

# PALLISER HEALTH REGION

## FINANCIAL STATEMENTS

March 31, 2005



- Statement of Management Responsibility
- Auditors' Report
- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements
- Schedule 1 - Schedule of Expenses by Object
- Schedule 2 - Schedule of Salaries and Benefits
- Schedule 3 – Schedule of Deferred Contributions
- Schedule 4 – Schedule of Voluntary and Private Health Service Providers

**PALLISER HEALTH REGION**  
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING  
Financial Statements  
March 31, 2005

---

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 accounted for and safeguarded. Palliser has also established a code of ethics and corporate directives, which require 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]

**Richard Van Orman**  
Vice President - Corporate Services



**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, 2005 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, 2005 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 26, 2005**

**PALLISER HEALTH REGION**  
STATEMENT OF FINANCIAL POSITION  
March 31, 2005  
(thousands of dollars)

	2005	2004
<b>ASSETS</b>		
Current assets:		
Cash and short-term investments (note 3)	\$10,233	\$7,673
Accounts receivable	4,457	3,915
Contributions receivable from Alberta Health and Wellness	6,454	464
Inventories	982	858
Prepaid expenses	1,021	361
	<u>23,147</u>	<u>13,271</u>
Non-current investments (note 3)	18,812	22,248
Non-current advance - continuing care partnerships (note 4)	9,999	6,390
Capital assets (note 5)	71,719	71,188
	<u>\$123,677</u>	<u>\$113,097</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Bank indebtedness (note 3)	\$4,731	\$2,142
Accounts payable and accrued liabilities	9,713	9,119
Accrued vacation pay	6,124	5,893
Deferred contributions (schedule 3)	13,507	5,569
	<u>34,075</u>	<u>22,723</u>
Deferred contributions - continuing care partnerships (note 4)	9,999	6,390
Unamortized external capital contributions (note 6)	63,334	64,676
Net assets:		
Accumulated surplus (note 7)	7,884	12,796
Investment in capital assets from internally funded sources	8,385	6,512
	<u>16,269</u>	<u>19,308</u>
	<u>\$123,677</u>	<u>\$113,097</u>

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



**PALLISER HEALTH REGION**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2005  
(thousands of dollars)

	2005 <i>Budget</i>	2005 Actual	2004 Actual
	<i>(unaudited - note 9)</i>		
<b>Revenue:</b>			
Alberta Health & Wellness contributions (schedule 3)	\$130,847	\$130,847	\$121,809
Other government contributions (schedule 3)	3,446	3,446	3,550
Fees and charges (note 10)	13,933	14,936	14,443
Ancillary operations, net (note 11)	202	275	254
Donations (schedule 3)	300	378	264
Investment and other income (note 12)	2,647	3,322	3,254
Amortization of external capital contributions (note 6)	5,384	5,684	5,290
	<u>156,759</u>	<u>158,888</u>	<u>148,864</u>
<b>Expenses (schedule 1):</b>			
Facility-based inpatient acute nursing services	39,687	40,173	37,869
Facility-based emergency and outpatient services	7,581	7,392	7,291
Facility-based continuing care services	21,215	21,164	19,866
Ambulance services (note 18)	1,400	1,445	942
Community-based care	6,924	7,352	6,545
Home care	7,253	8,003	7,291
Diagnostic and therapeutic services	28,422	28,799	26,458
Promotion, prevention and protection services	4,659	4,799	4,078
Administration (note 13)	6,440	6,684	5,908
Information technology	2,277	2,728	2,120
Support services (note 14)	30,159	30,117	28,809
Amortization of facilities and improvements	3,200	3,271	3,239
	<u>159,217</u>	<u>161,927</u>	<u>150,416</u>
<b>Deficiency of revenue over expenses</b>	<b>(\$2,458)</b>	<b>(\$3,039)</b>	<b>(\$1,552)</b>
		A	B

**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.

**Footnote B - Deficiency of Revenue over Expenses for 2004 of (\$1,552)**

The deficiency of revenue over expenses is consistent with the approved 2004 business plan.

