

PALLISER HEALTH REGION

FINANCIAL STATEMENTS

March 31, 2006



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PALLISER HEALTH REGION STATEMENT OF 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 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, 2006 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, 2006 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 31, 2006**

**PALLISER HEALTH REGION
STATEMENT OF FINANCIAL POSITION
March 31, 2006
(thousands of dollars)**

	2006	2005
ASSETS		
Current assets:		
Cash and short-term investments (note 3)	\$12,001	\$10,233
Accounts receivable	4,109	4,457
Contributions receivable from Alberta Health and Wellness	1,589	6,454
Inventories	1,029	982
Prepaid expenses	1,940	1,021
	<u>20,668</u>	<u>23,147</u>
Non-current investments (note 3)	15,045	18,812
Non-current advance - continuing care partnerships (note 4)	9,594	9,999
Other assets (note 5)	478	0
Capital assets (note 6)	74,274	71,719
TOTAL ASSETS	\$120,059	\$123,677
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank indebtedness (note 3)	\$934	\$4,731
Accounts payable and accrued liabilities	12,586	9,713
Accrued vacation pay	6,515	6,124
Deferred contributions (schedule 3)	10,522	13,507
	<u>30,557</u>	<u>34,075</u>
Deferred contributions - continuing care partnerships (note 4)	9,594	9,999
Unamortized external capital contributions (note 7)	63,533	63,334
Net assets:		
Accumulated surplus (note 8)	5,634 ^A	7,884
Investment in capital assets from internally funded sources	10,741	8,385
	<u>16,375</u>	<u>16,269</u>
TOTAL LIABILITIES AND NET ASSETS	\$120,059	\$123,677

Footnote A - Accumulated Surplus: RSHIP capital costs, not funded by Alberta Health & Wellness, of \$2,534 were incurred in 2005-06. The accumulated surplus would have been \$8,188 had this expenditure not occurred.

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

**PALLISER HEALTH REGION
STATEMENT OF OPERATIONS**

Year ended March 31, 2006

(thousands of dollars)

	2006 Budget	2006 Actual	2005 Actual
<i>(unaudited - note 10)</i>			
Revenue:			
Alberta Health & Wellness contributions (schedule 3)	\$149,488	\$149,488	\$130,847
Other government contributions (schedule 3)	3,768	3,768	3,446
Fees and charges (note 11)	14,205	16,091	14,936
Ancillary operations, net (note 12)	193	266	275
Donations (schedule 3)	300	295	378
Investment and other income (note 13)	2,447	3,150	3,322
Amortization of external capital contributions (note 7)	5,384	5,505	5,684
	175,785	178,563	158,888
Expenses (schedule 1):			
Facility-based inpatient acute nursing services	43,083	42,331	40,173
Facility-based emergency and outpatient services	8,234	8,478	7,392
Facility-based continuing care services	25,236	22,801	21,164
Ambulance services	5,525	5,579	1,445
Community-based care	7,464	8,128	7,352
Home care	8,025	8,608	8,003
Diagnostic and therapeutic services	30,326	31,956	28,799
Promotion, prevention and protection services	5,979	5,415	4,799
Administration (note 14)	6,687	7,377	6,684
Information technology	3,149	3,379	2,728
Support services (note 15)	31,605	31,577	30,117
Amortization of facilities and improvements	3,200	2,828	3,271
	177,913	178,457	161,927
Excess (deficiency) of revenue over expenses	(\$2,128)	\$106	(\$3,039)

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Footnote A - Deficiency of Revenue over Expenses for 2005 of (\$3,039)

The deficiency of revenue over expenses is consistent with the approved 2005 business plan.

**PALLISER HEALTH REGION
STATEMENT OF CHANGES IN NET ASSETS**

Year ended March 31, 2006

(thousands of dollars)

	2006 Accumulated Surplus	2006 Investment in Capital Assets From Internally Funded Sources	2006 Total	2005 Total
<i>(Note 8)</i>				
Excess (deficiency) of revenue over expenses	\$106		\$106	(\$3,039)
Capital assets purchased with internal funds	(4,191)	4,191	0	0
Amortization on internally funded capital assets	1,835	(1,835)	0	0
Net change	(2,250)	2,356	106	(3,039)
Net assets, beginning of year	7,884	8,385	16,269	19,308
Net assets, end of year	\$5,634	\$10,741	\$16,375	\$16,269

