

PALLISER HEALTH REGION

FINANCIAL STATEMENTS

March 31, 2008



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PALLISER HEALTH REGION
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
Financial Statements
March 31, 2008

The accompanying financial statements are the responsibility of management and have been approved by the senior management. 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 Audit Committee. This Committee will meet with management and the external auditors, Johnston Morrison Hunter & Co. LLP, to review financial matters, and will recommend the financial statements to the Palliser Health Region Board for approval upon finalization of the audit. The external auditors have free access to the Audit 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 by Tom Seaman]

Tom Seaman
President / Chief Executive Officer
May 16, 2008

[Original Signed by Seamas O'Fuarthain]

Seamas O'Fuarthain
Chief Financial Officer
May 16, 2008

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, 2008 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 the 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, 2008 and the results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed by Johnston Morrison Hunter & Co. LLP, Chartered Accountants]

CHARTERED ACCOUNTANTS

MEDICINE HAT, ALBERTA
MAY 16, 2008

The official version of this audit report, and information it covers, is in printed form.

PALLISER HEALTH REGION STATEMENT OF FINANCIAL POSITION March 31, 2008 (thousands of dollars)

	2008	2007
ASSETS		
Current assets:		
Cash and short-term investments (note 3)	\$1,486	\$20,711
Accounts receivable	4,934	4,473
Contributions receivable from Alberta Health and Wellness	1,921	2,105
Inventories	1,239	1,091
Prepaid expenses	2,308	1,972
	11,888	30,352
Non-current investments (note 3)	28,852	12,584
Non-current advance - continuing care partnerships (note 4)	8,785	9,190
Other assets (note 5)	299	322
Capital assets (note 6)	76,872	73,731
TOTAL ASSETS	\$126,696	\$126,179
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	14,678	14,210
Accrued vacation pay	8,512	7,422
Deferred contributions (note 7)	13,174	15,534
	36,364	37,166
Deferred contributions - continuing care partnerships (note 4)	8,785	9,190
Unamortized external capital contributions	67,928	63,516
Net assets:		
Accumulated surplus (note 9)	4,675	6,092
Investment in capital assets from internally funded sources	8,944	10,215
	13,619	16,307
TOTAL LIABILITIES AND NET ASSETS	\$126,696	\$126,179

Commitments and contingencies (note 10)

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

PALLISER HEALTH REGION

STATEMENT OF OPERATIONS

Year ended March 31, 2008

(thousands of dollars)

	2008	2008	2007
	<i>Budget</i>	Actual	Actual
	<i>(unaudited - note 11)</i>		
Revenue:			
Alberta Health & Wellness contributions (note 12)	\$174,540	\$174,540	\$161,891
Other government contributions (note 13)	2,742	2,879	2,742
Fees and charges	16,280	16,025	16,858
Ancillary operations, net (note 14)	194	254	229
Donations	300	285	321
Investment and other income (note 15)	3,507	4,955	4,765
Amortization of external capital contributions	5,969	5,812	5,467
	<u>203,532</u>	<u>204,750</u>	<u>192,273</u>
Expenses (schedule 1):			
Facility-based inpatient acute nursing services	53,155	54,099	47,933
Facility-based emergency and outpatient services	11,774	12,382	10,901
Facility-based continuing care services	25,106	23,998	23,517
Ground Ambulance Discovery Project	4,397	4,405	4,403
Community-based care	6,325	6,069	5,989
Home care	9,493	9,321	8,612
Diagnostic and therapeutic services	37,426	37,631	34,497
Promotion, prevention and protection services	6,193	5,927	5,541
Administration	8,251	8,653	8,042
Information technology	6,043	5,237	5,707
Support services	35,604	36,731	34,281
Amortization of facilities and improvements	3,165	2,985	2,918
	<u>206,932</u>	<u>207,438</u>	<u>192,341</u>
Deficiency of revenue over expenses	<u>(\$3,400)</u>	<u>(\$2,688)</u>	<u>(\$68)</u>

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

PALLISER HEALTH REGION

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2008

(thousands of dollars)

