

## PALLISER HEALTH REGION

### FINANCIAL STATEMENTS

March 31, 2003



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, Honoraria, Benefits, Allowances and Severance

**PALLISER HEALTH REGION**  
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING  
Financial Statements  
March 31, 2003

---

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 judgments.

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 is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded. 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 discuss and review financial matters, and recommends the financial statements to the Palliser Health Region Board for approval. The external auditors have full and 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

[Original Signed]

**Richard Van Orman**  
Vice President, Corporate/Support 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, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Palliser'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, 2003 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 16, 2003**

**PALLISER HEALTH REGION**  
STATEMENT OF FINANCIAL POSITION  
March 31, 2003  
(thousands of dollars)

	2003	2002
<b>ASSETS</b>		
Current assets:		
Cash and short-term investments (note 3)	\$7,200	\$10,059
Accounts receivable	2,536	1,981
Contributions receivable	629	2,199
Inventories	745	735
Prepaid expenses	470	332
	<u>11,580</u>	<u>15,306</u>
Non-current investments (note 4)	24,502	21,849
Non-current advance - continuing care partnership project (note 5)	6,674	6,958
Capital assets (note 6)	71,157	74,509
	<u>\$113,913</u>	<u>\$118,622</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accruals (note 7)	\$11,445	\$9,841
Accrued vacation pay	5,295	5,066
Deferred contributions (note 8)	2,610	4,482
	<u>19,350</u>	<u>19,389</u>
Deferred contributions - continuing care partnership project (note 5)	6,674	6,958
Unamortized external capital contributions (note 9)	66,757	70,063
Net assets:		
Unrestricted	1,249	2,641
Internally restricted (note 10)	15,483	15,125
Invested in capital assets	4,400	4,446
	<u>21,132</u>	<u>22,212</u>
	<u>\$113,913</u>	<u>\$118,622</u>

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

**PALLISER HEALTH REGION**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2003  
(thousands of dollars)

	Budget	2003 Actual	2002 Actual
<i>(unaudited - note 11)</i>			
<b>Revenue:</b>			
Alberta Health and Wellness contributions (note 12)	\$112,479	\$112,479	\$106,617
Other government contributions (note 13)	3,504	3,504	3,954
Fees and charges (note 14)	11,832	12,262	10,602
Ancillary operations, net (note 15)	171	337	251
Donations	300	520	185
Investment and other income (note 16)	2,143	2,468	2,359
Amortization of external capital contributions (note 9)	3,965	6,080	4,809
	<u>134,394</u>	<u>137,650</u>	<u>128,777</u>
<b>Expenses (schedule 1):</b>			
Facility-based inpatient acute care services	34,817	35,383	32,259
Facility-based emergency and outpatient services	6,534	6,529	6,115
Facility-based continuing care services	17,593	16,837	17,935
Community and home-based services	14,043	12,601	10,183
Diagnostic and therapeutic services	24,016	24,312	22,266
Promotion, prevention and protection services	3,694	3,848	3,842
Administration (note 17)	6,295	5,718	5,273
Information technology	1,757	1,655	2,214
Support services (note 18)	26,442	27,641	26,925
Amortization of facilities and improvements	3,203	4,206	3,171
	<u>138,394</u>	<u>138,730</u>	<u>130,183</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(\$4,000)</b>	<b>(\$1,080)</b>	<b>(\$1,406)</b>
		A	B

**Footnote A - Deficiency of Revenue over Expenses for 2003 of (\$1,080)**

The deficiency of revenue over expenses is principally a result of one-time costs associated with service reductions and a facility closure, as per the 2003 business plan.

**Footnote B - Deficiency of Revenue over Expenses for 2002 of (\$1,406)**

The deficiency of revenue over expenses is principally a result of one-time renovation projects and a computer network upgrade that were completed in 2002 from funds reserved in previous years.