**PALLISER HEALTH REGION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended March 31, 2005  
(thousands of dollars)

	2005 Accumulated Surplus	2005 Investment in Capital Assets From Internally Funded Sources	2005 Total	2004 Total
	<i>(Note 7)</i>			
Deficiency of revenue over expenses	(\$3,039)		(\$3,039)	(\$1,552)
Capital assets purchased with internal funds	(3,628)	3,628	0	0
Amortization on internally funded capital assets	1,755	(1,755)	0	0
<b>Net change</b>	<b>(4,912)</b>	<b>1,873</b>	<b>(3,039)</b>	<b>(1,552)</b>
Net assets, beginning of year	12,796	6,512	19,308	20,860
<b>Net assets, end of year</b>	<b>\$7,884</b>	<b>\$8,385</b>	<b>\$16,269</b>	<b>\$19,308</b>



**PALLISER HEALTH REGION**  
**STATEMENT OF CASH FLOWS**  
Year ended March 31, 2005  
(thousands of dollars)

	2005	2005	2004
	<i>Budget</i>	Actual	Actual
	<i>(unaudited - note 9)</i>		
Cash generated from (used by):			
Operating activities:			
Deficiency of revenue over expenses	(\$2,458)	(\$3,039)	(\$1,552)
Non cash transactions:			
Amortization of capital equipment - internally funded	1,500	1,755	1,442
Amortization of capital equipment - externally funded	1,900	2,009	1,767
Amortization of facilities and improvements	3,200	3,300	3,268
Amortization of continuing care partnership project	284	404	284
Amortization of external capital contributions (note 6)	(5,384)	(5,713)	(5,319)
Change in non-cash working capital	1,447	1,447	1,584
	(958)	163	1,474
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(4,100)	(3,628)	(3,554)
Externally funded - equipment	(1,500)	(2,316)	(2,131)
Externally funded - facilities and improvements	(600)	(1,651)	(550)
Investment in Continuing Care Partnership		(4,013)	0
Purchase of investments		0	(3,518)
Proceeds on sale of investments	3,000	3,436	3,589
	(3,200)	(8,172)	(6,164)
Financing activities:			
Capital contributions received (schedule 3)	2,100	7,980	2,681
Increase in bank indebtedness		2,589	2,142
	2,100	10,569	4,823
Increase (decrease) in cash and short-term investments	(2,058)	2,560	133
Cash and short-term investments, beginning of year	5,531	7,673	7,540
Cash and short-term investments, end of year	\$3,473	\$10,233	\$7,673

7

**PALLISER HEALTH REGION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2005  
(thousands of dollars)

**1. Authority, Purpose and Operations**

The Palliser Health Region ("Palliser") was established on June 24, 1994 under the authority of the Regional Health Authority 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 is responsible for the delivery of 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.

The operations of Palliser 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  
Empress 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 to the extent disclosed in Note 17 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 Financial Directive 24 issued by Alberta Health and Wellness. The 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.

8



**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 included in these financial statements comprise the amount of employer's contributions required 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.

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 decline in value. At that time, the value is reduced. Any discounts or premiums arising on purchase are amortized using the straight-line method over the period to maturity. 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:

	<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) Restructuring Costs

Restructuring costs are expensed in the period the decision to restructure 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:

	2005	2004
Cash	\$ 7,781	\$ 4,376
Bonds	29,233	32,087
Bank indebtedness	(4,731)	(2,142)
Less Health Foundations' funds	(4,498)	(4,359)
Less Third Party funds	(3,471)	(2,183)
	<u>\$ 24,314</u>	<u>\$ 27,779</u>

Cash and investments are classified as follows:

	2005	2004
Cash and short-term investments	\$ 10,233	\$ 7,673
Non-current investments (unrestricted)	18,812	22,248
Bank indebtedness	(4,731)	(2,142)
	<u>\$ 24,314</u>	<u>\$ 27,779</u>

Cash has an effective yield related to prime interest rate. Bonds have effective yields of 4.40% to 10.63% (2004 - 4.22% to 10.63%).

Total pooled funds have a market value of \$2,142 greater than book value (2004 - \$2,626). Valuation of bonds has been obtained from independent brokerage firms.

Included in cash and short-term investments is \$7,724 (2004 - \$4,331) 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:

	2005	2004
1 to 5 years	53%	36%
6 to 10 years	41%	47%
11 to 15 years	6%	17%
	<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 6.