PALLISER HEALTH REGION
STATEMENT OF CASH FLOWS
Year ended March 31, 2006
(Thousands of dollars)

	2006	2006	2005
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
<i>(unaudited - note 11)</i>			
Cash generated from (used by):			
Operating activities:			
Excess (deficiency) of revenue over expenses	(\$2,128)	\$106	(\$3,039)
Non cash transactions:			
Amortization of capital equipment - internally funded	1,500	1,835	1,755
Amortization of capital equipment - externally funded	1,900	2,272	2,009
Amortization of facilities and improvements	3,200	2,857	3,300
Amortization of continuing care partnership project	284	405	404
Amortization of external capital contributions	(5,384)	(5,534)	(5,713)
Change in non-cash working capital		4,526	1,447
	(628)	6,467	163
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(7,100)	(4,191)	(3,628)
Externally funded - equipment	(1,500)	(2,471)	(2,316)
Externally funded - facilities and improvements	(600)	(2,857)	(1,651)
Investment in Continuing Care Partnership/Other assets		(478)	(4,013)
Purchase of investments		(630)	0
Proceeds on sale of investments	2,000	4,397	3,436
	(7,200)	(6,230)	(8,172)
Financing activities:			
Capital contributions received (schedule 3)	2,100	5,328	7,980
Increase (decrease) in bank indebtedness		(3,797)	2,589
	2,100	1,531	10,569
Increase (decrease) in cash and short-term investments	(5,726)	1,768	2,560
Cash and short-term investments, beginning of year	3,073	10,233	7,673
Cash and short-term investments, end of year	(\$2,653)	\$12,001	\$10,233

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006
(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"). This responsibility includes 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 18 and Schedule 4.

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 26. 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 5.4%, expected long-term rate of return on plan assets of 2.7% 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

Short-term investments are recorded at the lower of cost and market value.

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 accounts receivable, accounts payable and accrued liabilities 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:

	Useful Life
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) Restructuring Costs

Restructuring costs are expensed in the period the restructuring decision is made. If actual costs are unknown at the time of the decision, an estimate is recorded.

i) 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:

	2006	2005
Cash	\$ 9,720	\$ 7,781
Bonds	25,720	29,233
Bank indebtedness	(934)	(4,731)
Less Health Foundations' funds	(4,888)	(4,498)
Less Third Party funds	(3,506)	(3,471)
	<u>\$ 26,112</u>	<u>\$ 24,314</u>

Cash and investments are classified as follows:

	2006	2005
Cash and short-term investments	\$ 12,001	\$ 10,233
Non-current investments (unrestricted)	15,045	18,812
Bank indebtedness	(934)	(4,731)
	<u>\$ 26,112</u>	<u>\$ 24,314</u>

Cash has an effective yield related to prime interest rate. Bonds have effective yields of 4.64% to 7.39% (2005 - 4.40% to 10.63%).

Total pooled funds have a market value of \$1,629 greater than book value (2005 - \$2,142). Valuation of bonds has been obtained from independent brokerage firms.

Included in cash and short-term investments is \$9,685 (2005 - \$7,724) 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:

	2006	2005
1 to 5 years	52%	53%
6 to 10 years	43%	41%
11 to 15 years	5%	6%
	<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 disclosed in note 7.

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, 2006 the fair value of plan assets is \$719 (2005 - \$0), the accrued benefit obligation is \$241 (2005 - \$0) and the net asset is \$478 (2005 - \$0).

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2006
 (thousands of dollars)

6. Capital Assets

	Cost			
	Opening Balance Apr 1/05	Asset Additions	Asset Disposals	Closing Balance Mar 31/06
Land	\$ 852	\$ -	\$ -	\$ 852
Buildings	111,130	-	-	111,130
Land improvements	2,533	-	-	2,533
Building service equipment	15,669	237	-	15,906
Equipment	33,319	6,662*	10,000	29,981
Construction in progress	1,106	2,620	-	3,726
	\$ 164,609	\$ 9,519	\$ 10,000	\$ 164,128

