foundation	218	5	223	110
	<u>\$ 3,826</u>	<u>\$ 1,598</u>	<u>\$ 5,424</u>	<u>\$ 4,930</u>

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PALLISER HEALTH REGION
 NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2007
 (thousands of dollars)

Contributions received by Palliser during the year, representing the purchase cost of capital and non-capital items selected by the Foundations, are as follows:

	2007	2006
Bassano & District Health Foundation	\$ 16	\$ 18
Bow Island & District Health Foundation	62	32
Brooks & District Health Foundation	202	66
Medicine Hat & District Health Foundation	586	453
Oyen & District Health Care Foundation	7	64
	\$ 873	\$ 633

19. Related Parties - Private Health Service Providers

Palliser has an economic interest through its contracts with private health service providers. Transactions between Palliser and health service providers are conducted on normal commercial terms and are presented as follows:

	2007	2006
Palliser funding	\$ 25,465	\$ 22,728
Alberta Health & Wellness funding	192	198
Fees and charges	6,650	6,650
	\$ 32,307	\$ 29,576

20. Pension Costs

Palliser participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equal to Palliser's annual contributions payable of \$5,391 for the year ended March 31, 2007 (2006 - \$4,729).

At December 31, 2006, the Local Authorities Pension Plan reported an actuarial deficiency of \$0.747 billion (December 31, 2005 - actuarial deficiency of \$0.864 billion).

21. Comparative Figures

Certain 2006 figures have been reclassified and restated to conform to the 2007 presentation.

22. Approval of Financial Statements

These financial statements have been approved by the Palliser Health Region Board.

PALLISER HEALTH REGION
 SCHEDULE OF EXPENSES BY OBJECT
 Year ended March 31, 2007
 (thousands of dollars)

Schedule 1

	Budget	2007 Actual	2006 Actual
	<i>(unaudited - note 10)</i>		
Salaries and benefits (schedule 2)	\$110,086	\$111,530	\$104,165
Contracts with health service providers (note 18)	32,380	32,307	29,576
Drugs and gases	3,889	4,075	3,750
Medical and surgical supplies	4,493	4,458	4,333
Other contracted services	12,008	13,649	12,235
Other expenses - utilities	2,976	3,479	2,870
Other expenses - miscellaneous	17,168	15,907	15,067
Amortization:			
Capital equipment - internally funded	2,175	2,292	1,835
Capital equipment - externally funded	2,100	2,145	2,272
Facilities and improvements	2,880	2,947	2,857
Continuing care partnership project	404	404	405
Less amounts reported in ancillary operations (note 13)	(900)	(852)	(908)
	\$189,659	\$192,341	\$178,457

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS
Year ended March 31, 2007
(thousands of dollars)

Schedule 2(a)

	2007					Total	2006					Total
	FTE	Salaries and Honoraria	Benefits and Allowances	Supp. Retirement Plan	Severance		FTE	Salaries, Benefits & Allowances	Supp. Retirement Plan	Severance		
(a)	(b)	(c)	(d)	(e)		(a)	(b)	(c)	(d)	(e)		
Board Members Compensation:												
Carol Seconiak (Chair)		\$36			\$36		\$41				\$41	
Howard Barker		11			11		8				8	
Jim Black		5			5		7				7	
Hugh English		5			5		10				10	
Jim Kirwan		9			9		6				6	
Albert McFadyen		13			13		12				12	
Leva Olstad		9			9		11				11	
Lynne Sangster		8			8		11				11	
Ken Sauer		6			6		6				6	
Martin Shields		12			12		14				14	
Rod Sommerfeld		10			10		12				12	
Harold Storlien		7			7		5				5	
Craig Widmer		8			8		5				5	
		\$139			\$139		\$148				\$148	
Staff:												
President / Chief Executive Officer	1.0	242	24	114	380	1.0	241	88			329	
Senior Vice President - Health Services	1.0	185	22	27	234	1.0	191	22			213	
Vice President - Community Health	1.0	138	20		158	1.0	146				146	
Vice President - Planning & Corporate Services	1.0	134	22		156	1.0	146				146	
Vice President - Corporate Services (note f)	0.2	26	4	62	92	1.0	161	19			180	
Chief Financial Officer (note f)	0.8	141	4		145						0	
Vice President - Medical Services	0.8	250			250	0.8	244				244	
Other Management reporting to those above	28	2,598	467		3,065	26	2,888				2,888	
Other Management	37	3,231	581		3,812	38	3,790				3,790	
Regulated Nurses:												
RNs, RPNs, Grad Nurses	453	32,425	5,828		38,253	395	35,635				35,635	
LPNs	130	5,978	1,075		7,053	118	6,166				6,166	
Other Health Technical & Professionals	295	19,317	3,472	51	22,840	276	21,248				21,248	
Unregulated Health Service Providers	151	5,256	945		6,201	144	5,522				5,522	
Other Staff	575	24,372	4,380		28,752	554	27,510				27,510	
	1675	\$94,432	\$16,844	\$203	\$51	\$111,530	\$557	\$104,036	\$129	\$0	\$104,165	

The accompanying notes (a) to (f) are part of this Schedule

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS - NOTES
Year ended March 31, 2007
(thousands of dollars)

Schedule 2(b)

- (a) **FTE**
The full time equivalent (FTE) has been determined based on the number of hours worked in a standard work year, which is generally 1,914 for registered nurses and 2,023 hours for other occupation groups.
- The total actual discrete number of individuals employed during the year was 3,078 (2006 - 2,649). "Discrete" number of individuals refers to all employees who were employed during the fiscal year.
- (b) **Salaries and Honoraria**
Salaries and honoraria include regular base pay, overtime, lump sum payments, shift differential, honoraria paid, sick leave, earned vacation leave and other remuneration.
- (c) **Benefits and Allowances**
Benefits and allowances represent employer contributions or payments made on behalf of employees including:
Employment insurance, Canada pension plan and Provincial pension plan
Workers compensation, Health & dental and Long & short term disability plans
Group life insurance and Accidental death & dismemberment plans
- (d) **Supplemental Executive Retirement Plans (SERPs)**
SERPs refer to future supplemental retirement payments to executive officers. Costs reflect the estimated costs to provide annual pension income over an actuarially determined employment period.

The annual benefit for each executive is as follows:

	2007		2006	
	Current Service Costs	Prior Service & Other costs	Total	Total
President / Chief Executive Officer	30	84	114	88
Senior Vice President - Health Services	9	18	27	22
Vice President - Corporate Services	6	56	62	19
	45	158	203	129

The accrued SERP obligation for each executive is as follows:

	Accrued Obligation	Changes in accrued obligation	Accrued Obligation
	Mar 31, 2006	Mar 31, 2007	Mar 31, 2007
President / Chief Executive Officer	426	116	542
Senior Vice President - Health Services	108	82	190
Vice President - Community Health	0	32	32
Vice President - Planning & Corporate Services	0	15	15
Vice President - Corporate Services	92	5	97
	626	250	876
Less Unrecognized actuarial losses and initial obligations	(385)	(43)	(428)
	241	207	448

- (e) **Severance**
Severance includes amounts paid directly or indirectly to individuals upon termination, which are not included in salaries, honoraria, benefits and allowances. The severance recorded during the year represents payment to 1 employee (2006 - 0).
- (f) **Retirement**
The Vice President Corporate Services retired during the year. The position of Chief Financial Officer was created upon his retirement.