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. Capital Assets**

	Cost			
	Opening Balance Apr 1/04	Asset Additions	Asset Disposals	Closing Balance Mar 31/05
Land	\$ 852	\$ -	\$ -	\$ 852
Buildings	110,763	367	-	111,130
Land improvements	2,533	-	-	2,533
Building service equipment	14,748	921	-	15,669
Equipment	27,375	5,944	-	33,319
Construction in progress	743	363	-	1,106
	\$ 157,014	\$ 7,595	\$ -	\$ 164,609

	Accumulated Amortization				Net Book Value
	Opening Balance Apr 1/04	Additions	Disposals	Closing Balance Mar 31/05	Closing Balance Mar 31/05
Land	\$ -	\$ -	\$ -	\$ -	\$ 852
Buildings	56,259	2,592	-	58,851	52,279
Land improvements	2,403	108	-	2,511	22
Building service equip.	12,036	600	-	12,636	3,033
Equipment	15,128	3,764	-	18,892	14,427
Construction in progress	-	-	-	-	1,106
	\$ 85,826	\$ 7,064	\$ -	\$ 92,890	\$ 71,719

Capital assets have been funded from the following sources:

	2005	2004
Externally funded (Unamortized External Capital Contributions)	\$ 63,334	\$ 64,676
Internally funded (Investment in Capital Assets)	8,385	6,512
	\$ 71,719	\$ 71,188

**6. 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 when the related capital asset amortization expense is recorded.

	2005	2004
Unamortized external capital contributions, beginning of year	\$ 64,676	\$ 67,030
Amounts transferred from: Deferred Contributions (schedule 3)	7,980	2,681
Amounts transferred to: Continuing Care Partnerships (note 4)	(4,013)	-
Amounts recognized as revenue: Amortized external capital contributions: Equipment	(2,009)	(1,767)
Amortized external capital contributions: Facilities and Improvements	(3,271)	(3,239)
Amortized external capital contributions: Ancillary operations	(29)	(29)
Unamortized external capital contributions, end of year	\$ 63,334	\$ 64,676

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

	2005	2004
Continuing Care Partnerships (note 4)	\$ 404	\$ 284
Capital Assets (above)	5,280	5,006
	\$ 5,684	\$ 5,290



**7. Accumulated Surplus**

Palliser's accumulated surplus comprises the following:

	2005	2004
Unrestricted net assets	\$ -	\$ -
Internally restricted net assets:		
Commitments to identified capital equipment items	455	890
Future capital equipment replacement	7,429	11,906
	\$ 7,884	\$ 12,796

**8. 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.

At March 31, 2005, Palliser and the Alberta Union of Provincial Employees (AUPE) have not yet agreed on contract terms covering AUPE staff for the period from April 1, 2004 to March 31, 2005. For fiscal 2005, Palliser has recorded an accrual for its best estimate of the contract settlement costs. The actual contract settlement costs are not known but are not expected to be materially different from the recorded accrual.

**9. Budget (unaudited)**

	Approved Budget (a)	Additional Funding (b)	Adjust- ments (c)	Reported Budget
<b>Revenue:</b>				
Alberta Health & Wellness contributions	\$129,770	\$1,077		\$130,847
Other government contributions	2,635	811		3,446
Fees and charges	13,933			13,933
Net ancillary operations	202			202
Donations	300			300
Investment and other income	2,647			2,647
Amortization of external capital contributions	5,384			5,384
	154,871	1,888	0	156,759
<b>Expenses:</b>				
Facility-based inpatient acute nursing services	39,657	30		39,687
Facility-based emergency and outpatient services	7,581			7,581
Facility-based continuing care services	21,744	71	(600)	21,215
Ambulance services	1,000	400		1,400
Community-based care	6,924			6,924
Home care	6,653		600	7,253
Diagnostic and therapeutic services	28,422			28,422
Promotion, prevention and protection services	4,256	403		4,659
Administration	6,440			6,440
Information technology	2,277			2,277
Support services	29,175	984		30,159
Amortization of facilities and improvements	3,200			3,200
	157,329	1,888	0	159,217
Deficiency of revenue over expenses	(\$2,458)	\$0	\$0	(\$2,458)

(a) **Approved Budget** - The budget was approved by the Palliser Health Region Board in September 2004 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. The Board has allocated these additional resources to address funding expectations.