* Includes RSHIP capital costs (see note 14) of \$2,574

	Accumulated Amortization				Net Book Value
	Opening Balance Apr 1/05	Additions	Disposals	Closing Balance Mar 31/06	Closing Balance Mar 31/06
Land	\$ -	\$ -	\$ -	\$ -	\$ 852
Buildings	58,851	2,591	-	61,442	49,688
Land improvements	2,511	4	-	2,515	18
Building service equip.	12,636	262	-	12,898	3,008
Equipment	18,892	4,107	10,000	12,999	16,982
Construction in progress	-	-	-	-	3,726
	\$ 92,890	\$ 6,964	\$ 10,000	\$ 89,854	\$ 74,274

Capital assets have been funded from the following sources:

	2006	2005
Externally funded (Unamortized External Capital Contributions)	\$ 63,533	\$ 63,334
Internally funded (Investment in Capital Assets)	10,741	8,385
	\$ 74,274	\$ 71,719

7. Unamortized External Capital Contributions

Unamortized external capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (a) (iv). The balance at the end of year represents external capital contributions that will be recognized as revenue in future years.

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2006
 (thousands of dollars)

	2006	2005
Unamortized external capital contributions, beginning of year	\$ 63,334	\$ 64,676
Amounts transferred from:		
Deferred Contributions (schedule 3)	5,328	7,980
Amounts recognized as revenue:		
Amortized external capital contributions: Equipment	(2,272)	(2,009)
Amortized external capital contributions: Facilities and Improvements	(2,828)	(3,271)
Amortized external capital contributions: Ancillary operations	(29)	(29)
Unamortized external capital contributions, end of year	\$ 63,533	\$ 63,334

Amortization of external capital contributions, included in revenue for the year, is as follows:

	2006	2005
Continuing Care Partnerships (note 4)	\$ 405	\$ 404
Capital Assets (above)	5,100	5,280
	\$ 5,505	\$ 5,684

8. Accumulated Surplus

Palliser's accumulated surplus comprises the following:

	2006	2005
Unrestricted net assets	\$ -	\$ -
Internally restricted net assets:		
Future capital equipment replacement	5,634	7,884
	\$ 5,634	\$ 7,884

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. A specific claim concerning the methodology used to calculate pension benefit payments has been filed against the Province of Alberta and employers participating in LAPP (including 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, 2006
 (thousands of dollars)

10. Budget (unaudited)

	Approved Budget (a)	Additional Funding (b)	Adjust- ments (c)	Reported Budget
Revenue:				
Alberta Health & Wellness contributions	\$143,184	\$6,304		\$149,488
Other government contributions	2,635	1,133		3,768
Fees and charges	14,205			14,205
Net ancillary operations	193			193
Donations	300			300
Investment and other income	2,447			2,447
Amortization of external capital contributions	5,384			5,384
	168,348	7,437	0	175,785
Expenses:				
Facility-based inpatient acute nursing services	42,838	245		43,083
Facility-based emergency and outpatient service	8,234			8,234
Facility-based continuing care services	24,136	1,100		25,236
Ambulance services	1,030	4,495		5,525
Community-based care	7,464			7,464
Home care	8,025			8,025
Diagnostic and therapeutic services	30,326			30,326
Promotion, prevention and protection services	5,729	250		5,979
Administration	6,687			6,687
Information technology	2,803	346		3,149
Support services	30,004	1,001		31,005
Amortization of facilities and improvements	3,200			3,200
	170,476	7,437	0	177,913
Deficiency of revenue over expenses	(\$2,128)	\$0	\$0	(\$2,128)

(a) **Approved Budget** - The budget was approved by the Palliser Health Region Board in May 2005 and submitted to the Minister for Health and Wellness for approval.

(b) **Additional Funding** - Over the course of the fiscal year, the Minister provided additional funding. Palliser has allocated these additional resources to address funding expectations.

(c) **Adjustments** - Budget figures have been reclassified to conform with the presentation of the 2006 actual amounts.

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PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2006
 (thousands of dollars)

11. Fees and Charges

	Inpatient / Resident		Outpatient		Total	
	2006	2005	2006	2005	2006	2005
Acute Care:						
Out-of-province	\$ 3,370	\$ 3,370	\$ 1,711	\$ 1,369	\$ 5,081	\$ 4,739
Out-of-country base amount	47	72	48	28	95	100
Out-of-country surcharge	59	89	59	34	118	123
WCB standard charges	381	147	951	844	1,332	991
Federal	43	18	108	119	151	137
Uninsured medical services*	268	77	130	97	398	174
Preferred accommodation	84	62			84	62
Continuing care semi-private and private	119	64			119	64
	4,371	3,899	3,007	2,491	7,378	6,390
Continuing Care:						
Continuing care ward, semi-private and private	8,713	8,546			8,713	8,546
	\$ 13,084	\$ 12,445	\$ 3,007	\$ 2,491	\$ 16,091	\$ 14,936

*Fees and charges include revenue from enhanced goods and services in the amount of \$0 (2005 - \$0).