**PALLISER HEALTH REGION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended March 31, 2003  
(thousands of dollars)

	Unrestricted	Internally Restricted	Invested in Capital Assets	2003 Total	2002 Total
<i>(Note 10)</i>					
Excess (deficiency) of revenue over expenses	(\$1,080)			(\$1,080)	(\$1,406)
Capital assets purchased with internal funds (net of disposals)	(1,020)		1,020	0	0
Amortization on internally funded capital assets	1,066		(1,066)	0	0
Net change	<u>(1,034)</u>	<u>0</u>	<u>(46)</u>	<u>(1,080)</u>	<u>(1,406)</u>
Transfer to / from Internally Restricted	(358)	358		0	0
Net assets, beginning of year	2,641	15,125	4,446	22,212	23,618
<b>Net assets, end of year</b>	<b>\$1,249</b>	<b>\$15,483</b>	<b>\$4,400</b>	<b>\$21,132</b>	<b>\$22,212</b>

**PALLISER HEALTH REGION**  
**STATEMENT OF CASH FLOWS**  
Year ended March 31, 2003  
(thousands of dollars)

	2003	2002
	<i>Budget</i>	<i>Actual</i>
	<i>(unaudited - note 11)</i>	
Cash generated from (used by):		
Operating activities:		
Excess (deficiency) of revenue over expenses	(\$4,000)	(\$1,080)
Non cash transactions:		
Amortization of capital equipment - internally funded	1,433	1,066
Amortization of capital equipment - externally funded	762	1,590
Amortization of facilities and improvements	3,232	4,235
Amortization of continuing care partnership project		284
Amortization of external capital contributions (note 9)	(3,994)	(6,109)
<b>Change in non-cash working capital</b>	<b>828</b>	<b>(59)</b>
	(2,567)	814
Investing activities:		
Purchase of capital assets:		
Internally funded - equipment	(1,433)	(1,020)
Externally funded - equipment	(500)	(601)
Externally funded - facilities and improvements	(2,700)	(1,918)
Continuing care partnership project		(7,100)
Purchase of non-current investments		(7,386)
Proceeds on sale of non-current investments	4,733	3,653
	(4,633)	(6,192)
Financing activities:		
<b>Capital contributions received</b>	<b>3,200</b>	<b>2,519</b>
	3,200	2,519
<b>Increase (decrease) in cash and short-term investments</b>	<b>(4,000)</b>	<b>(2,859)</b>
Cash and short-term investments, beginning of year	7,106	10,059
<b>Cash and short-term investments, end of year</b>	<b>\$3,106</b>	<b>\$7,200</b>
	\$10,059	\$10,059

7

**PALLISER HEALTH REGION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2003  
(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:

Alfred Egan Home (Bow Island)  
Bassano Health Centre  
Bow Island Health Centre  
Bow Island Community Health Office  
Brooks Health Centre  
Brooks Home Care Office  
Empress Health Centre  
Medicine Hat Regional Hospital  
Medicine Hat Community Health Office - Dunmore Road  
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 21.

**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 20 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 when 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 Operators

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

Palliser contracts with voluntary and private operators 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 operators 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 a permanent reduction 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
Vehicles and 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. 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. Also, Palliser is currently included in the Goods and Services (GST) free list of Alberta Government entities and therefore does not record or pay GST on purchased supplies and services. This situation could change in the future if Palliser ceases to be part of the GST free list of the Alberta Government.

**3. Cash and Short-Term Investments**

	2003	2002
Cash	\$ 1,814	\$ 6,047
Bonds	4,943	3,584
Interest receivable	443	428
	<u>\$ 7,200</u>	<u>\$ 10,059</u>

Cash has an effective yield related to prime interest rate. Bonds have effective yields of 5.10% to 7.50% (2002 – 5.35% to 6.77%).

Cash and short-term investments have a market value approximately equal to their cost. Valuation of bonds has been obtained from independent brokerage firms.

**4. Non-Current Investments**

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

	2003	2002
Bonds	\$ 28,334	\$ 25,597
Less Health Foundations' funds	(3,832)	(3,748)
	<u>\$ 24,502</u>	<u>\$ 21,849</u>

Bonds have effective yields of 4.22% to 11.30% (2002 – 4.64% to 11.30%).

Total pooled funds have a market value of \$870 greater than book value (2002 - \$191 greater than book value). Valuation of bonds has been obtained from independent brokerage firms.

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

	2003	2002
1 to 5 years	45%	30%
6 to 10 years	34%	46%
11 to 15 years	21%	24%
	<u>100%</u>	<u>100%</u>

**5. Non-Current Advance – Continuing Care Partnership Project**

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 25 year life of the facility. The funding received is recorded as Deferred Contributions – Continuing Care Partnership Project and 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).