(c) **Adjustments** - Budget figures have been reclassified to conform with the presentation of the 2005 actual amounts.





**PALLISER HEALTH REGION**  
NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005  
(thousands of dollars)

**10. Fees and Charges**

	Inpatient / Resident		Outpatient		Total	
	2005	2004	2005	2004	2005	2004
<b>Acute Care:</b>						
Out-of-province	\$ 3,370	\$ 3,392	\$ 1,369	\$ 948	\$ 4,739	\$ 4,340
Out-of-country base amount	72	88	28	28	100	116
Out-of-country surcharge	89	108	34	34	123	142
WCB standard charges	147	405	844	684	991	1,089
Federal	18	44	119	164	137	208
Uninsured medical services	77	94	97	107	174	201
Preferred accommodation	62	66			62	66
Continuing care semi-private and private	64	99			64	99
	3,899	4,296	2,491	1,965	6,390	6,261
<b>Continuing Care:</b>						
Continuing care ward, semi-private and private	8,546	8,182			8,546	8,182
	\$ 12,445	\$ 12,478	\$ 2,491	\$ 1,965	\$ 14,936	\$ 14,443

**11. Ancillary Operations**

	2005		2004	
	Non-patient Food Services	Other Ancillary Operations	Total	Total
Revenue:				
Operating revenue	\$ 712	\$ 488	\$ 1,200	\$ 1,194
Amortization of external capital contributions		29	29	29
Direct Expenses:				
Other expenses	(712)	(200)	(912)	(930)
Amortization	(13)	(29)	(42)	(39)
Excess (deficiency) of revenue over expenses	(\$ 13)	\$ 288	\$ 275	\$ 254

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).

**PALLISER HEALTH REGION**  
NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2005  
(thousands of dollars)

**12. Investment and Other Income**

	2005	2004
Investment income	\$ 1,632	\$ 1,876
Other income	1,690	1,378
	\$ 3,322	\$ 3,254

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

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

**13. Administration**

	2005	2004
General administration	\$ 2,854	\$ 2,579
Finance	1,414	1,273
Personnel	1,421	1,172
Administration – voluntary and private providers (schedule 4)	995	884
	\$ 6,684	\$ 5,908

**14. Support Services**

	2005	2004
Building maintenance, operations and security	\$ 8,657	\$ 8,713
Education	1,336	1,112
Housekeeping	3,245	3,109
Laundry and linen	1,316	1,330
Materials management	1,964	1,853
Patient food services	3,520	3,517
Patient health records	1,338	1,422
Patient registration	1,184	1,143
Other	102	101
Support services – voluntary and private providers (schedule 4)	7,455	6,509
	\$ 30,117	\$ 28,809

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

Palliser is established under the Regional Health Authorities Act. 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 the 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.

**16. Related Parties - Community Health Foundations**

Palliser formed five Foundations in 1996 and has the ability to appoint two of Palliser's 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	2005 Total	2004 Total
Bassano & District Health Foundation	\$ 5	\$ 14	\$ 19	\$ 20
Bow Island & District Health Foundation	46	23	69	51
Brooks & District Health Foundation	116	136	252	252
Medicine Hat & District Health Foundation	3,132	972	4,104	3,995
Oyen & District Health Care Foundation	50	13	63	47
	\$ 3,349	\$ 1,158	\$ 4,507	\$ 4,365

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

	2005	2004
Bassano & District Health Foundation	\$ 30	\$ 32
Bow Island & District Health Foundation	56	41
Brooks & District Health Foundation	238	152
Medicine Hat & District Health Foundation	675	463
Oyen & District Health Care Foundation	11	51
	\$ 1,010	\$ 739

**17. 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.

**18. Subsequent Events**

As of April 1, 2005, the governance and funding of ground ambulance services will be transferred from municipalities to Palliser. The anticipated financial effect of this transfer will be to increase Palliser's revenue and expenses by \$4,397 in 2006.

**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 \$4,004 for the year ended March 31, 2005 (2004 - \$3,221).

At December 31, 2004, the Local Authorities Pension Plan reported an actuarial deficiency of \$1.289 billion (December 31, 2003 - actuarial deficiency of \$1.411 billion).