12. Ancillary Operations

	2006		2005	
	Non-patient Food Services	Other Ancillary Operations	Total	Total
Revenue:				
Operating revenue	\$ 735	\$ 410	\$ 1,145	\$ 1,200
Amortized external capital contributions		29	29	29
Direct Expenses:				
Other expenses	(735)	(131)	(866)	(912)
Amortization	(13)	(29)	(42)	(42)
Excess (deficiency) of revenue over expenses	(\$ 13)	\$ 279	\$ 266	\$ 275

Ancillary operations consist of the sale of goods and services that are not related to the direct provision of health services. Other Ancillary Operations include rental operations (RRC building) and parking operations (Medicine Hat).

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13. Investment and Other Income

	2006	2005
Investment income	\$ 1,522	\$ 1,632
Other income	1,628	1,690
	\$ 3,150	\$ 3,322

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.

14. Administration

	2006	2005
General administration	\$ 3,227	\$ 2,854
Finance	1,624	1,414
Personnel	1,521	1,421
Administration – voluntary and private providers (schedule 4)	1,005	995
	\$ 7,377	\$ 6,684

15. Support Services

	2006	2005
Building maintenance, operations and security	\$ 9,436	\$ 8,657
Education	1,301	1,336
Housekeeping	3,301	3,245
Laundry and linen	1,332	1,316
Materials management	2,062	1,964
Patient food services	3,462	3,520
Patient health records	1,576	1,338
Patient registration	1,224	1,184
Other	118	102
Support services – voluntary and private providers (schedule 4)	7,765	7,455
	\$ 31,577	\$ 30,117

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 and schedules 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, are not material to the financial statements of Palliser and are reported in the appropriate expense classification in the Statement of Operations.

Palliser has entered into a partnership agreement with the other six non-metro regional health authorities in Alberta to develop and implement a common, integrated information system. The other partners to the agreement are:

Northern Lights Health Region	Chinook Health Region
Peace Country Health	East Central Health
Aspen Health Region	David Thompson Health Region

The partnership agreement functions under the name: Regional Shared Health Information Program (RSHIP), and is jointly controlled by the seven participating regions. RSHIP is currently intended to provide two services to the regions. The first service relates to the development and implementation of software through a provincial project management office. The second service represents the operations of a common data processing facility.

Funding of RSHIP activity has been provided partly through Alberta Health and Wellness grants, with the balance being funded by the regions directly. Each region is to take responsibility for the portion of total costs not funded by Alberta Health and Wellness. The amounts are determined annually based on costs expected to be incurred by the Provincial Project Management Office and the Shared Data Centre. The Provincial Project Management Office is expected to require funding from Palliser for the next two fiscal years. The Shared Data Centre will be an ongoing program funded by Palliser and its partners.

17. 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	2006 Total	2005 Total
Bassano & District Health Foundation	\$ 13	\$ 9	\$ 22	\$ 19
Bow Island & District Health Foundation	78	43	121	69
Brooks & District Health Foundation	187	236	423	252
Medicine Hat & District Health Foundation	3,230	1,024	4,254	4,104
Oyen & District Health Care Foundation	108	2	110	63
	\$ 3,616	\$ 1,314	\$ 4,930	\$ 4,507

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

	2006	2005
Bassano & District Health Foundation	\$ 18	\$ 30
Bow Island & District Health Foundation	32	56
Brooks & District Health Foundation	66	238
Medicine Hat & District Health Foundation	453	675
Oyen & District Health Care Foundation	64	11
	Per schedule 3 \$ 633	\$ 1,010

18. Related Parties - Voluntary and Private Health Service Providers

Palliser has an economic interest through its contracts with voluntary and private health service providers. Transactions between Palliser and health service providers are conducted on normal commercial terms and are presented in Schedule 4.

19. 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 \$4,729 for the year ended March 31, 2006 (2005 - \$4,004).

At December 31, 2005, the Local Authorities Pension Plan reported an actuarial deficiency of \$0.864 billion (December 31, 2004 - actuarial deficiency of \$1.289 billion).