	2008	2008	2008	2007
	Accumulated Surplus	Investment in Capital Assets From Internally Funded Sources	Total	Total
	<i>(Note 9)</i>			
Deficiency of revenue over expenses	(\$2,688)		(\$2,688)	(\$68)
Capital assets purchased with internal funds	(1,098)	1,098	0	0
Amortization on internally funded capital assets	2,369	(2,369)	0	0
Net change	<u>(1,417)</u>	<u>(1,271)</u>	<u>(2,688)</u>	<u>(68)</u>
Net assets, beginning of year	6,092	10,215	16,307	16,375
Net assets, end of year	<u>\$4,675</u>	<u>\$8,944</u>	<u>\$13,619</u>	<u>\$16,307</u>

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

PALLISER HEALTH REGION
STATEMENT OF CASH FLOWS
Year ended March 31, 2008
(thousands of dollars)

	2008	2008	2007
	<i>Budget</i>	Actual	Actual
<i>(unaudited - note 11)</i>			
Cash generated from (used by):			
Operating activities:			
Deficiency of revenue over expenses	(\$3,400)	(\$2,688)	(\$68)
Non cash transactions:			
Amortization of capital equipment - internally funded	2,567	2,369	2,292
Amortization of capital equipment - externally funded	2,400	2,422	2,145
Amortization of facilities and improvements	3,195	3,014	2,947
Amortization of continuing care partnership project	404	405	404
Amortization of external capital contributions	(5,999)	(5,841)	(5,496)
Change in non-cash working capital	(833)	(1,882)	8,975
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(1,915)	(1,098)	(1,766)
Externally funded - equipment	(3,905)	(3,662)	(2,025)
Externally funded - facilities and improvements	(3,195)	(6,186)	(3,050)
Reduction in other assets		23	156
Purchase of investments		(17,644)	0
Proceeds on maturity of investments	600	1,376	3,213
	(8,415)	(27,191)	(3,472)
Financing activities:			
Capital contributions received	7,100	9,848	5,075
Decrease in bank indebtedness	0	0	(934)
	7,100	9,848	4,141
Increase (decrease) in cash and short-term investments	(2,148)	(19,225)	9,644
Cash and short-term investments, beginning of year	20,711	20,711	11,067
Cash and short-term investments, end of year	\$18,563	\$1,486	\$20,711

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

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008
(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 20.

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 31. 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 defined Supplemental Executive Retirement Plan (SERP) for certain senior executives. Costs of these benefits are actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and benefit coverage period. Net actuarial gains and losses of the benefit obligation are amortized over the average remaining service life of the group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

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.

e) Financial Instruments

In April 2005, the Canadian Institute of Chartered Accountants (the "CICA") issued two new accounting standards on financial instruments. Section 3855 Financial Instruments – Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments – Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

2. Significant Accounting Policies and Reporting Practices (continued)

The Region adopted both financial instrument standards as of April 1, 2007. As required by the new standards, prior periods have not been restated. As a result of the implementation of Section 3855, the Region's financial instruments were classified as follows:

<u>Financial Assets and Liabilities</u>	<u>Classification</u>
Cash	Held for trading
Investments	Held to maturity
Accounts & Contributions Receivable, Non-current Advances	Loans and receivables
Accounts Payable & Accrued Liabilities, Accrued Vacation Pay	Other financial liabilities

The carrying value of cash, accounts & contributions receivable, non-current advances, accounts payable & 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.

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

	<u>Useful Life</u>
Buildings	40 years
Land/Leasehold 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 and Investments

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

	2008		2007	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash	\$ 6,270	\$ 6,270	\$ 20,556	\$ 20,556
Bonds	36,848	36,157	25,379	23,882
Less Health Foundation funds	(6,087)	(6,087)	(5,417)	(5,417)
Less Third Party funds	(6,002)	(6,002)	(5,726)	(5,726)
	\$ 31,029	\$ 30,338	\$ 34,792	\$ 33,295

Included in cash is \$5,469 (2007 - \$7,005) 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.