**20. Comparative Figures**

Certain 2004 figures have been reclassified and restated to conform to the 2005 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, 2005  
(thousands of dollars)

**Schedule 1**

	2005	2004
<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
<i>(unaudited - note 9)</i>		
Salaries and benefits (schedule 2)	\$91,714	\$87,334
Contracts with health service providers (schedule 4)	27,690	24,583
Drugs and gases	3,240	3,244
Medical and surgical supplies	3,960	3,696
Other contracted services	7,954	7,694
Other expenses	18,775	18,073
Amortization:		
Capital equipment - internally funded	1,500	1,442
Capital equipment - externally funded	1,900	1,767
Facilities and improvements	3,200	3,268
Continuing care partnership project	284	284
Less amounts reported in ancillary operations (note 11)	(1,000)	(969)
	<b>\$159,217</b>	<b>\$161,927</b>
		<b>\$150,416</b>

**PALLISER HEALTH REGION**  
**SCHEDULE OF SALARIES AND BENEFITS**  
Year ended March 31, 2005  
(thousands of dollars)

**Schedule 2(a)**

	2005				Total	2004			
	FTE	Salaries and Honoraria	Benefits and Allowances	Severance		FTE	Salaries, Benefits & Allowances	Severance	Total
	(a)	(b)	(c)	(d)		(a)	(b)	(c)	(d)
<b>Board Members Compensation:</b>									
Carol Seconiak (Chair)		\$25			\$25		\$12		\$12
Len Mitzel (former Chair)		14			14		32		32
Jim Black		7			7		9		9
Hugh English		7			7		10		10
Leo Hill		3			3		8		8
Albert McFadyen		11			11		14		14
Leva Olstad		10			10		11		11
Lynne Sangster		6			6		8		8
Ken Sauer		5			5		8		8
Martin Shields		9			9		11		11
Rod Sommerfeld		15			15		10		10
		\$112			\$112		\$133		\$133
<b>Staff:</b>									
President / Chief Executive Officer	1.0	213	40		253	1.0	216		216
Senior Vice President - Health Services	1.0	159	24		183	1.0	161		161
Vice President - Corporate Services	1.0	131	23		154	1.0	143		143
Vice President - Community Health	1.0	119	21		140	1.0	131		131
Vice President - Planning & Capital Development	1.0	113	21		134				
Vice President - Medical Services	0.8	233			233	0.8	228		228
Other Management reporting to those above	26	2,284	418		2,702	25	2,503		2,503
Other Management	38	3,100	568		3,668	40	3,803		3,803
<b>Regulated Nurses:</b>									
RNs, RPNs, Grad Nurses	394	27,498	5,035		32,533	390	32,135		32,135
LPNs	112	4,788	877		5,665	107	5,134		5,134
Other Health Technical & Professionals	149	9,821	1,798		11,619	152	11,310		11,310
Unregulated Health Service Providers	150	4,618	845		5,463	156	5,540		5,540
Other Staff	623	25,581	4,683		30,264	593	25,897		25,897
	1498	\$78,770	\$14,353	\$0	\$93,123	1468	\$87,334	\$0	\$87,334

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



---

**(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.

Full time equivalent for Board Members has not been calculated as these individuals are remunerated on a stipend basis.

The total actual discrete number of individuals employed during the year was 2,395 (2004 - 2,285).

Individuals' are those on salary or wage, including contract persons considered employees under Canada Customs & Revenue Agency (CCRA) guidelines and rulings.

**(b) Salaries and Honoraria**

Salaries and honoraria include regular base pay, overtime, lump sum payments, shift differential, honoraria, 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
- Provincial pension plan
- Workers compensation
- Health and dental coverage
- Long term and short term disability plans
- Accidental death and dismemberment plans
- Group life insurance