20. Comparative Figures

Certain 2005 figures have been reclassified and restated to conform to the 2006 presentation.

21. 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, 2006
 (thousands of dollars)

Schedule 1

	2006		2005
	Budget	Actual	Actual
<i>(continued - note 10)</i>			
Salaries and benefits (schedule 2)	\$103,108	\$104,165	\$93,123
Contracts with health service providers (schedule 4)	31,759	29,576	27,474
Drugs and gases	3,690	3,750	3,349
Medical and surgical supplies	4,150	4,333	4,020
Other contracted services	9,035	9,875	8,327
Other expenses - utilities	2,913	2,870	2,679
Other expenses - miscellaneous	17,374	17,427	16,450
Amortization:			
Capital equipment - internally funded	1,500	1,835	1,755
Capital equipment - externally funded	1,900	2,272	2,009
Facilities and improvements	3,200	2,857	3,300
Continuing care partnership project	284	405	404
Less amounts reported in ancillary operations (note 12)	(1,000)	(908)	(954)
	<u>\$177,913</u>	<u>\$178,457</u>	<u>\$161,927</u>

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS
 Year ended March 31, 2006
 (thousands of dollars)

Schedule 2(a)

	2006					2005				
	FTE	Salaries and Honoraria	Benefits Allowances	Severance	Total	FTE	Salaries, Benefits & Allowances	Severance	Total	
	(a)	(b)	(c)	(d)		(a)	(b)	(c)	(d)	
Board Members Compensation:										
Carol Seoundiak (Chair)		\$41			\$41		\$25			\$25
Lon Mizal (former Chair)					0		14			14
Howard Barker		8			8					0
Jim Black		7			7		7			7
Hugh English		10			10		7			7
Leo Hill					0		3			3
Jim Kirwan		6			6					0
Albert McFadyen		12			12		11			11
Leva Olstad		11			11		10			10
Lynne Sangster		11			11		6			6
Ken Sauer		6			6		5			5
Martin Shields		14			14		9			9
Rod Sommerfeld		12			12		15			15
Harold Sturles		5			5					0
Craig Widmer		5			5					0
		<u>\$148</u>			<u>\$148</u>		<u>\$112</u>			<u>\$112</u>
Staff:										
President / Chief Executive Officer	1.0	221	108		329	1.0	253			253
Senior Vice President - Health Services	1.0	172	41		213	1.0	183			183
Vice President - Corporate Services	1.0	142	38		180	1.0	154			154
Vice President - Community Health	1.0	128	38		166	1.0	140			140
Vice President - Planning & Capital Development	1.0	128	38		166	1.0	134			134
Vice President - Medical Services	0.8	244			244	0.8	233			233
Other Management reporting to those above	26	2,491	407		2,888	26	2,702			2,702
Other Management	38	3,204	574		3,790	38	3,668			3,668
Regulated Nurses:										
RNs, RPNs, Grad Nurses	395	30,238	5,397		35,635	399	33,832			33,832
LPNs	178	5,232	904		6,166	175	5,647			5,647
Other Health Technical & Professionals	276	18,030	3,218		21,248	271	15,631			15,631
Unregulated Health Service Providers	144	4,686	836		5,522	152	5,481			5,481
Other Staff	354	23,344	4,166		27,510	352	24,953			24,953
	<u>1,157</u>	<u>\$88,380</u>	<u>\$15,781</u>	<u>\$0</u>	<u>\$104,161</u>	<u>1,149</u>	<u>\$93,023</u>	<u>\$0</u>		<u>\$93,123</u>

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

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS - NOTES
 Year ended March 31, 2006
 (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 2,023 hours for most occupation groups.

The total actual discrete number of individuals employed during the year was 2,469 (2005 - 2,395).

(b) Salaries and Honoraria

Salaries and honoraria include regular base pay, overtime, lump sum payments, shift

(c) Benefits and Allowances

Benefits and allowances represent employer contributions or payments made on behalf of

- Employment insurance
- Canada pension plan
- Provincial pension plan and supplemental executive retirement plan
- Workers compensation
- Health and dental coverage
- Long term and short term disability plans
- Accidental death and dismemberment plans
- Group life insurance

Supplemental executive retirement plan benefits were earned by the following employees:

	Current Year		Prior Year		2005		2004	
	Costs		Costs		Total		Total	
President / Chief Executive Officer	\$ 22	\$	\$ 66	\$	\$ 88	\$	\$ -	
Senior Vice President - Health Services	6		16		22		-	
Vice President - Corporate Services	5		34		39		-	
	\$ 33	\$	\$ 96	\$	\$ 129	\$	\$ -	

(d) Severance

Severance includes amounts paid directly or indirectly to individuals upon termination, which

The severance recorded during the year represents payments to 0 employees (2005 - 0).