Cash and short-term investments are shown on the Statement of Financial Position net of Health Foundation and Third Party Funds, which are available to these organizations on demand. Cash and investments are classified as follows:

	2008	2007
Cash and short-term investments	\$ 1,486	\$ 20,711
Non-current investments	28,852	12,584
	\$ 30,338	\$ 33,295

Interest Rate Risk - Palliser manages the interest rate risk exposure of its bonds by management of average duration and laddered maturity dates. Cash has an effective yield related to prime interest rate. Bonds have effective yields of 4.72% to 7.39% (2007 - 4.72% to 7.39%).

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

	2008	2007
1 to 5 years	45%	36%
6 to 10 years	47%	57%
11 to 15 years	8%	7%
	100%	100%

Total pooled funds have a market value of \$691 greater than book value (2007 - \$1,497). Valuation of bonds has been obtained from independent brokerage firms.

Palliser has arranged a line of credit facility of up to \$5 million, secured by a general security agreement over all of its assets. No amount is outstanding on this facility at year end.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2008
 (thousands of dollars)

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 \$405 (2007 - \$404).

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, 2008, the fair value of plan assets is \$965 (2007 - \$770), the accrued benefit obligation is \$666 (2007 - \$448) and the net asset is \$299 (2007 - \$322).

6. Capital Assets

	Cost			
	Opening Balance Apr 1/07	Asset Additions	Asset Disposals	Closing Balance Mar 31/08
Land	\$ 852	\$ -	\$ -	\$ 852
Buildings	111,967	-	-	111,967
Land/leasehold improvements	2,533	1,743	-	4,276
Building service equipment	17,284	294	-	17,578
Equipment	28,772	4,760	-	33,532
Construction in progress	4,561	4,149	-	8,710
	\$ 165,969	\$ 10,946	\$ -	\$ 176,915

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2008
 (thousands of dollars)

	Accumulated Amortization			Net Book Value	
	Opening Balance Apr 1/07	Additions	Closing Balance Mar 31/08	2008	2007
Land	\$ -	\$ -	\$ -	\$ 852	\$ 852
Buildings	64,054	2,578	66,632	45,335	47,913
Land/leasehold improve.	2,519	90	2,609	1,667	14
Building service equip.	13,229	346	13,575	4,003	4,055
Equipment	12,436	4,791	17,227	16,305	16,336
Construction in progress	-	-	-	8,710	4,561
	\$ 92,238	\$ 7,805	\$ 100,043	\$ 76,872	\$ 73,731

Capital assets have been funded from the following sources:

	2008	2007
Externally funded (Unamortized External Capital Contributions)	\$ 67,928	\$ 63,516
Internally funded (Investment in Capital Assets)	8,944	10,215
	\$ 76,872	\$ 73,731

7. Deferred Contributions

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

	2008	2007
Alberta Telestroke program	\$ 20	\$ 51
Clinical Telehealth	151	-
Continuing care projects	584	798
Innovation in immunization	140	250
Innovation in pre-school development	131	-
Mental health projects	1,270	1,159
Physician on call	939	835
Regional Health Promotion Coordinators – healthy weights	370	-
Security of systems	239	-
Diagnostic/medical equipment	-	1,459
EHR client registry transition	-	75
Pandemic funding	891	-
Public health safety – hand hygiene	300	-
Reducing and avoiding injury	728	-
Infrastructure - maintenance program and projects	5,411	9,407
PCN – proportionate share of deferred contributions (Note 18)	2,000	1,500
	\$ 13,174	\$ 15,534

8(a). Long Term Employee Benefits - Supplementary Retirement Plan

	2008	2007
Accrued benefit obligation:		
Accrued obligation, beginning of year	\$ 876	\$ 626
Current service cost	57	46
Interest cost	48	36
Prior service cost	2	0
Actuarial loss (gain)	247	172
Benefit payments	-6	-4
Accrued obligation, end of year	1,224	876
Reconciliation of funded status of accrued benefit asset:		
Funded status of plan (deficit)	-259	-105
Unamortized actuarial loss (gain)	384	168
Unrecognized initial obligation	173	259
Unamortized prior service costs	1	0
Accrued benefit asset (liability)	299	322
Determination of net benefit cost for the year:		
Current service cost	57	46
Interest cost	48	36
Amortization of initial obligation	86	140
Amortization of prior service costs	1	0
Amortization of net actuarial loss	42	1
Expected return on plan assets	-23	-20
Benefit cost	\$ 211	\$ 203
Significant actuarial assumptions are as follows:		
Discount rate	5.20%	5.20%
Expected average remaining service life of employees	3 years	4 years
Salary increase	4.00%	3.50%

The above is based on the actuarial valuation performed at March 31, 2008.