**(d) 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 payments to 0 employees (2004 - 0).

**PALLISER HEALTH REGION**  
**SCHEDULE OF DEFERRED CONTRIBUTIONS**  
Year ended March 31, 2005  
(thousands of dollars)

**Schedule 3**

Grant	Opening Balance April 1, 2004	Amounts Received or Receivable			Amounts Recognized as Revenue			Transfer to Unamort. External Capital Contrib.	Closing Balance March 31, 2005
		Alberta Health & Wellness	Other Governmt Contrib.	Foundations	Alberta Health & Wellness	Other Governmt Contrib.	Foundations		
<b>Alberta Health &amp; Wellness Unrestricted and Restricted Contributions:</b>									
Global Funding	\$ -	\$ 125,773			\$ 125,773				\$ -
Legacy Mortgage Assistance Program	-	203			203				\$ -
Ambulance Governance Transfer		400			400				\$ -
Ambulance Pilot Project		4,397							\$ 4,397
Diagnostic/Medical Equipment	-	1,245					1,245		\$ -
Early Childhood Development	150				150				\$ -
Paramedic Training		98							\$ 98
Physician On Call-Rural		548			548				\$ -
Physician On Call-Specialist	549	2,377			2,234				\$ 692
Regional Shared Hlth Info Prog (RSHIP)		556			117		439		\$ -
Security of Systems		228			-				\$ 228
Other		1,422			1,422				\$ -
<b>Other Government Restricted Contributions:</b>									
PDD - Alfred Egan Home Funding	-		2,706			2,706			\$ -
Alberta Infrastructure - IMP and HSI	4,870		5,613			740	1,651		\$ 8,092
Alberta Infrastructure - Cont. Care Partnership			4,013				4,013		\$ -
<b>Foundations:</b>									
Funding of Equipment and Programs	-			1,010			378	632	\$ -
<b>Total 2004/05</b>	<b>\$ 5,569</b>	<b>\$ 137,247</b>	<b>\$ 12,332</b>	<b>\$ 1,010</b>	<b>\$ 130,847</b>	<b>\$ 3,446</b>	<b>\$ 378</b>	<b>\$ 7,980</b>	<b>\$ 13,507</b>
<b>Total 2003/04</b>	<b>\$ 2,610</b>	<b>\$ 123,049</b>	<b>\$ 7,475</b>	<b>\$ 739</b>	<b>\$ 121,809</b>	<b>\$ 3,550</b>	<b>\$ 264</b>	<b>\$ 2,681</b>	<b>\$ 5,569</b>

**PALLISER HEALTH REGION**  
**SCHEDULE OF VOLUNTARY AND PRIVATE HEALTH SERVICE PROVIDERS**  
Year ended March 31, 2005  
(thousands of dollars)

**Schedule 4**

Facility Name	Providers' Revenue				Providers' Expenditures							
	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	Promotion, Prevent. & Protect. services	Administration	Support services	Total
<b>A. Voluntary Providers</b>												
Good Samaritan Society	\$ 2,993		\$ 1,350	\$ 4,343	\$ 2,069	\$ 165	\$ 164	\$ 162		\$ 149	\$ 1,634	\$ 4,343
South Country Village	3,815		1,700	5,515	3,159		197	246		213	1,700	5,515
<b>B. Private Providers</b>												
Agecare	1,685		750	2,435	1,464		10	114		97	750	2,435
Central Park Lodge	5,187	203	2,200	7,590	4,539			353		295	2,403	7,590
Club Sierra	1,278		400	1,678	1,017			79		62	520	1,678
Medicine Hat Diag. Lab	4,477			4,477				3,850		179	448	4,477
LeisureWay & Meadow lands	462			462	298		164					462
Other Private Providers	974			974		580		243	151			974
<b>Total 2004/05</b>	<b>\$ 20,871</b>	<b>\$ 203</b>	<b>\$ 6,400</b>	<b>\$ 27,474</b>	<b>\$ 12,546</b>	<b>\$ 745</b>	<b>\$ 535</b>	<b>\$ 5,047</b>	<b>\$ 151</b>	<b>\$ 995</b>	<b>\$ 7,455</b>	<b>\$ 27,474</b>
<b>Total 2003/04</b>	<b>\$ 18,780</b>	<b>\$ 203</b>	<b>\$ 5,600</b>	<b>\$ 24,583</b>	<b>\$ 10,986</b>	<b>\$ 600</b>	<b>\$ 577</b>	<b>\$ 4,851</b>	<b>\$ 176</b>	<b>\$ 884</b>	<b>\$ 6,509</b>	<b>\$ 24,583</b>