PALLISER HEALTH REGION
SCHEDULE OF DEFERRED CONTRIBUTIONS
 Year ended March 31, 2006
 (thousands of dollars)

Schedule 3

Grant	Opening Balance April 1, 2005	Amounts Received or Receivable			Amounts Recognized as Revenue			Transfer to Unrestricted External Capital Contrib.	Closing Balance March 31, 2006
		Alberta Health & Wellness	Other Government Contrib.	Foundations	Alberta Health & Wellness	Other Government Contrib.	Foundations		
Alberta Health & Wellness Unrestricted and Restricted Contributions:									
Global Funding	\$ -	\$ 140,145			\$ 140,145				\$ -
Legacy Mortgage Assistance Program	-	198			198				\$ -
Ambulance Pilot Project	4,397				4,397				\$ -
Diagnostic/Medical Equipment	-	1,365					1,365		\$ -
Mental Health projects	-	607			-				\$ 607
Paramedic Training	98				98				\$ -
Physician On Call-Rural		552			551				\$ 1
Physician On Call-Specialist	692	2,345			2,418				\$ 619
Regional Shared Hth Info Prog (RSIIP)	-	884			117			767	\$ -
Security of Systems	228	219			228				\$ 219
Telehealth clinical funds	-	100							\$ 100
Other	-	1,336			1,336				\$ -
Other Government Restricted Contributions:									
PDD - Alfred Egan Home Funding	-		2,767			2,767			\$ -
Alberta Infrastructure - IMP and HSI	8,092		4,743			1,001		2,858	\$ 8,976
Foundations:									
Funding of Equipment and Programs	-			633			295	338	\$ -
Total 2005/06	\$ 13,507	\$ 147,751	\$ 7,510	\$ 633	\$ 149,488	\$ 3,768	\$ 295	\$ 5,328	\$ 10,522

Total 2004/05	\$ 5,569	\$ 137,247	\$ 12,332	\$ 1,010	\$ 130,847	\$ 3,446	\$ 378	\$ 7,980	\$ 13,507
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PALLISER HEALTH REGION
SCHEDULE OF VOLUNTARY AND PRIVATE HEALTH SERVICE PROVIDERS
 Year ended March 31, 2006
 (thousands of dollars)

Schedule 4

Facility Name	Providers' Revenue			Providers' Expenditures							Total	
	Direct Palliser Funding	Direct Alberta Health Funding	Approved Patient Fees & Charges	Total	Facility-based Continuing care services	Community-based care	Home care	Diagnostic & Therapeutic services	Pro-motion, Prevent. & Protect. services	Admin-istration		Support services
A. Voluntary Providers												
Good Samaritan Society	\$ 3,309		\$ 1,350	\$ 4,659	\$ 2,305	\$ 165	\$ 229	\$ 179		\$ 147	\$ 1,634	\$ 4,659
South Country Village	4,260		1,700	5,960	3,566		205	276		213	1,700	5,960
B. Private Providers												
Agecare	1,942		750	2,692	1,623		97	125		97	750	2,692
Central Park Lodge	4,971	198	2,000	7,169	4,375			338		258	2,198	7,169
Club Sierra	1,982		850	2,832	1,635			127		100	970	2,832
Medicine Hat Diag. Lab	5,129			5,129				4,426		190	513	5,129
LeisureWay & Meadow lands	491			491	320		171					491
Other Private Providers	644			644	428			37		179		644
Total 2005/06	\$ 22,728	\$ 198	\$ 6,650	\$ 29,576	\$ 13,824	\$ 993	\$ 702	\$ 5,508	\$ 179	\$ 1,005	\$ 7,765	\$ 29,576
Total 2004/05	\$ 20,871	\$ 203	\$ 6,400	\$ 27,474	\$ 12,546	\$ 745	\$ 535	\$ 5,047	\$ 151	\$ 995	\$ 7,455	\$ 27,474