8(b). Long Term Employee Benefits - Pension Expense

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 \$5,913 for the year ended March 31, 2008 (2007 - \$5,391).

At December 31, 2007, the Local Authorities Pension Plan reported an actuarial deficiency of \$1.183 billion (December 31, 2006 - actuarial deficiency of \$0.747 billion).

9. Accumulated Surplus

Palliser's accumulated surplus comprises the following:

	2008	2007
Unrestricted net assets	\$ -	\$ -
Internally restricted net assets:		
Future capital equipment replacement	4,675	6,092
	\$ 4,675	\$ 6,092

10. Commitments and Contingencies

Palliser has entered into various multi-year commitments for the purchase of supplies. 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.

With regard to its buildings, Palliser has identified that certain costs could arise (asset retirement obligations) on decommissioning for which fair value cannot currently be reasonably estimated, due to the indeterminate timing and scope of when and how the buildings might be decommissioned in the future. The asset retirement obligations for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008
(thousands of dollars)

11. Budget (unaudited)

	Approved Budget	Adjustments	Reported Budget
	(a)	(b)	
Revenue:			
Alberta Health & Wellness contributions	\$173,694	\$846	\$174,540
Other government contributions	2,742		2,742
Fees and charges	16,280		16,280
Net ancillary operations	194		194
Donations	300		300
Investment and other income	3,507		3,507
<u>Amortization of external capital contributions</u>	<u>5,969</u>		<u>5,969</u>
	202,686	846	203,532
Expenses:			
Facility-based inpatient acute nursing services	52,316	839	53,155
Facility-based emergency and outpatient services	11,699	75	11,774
Facility-based continuing care services	25,031	75	25,106
Ground Ambulance Discovery Project	4,397		4,397
Community-based care	6,902	-577	6,325
Home care	9,152	341	9,493
Diagnostic and therapeutic services	36,849	577	37,426
Promotion, prevention and protection services	5,794	399	6,193
Administration	8,251		8,251
Information technology	6,043		6,043
Support services	35,787	-183	35,604
<u>Amortization of facilities and improvements</u>	<u>3,165</u>		<u>3,165</u>
	205,386	1,546	206,932
<u>Deficiency of revenue over expenses</u>	<u>(\$2,700)</u>	<u>(\$700)</u>	<u>(\$3,400)</u>

- (a) **Approved Budget** - The budget was approved by the Palliser Health Region Board in May 2007 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 and Palliser has allocated this additional funding to address funding expectations. There was also a budget adjustment made to reflect the unanticipated impact of the provincial nurses settlement during the fiscal year (\$700).

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008
(thousands of dollars)

12. Alberta Health and Wellness Contributions

	2008	2007
Unrestricted contributions	\$ 162,131	\$ 152,228
Transfers from deferred contributions	12,217	9,471
Legacy Mortgage Assistance Program for nursing home upgrades	192	192
	\$ 174,540	\$ 161,891

13. Other Government Contributions

	2008	2007
Persons with Developmental Disabilities – Alfred Egan Home	\$ 2,879	\$ 2,742

14. Ancillary Operations

	2008			2007	
	Revenue	Direct Expenses	Amortization Expense	Excess of Revenue over Expense	Excess of Revenue over Expense
Parking operations	\$ 343	\$ 60	\$ 29	\$ 254	\$ 229
Non-patient food services	778	778	-	-	-
Total	\$ 1,121	\$ 838	\$ 29	\$ 254	\$ 229

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 direct expenses for non-patient food services are estimated to be equal to the revenue earned.

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008
(thousands of dollars)

15. Investment and Other Income

	2008	2007
Investment income	\$ 2,026	\$ 1,623
Other income	2,929	3,142
	\$ 4,955	\$ 4,765

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.