During 2002, funding of \$7.1 million was received from Alberta Infrastructure and advanced to the Good Samaritan Society for the construction of the 80 bed Southridge Village Project.

**PALLISER HEALTH REGION**  
 NOTES TO THE FINANCIAL STATEMENTS  
 March 31, 2003  
 (thousands of dollars)

**6. Capital Assets**

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 852	\$ -	\$ 852	\$ 852
Buildings	109,277	53,677	55,600	57,906
Land improvements	2,533	2,294	239	348
Building service equipment	13,194	10,614	2,580	2,904
Vehicles and equipment	21,690	11,919	9,771	10,807
Construction projects in progress	2,115	-	2,115	1,692
	\$ 149,661	\$ 78,504	\$ 71,157	\$ 74,509

Buildings – the 2003 values for accumulated amortization and net book value include a write down of \$955, representing a reduction in the carrying value of the disused Empress continuing care facility to estimated net realizable value.

Capital assets have been funded from the following sources:

	2003	2002
Externally funded (Unamortized External Capital Contributions)	\$ 66,757	\$ 70,063
Internally funded (Invested in Capital Assets)	4,400	4,446
	\$ 71,157	\$ 74,509

**7. Accounts Payable and Accrued Liabilities**

	2003	2002
Funds held for third parties – interest bearing	\$ 618	\$ 600
Funds held for third parties – non-interest bearing	1,425	1,102
Trade payables, payroll and other liabilities	9,402	8,139
	\$ 11,445	\$ 9,841

**PALLISER HEALTH REGION**  
 NOTES TO THE FINANCIAL STATEMENTS  
 March 31, 2003  
 (thousands of dollars)

**8. Deferred Contributions**

Deferred contributions reflect transactions accounted for in accordance with the accounting policies for restricted non-capital and capital contributions described in Note 2 (a) (ii) (iii) and (iv).

	2003	2002
Deferred contributions, beginning of year	\$ 4,482	\$ 6,377
Amounts received (net of prior year receivable):		
Alberta Health and Wellness contributions	780	1,022
Other government contributions	644	8,714
Donations	130	454
Amounts receivable:		
Alberta Health and Wellness contributions	320	500
Amounts recognized as revenue:		
Alberta Health and Wellness contributions	(500)	(500)
Other Government Contributions	(727)	(9)
Amounts transferred to:		
Deferred contributions - continuing care partnership (note 5)	-	(7,100)
Unamortized External Capital Contributions (note 9)	(2,519)	(4,976)
Deferred contributions, end of year	\$ 2,610	\$ 4,482

Deferred Contributions, end of year, represent amounts externally restricted for the following purposes:

	2003	2002
Continuing Care (Healthy Aging Partnership Initiative)	\$ 202	\$ 929
Capital / renovation projects (Alberta Infrastructure grants)	1,294	2,568
Equipment and Information Systems	326	266
Geriatric Assessment Unit (Health Innovation funding)	469	719
Transition, Privacy and Security (Alberta Health & Wellness grants)	319	-
	\$ 2,610	\$ 4,482

**9. 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.

	2003	2002
Unamortized external capital contributions, beginning of year	\$ 70,063	\$ 69,783
Amounts transferred from:		
Deferred Contributions (note 8)	2,519	4,976
Amounts recognized as revenue:		
Amortization of External Capital Contributions, relating to capital assets	(5,796)	(4,667)
Ancillary operations	(29)	(29)
Unamortized external capital contributions, end of year	\$ 66,757	\$ 70,063

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

	2003	2002
Continuing Care Partnership (note 5)	\$ 284	\$ 142
Capital Assets (above)	5,796	4,667
	\$ 6,080	\$ 4,809

**10. Internally Restricted Net Assets**

Palliser has internally restricted the following:

	2003	2002
Commitments to identified capital equipment items	\$ 1,483	\$ 1,125
Future capital equipment replacement	14,000	14,000
	\$ 15,483	\$ 15,125