16. 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 conducted on normal commercial terms. Palliser had the following significant transactions with other health authorities recorded on the Statement of Operations and Financial Position:

	2008	2007
Statement of Operations – Other Income:		
Alberta Cancer Board	\$ 670	\$ 638

17. 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.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008
(thousands of dollars)

RSHIP transactions recorded in the financial statements are as follows:

	2008	2007
Alberta Health and Wellness funding	\$ 1,091	\$ 1,048
Palliser contribution	569	519
	\$ 1,660	\$ 1,567
Reported as follows:		
Expenses	\$ 569	\$ 625
Capital assets	1,091	942
	\$ 1,660	\$ 1,567

18. Related Parties – Primary Care Network

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

	2008	2007
Opening balance	\$ 1,500	\$ -
Contributions from Alberta Health and Wellness (net)	500	1,500
Amounts recognized as revenue	-	-
Amounts deferred	\$ 2,000	\$ 1,500

19. Related Parties - Community Health Foundations

Palliser formed five Foundations in 1996 and has the ability to appoint Palliser 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.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008
(thousands of dollars)

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	2008 Total	2007 Total
Bassano & District Health Foundation	\$ 42	\$ 33	\$ 75	\$ 25
Bow Island & District Health Foundation	82	60	142	132
Brooks & District Health Foundation	257	413	670	597
Medicine Hat & District Health Foundation	3,480	1,443	4,923	4,447
Oyen & District Health Care Foundation	277	8	285	223
	\$ 4,138	\$ 1,957	\$ 6,095	\$ 5,424

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

	2008	2007
Bassano & District Health Foundation	\$ 6	\$ 16
Bow Island & District Health Foundation	101	62
Brooks & District Health Foundation	143	202
Medicine Hat & District Health Foundation	757	586
Oyen & District Health Care Foundation	15	7
	\$ 1,022	\$ 873

20. 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:

	2008	2007
Palliser funding	\$ 26,745	\$ 25,465
Alberta Health & Wellness funding	192	192
Fees and charges	6,350	6,650
	\$ 33,287	\$ 32,307

21. Comparative Figures

Certain 2007 figures have been reclassified and restated to conform to the 2008 presentation.

22. Subsequent Event

On May 15, 2008, the Minister of Health & Wellness issued a Ministerial Order #50/2008, to restructure the governance structure of the health services delivery system in Alberta. Accordingly, effective April 1, 2009, Palliser will be disestablished and all the assets, liabilities, rights and obligations of Palliser will become the assets, liabilities, rights and obligations of the Alberta Health Authority.

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PALLISER HEALTH REGION
SCHEDULE OF EXPENSES BY OBJECT
Year ended March 31, 2008
(thousands of dollars)

Schedule 1

	Budget	2008 Actual	2007 Actual
	<i>(unaudited - note 11)</i>		
Salaries and benefits (schedule 2)	\$119,960	\$121,985	\$111,530
Contracts with health service providers (note 20)	35,538	33,287	32,307
Drugs and gases	4,320	4,695	4,042
Medical and surgical supplies	4,592	5,261	4,458
Other contracted services	14,977	15,266	13,649
Other expenses - utilities	3,653	3,772	3,479
Other expenses - miscellaneous	16,226	15,829	15,940
Amortization:			
Capital equipment - internally funded	2,567	2,369	2,292
Capital equipment - externally funded	2,400	2,422	2,145
Facilities and improvements	3,195	3,014	2,947
Continuing care partnership project	404	405	404
Less amounts reported in ancillary operations (note 14)	(900)	(867)	(852)
	\$206,932	\$207,438	\$192,341

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PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS
 Year ended March 31, 2008
 (thousands of dollars)

Schedule 2(a)

	2008							2007		
	FTE	Base Salary	Other Cash Benefits	Other Non-Cash Benefits	Sub Total	Severance		Total	FTE	Total
						FTE	Amount			
(1)	(2)	(3)	(4)			(5)		(1)		
Board Members Compensation:										
Carol Secondiák (Chair)			\$32		\$32			\$32		\$36
Howard Barker			9		9			\$9		11
Jim Black			7		7			\$7		5
Hugh English			5		5			\$5		5
Jim Kirwan			7		7			\$7		9
Albert McFadyen			12		12			\$12		13
Leva Olstad			12		12			\$12		9
Lynne Sangster			13		13			\$13		8
Ken Sauer			6		6			\$6		6
Martin Shields			7		7			\$7		12
Rod Sommerfeld			12		12			\$12		10
Harold Storlien			6		6			\$6		7
Craig Widmer			9		9			\$9		8
			\$137		\$137			\$137		\$139
Staff:										
President / Chief Executive Officer	1.0	262	14	178	454			454	1.0	380
Senior Vice President - Health Services	1.0	175	32	69	276			276	1.0	234
Vice President - Community Health	1.0	146	4	28	178			178	1.0	158
Vice President - Planning & Corporate Services	1.0	146	6	27	179			179	1.0	156
Vice President - Corporate Services (note 7)	0.0				0			0	0.2	92
Chief Financial Officer (note 7)	1.0	170	3	6	179			179	0.8	145
Vice President - Medical Services	1.2	393			393			393	0.8	250
Other Management reporting to those above	30	3,111		555	3,666			3,666	28	3,065
Other Management	38	3,438		613	4,051	1	127	4,178	37	3,812
Regulated Nurses:								0		
RNs, RPNs, Grad Nurses	453	36,497		6,508	43,005			43,005	453	38,253
LPNs	130	6,608		1,178	7,786			7,786	130	7,053
Other Health Technical & Professionals	295	20,598		3,673	24,271	2	112	24,383	295	22,840
Unregulated Health Service Providers	151	5,115		912	6,027			6,027	151	6,201
Other Staff	629	26,476		4,668	31,144			31,144	575	28,752
	1732	\$103,135	\$196	\$18,415	\$121,746	3	\$239	\$121,985	1675	\$111,530

The accompanying notes (1) to (7) are part of this Schedule

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS - NOTES
 Year ended March 31, 2008
 (thousands of dollars)

Schedule 2(b)

- 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 3,091 (2007 - 3,078). "Discrete" number of individuals refers to all employees who were employed during the fiscal year.
- For Board Members, Base Salary equals honoraria. For named positions, Base Salary equals pensionable base pay. For grouped employees, Base Salary includes bonuses, overtime, lump sum payments and vacation liability increases.
- For named positions, Other Cash Benefits equals vehicles allowances, lump sum payments and vacation liability increases.
- Other non-cash benefits include:
 - Employer's current and prior service cost of supplementary executive retirement plans (per note 6 below).
 - Share of all employee benefits and contributions made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional membership and tuition.
 - Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.
- Severance includes amounts paid directly or indirectly to individuals upon termination, which are not included in other benefits. The severance recorded during the year represents payment to 3 employees (2007 - 1).
- Supplemental Executive Retirement Plan (SERP):

Under the terms of the supplementary retirement plan, executive officers may receive supplemental retirement payments. Costs detailed below are not cash payments during the year, but are the period expense for rights to future compensation. Costs reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. The SERP provides future pension benefits to participants based on years of service and earnings.

The annual benefit for each executive is as follows:

	2008		2007	
	Current Service Costs	Prior Service & Other costs	Total	Total
President / Chief Executive Officer	36	113	149	114
Senior Vice President - Health Services	15	29	44	27
Vice President - Community Health	2	2	4	0
Vice President - Planning & Corporate Services	2	1	3	0
Other retirees and non-named positions	2	9	11	62
	57	154	211	203

The accrued SERP obligation for each executive is as follows:

	Accrued Obligation Mar 31, 2007	Changes in accrued obligation	Accrued Obligation Mar 31, 2008
	President / Chief Executive Officer	542	135
Senior Vice President - Health Services	190	29	219
Vice President - Community Health	32	110	142
Vice President - Planning & Corporate Services	15	60	75
Other retirees and non-named positions	97	14	111
	876	348	1224
Less Unrecognized actuarial losses and initial obligations	(428)	(130)	(558)
	448	218	666

(7) Retirement

The Vice President Corporate Services retired in June 2006. The position of Chief Financial Officer was created upon his retirement.