**11. Budget (unaudited)**

	Approved Budget (a)	Additional Funding (b)	Adjustments (c)	Reported Budget
<b>Revenue:</b>				
Alberta Health and Wellness contributions	\$111,735	\$744		\$112,479
Other government contributions	2,750	754		3,504
Fees and charges	11,832			11,832
Net ancillary operations	171			171
Donations	300			300
Investment and other income	2,143			2,143
Amortization of external capital contributions	3,965			3,965
	132,896	1,498	0	134,394
<b>Expenses:</b>				
Facility-based inpatient acute care services	34,090	377	350	34,817
Facility-based emergency & outpatient services	6,428	6	100	6,534
Facility-based continuing care services	15,477	16	2,100	17,593
Community and home-based services	14,031	12	0	14,043
Diagnostic and therapeutic services	23,162	154	700	24,016
Promotion, prevention and protection services	3,451	113	130	3,694
Administration	6,225	0	70	6,295
Information technology	1,757	0	0	1,757
Support services	25,072	820	550	26,442
Amortization of facilities and improvements	3,203			3,203
Transition costs	4,000		(4,000)	0
	136,896	1,498	0	138,394
Excess (deficiency) of revenue over expenses	(\$4,000)	\$0	\$0	(\$4,000)

(a) **Approved Budget** - The budget was approved by the Palliser Health Region Board in April 2002 and approved by the Minister for Health and Wellness.

(b) **Additional Funding** - Over the course of the fiscal year, the Minister provided additional funding. These additional resources were allocated by the Board to address funding expectations.

(c) **Adjustments** - Budget figures have been reclassified to allocate budgeted transition costs to the program to which they relate.



**PALLISER HEALTH REGION**  
 NOTES TO THE FINANCIAL STATEMENTS  
 March 31, 2003  
 (thousands of dollars)

**12. Alberta Health and Wellness Contributions**

	2003	2002
Unrestricted and restricted contributions	\$ 111,776	\$ 105,914
Transfers from deferred contributions (note 8)	500	500
Restricted contributions made directly by Alberta Health and Wellness to contract operators	203	203
	<u>\$ 112,479</u>	<u>\$ 106,617</u>

**13. Other Government Contributions**

	2003	2002
Alberta Infrastructure - grants for non-capital renovation projects	\$ 293	\$ 1,570
Persons with Developmental Disabilities – funding for the Alfred Egan Home residential facility	2,484	2,375
Transfers from deferred contributions – HAPI funding (note 8)	727	9
	<u>\$ 3,504</u>	<u>\$ 3,954</u>

**14. Fees and Charges**

	2003	2002
Acute Care:		
Non-entitled revenue – inpatients	\$ 3,764	\$ 2,812
Non-entitled revenue – outpatients	1,980	1,930
Continuing Care:		
Non-entitled revenue	6,518	5,860
	<u>\$ 12,262</u>	<u>\$ 10,602</u>

17

**PALLISER HEALTH REGION**  
 NOTES TO THE FINANCIAL STATEMENTS  
 March 31, 2003  
 (thousands of dollars)

**15. Ancillary Operations**

			2003	2002
	Non-patient Food Services	Other Ancillary Operations	Total	Total
Revenue:				
Operating revenue	\$ 705	\$ 562	\$ 1,267	\$ 1,294
Amortization of external capital contributions		29	29	29
Direct Expenses:				
Other expenses	(705)	(219)	(924)	(1,041)
Amortization	(6)	(29)	(35)	(31)
Excess of revenue over expenses	<u>(\$ 6)</u>	<u>\$ 343</u>	<u>\$ 337</u>	<u>\$ 251</u>

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), supported independent living (Bow Island) and parking operations (Medicine Hat).

**16. Investment and Other Income**

	2003	2002
Investment income	\$ 1,900	\$ 1,844
Other income	568	515
	<u>\$ 2,468</u>	<u>\$ 2,359</u>

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

Other income comprises WCB compensation, rental income and miscellaneous recoveries.

18

**PALLISER HEALTH REGION**  
 NOTES TO THE FINANCIAL STATEMENTS  
 March 31, 2003  
 (thousands of dollars)

**17. Administration**

	2003	2002
General administration	\$ 2,570	\$ 2,405
Finance	1,145	967
Personnel	1,039	1,062
Administration – contract operators (note 21)	964	839
	\$ 5,718	\$ 5,273

**18. Support Services**

	2003	2002
Building maintenance, operations and security	\$ 8,692	\$ 9,284
Education	1,087	830
Housekeeping	2,833	2,795
Laundry and linen	1,225	1,286
Materials management	1,763	1,713
Patient food services	3,481	3,536
Patient health records	1,305	1,250
Patient registration	1,073	1,206
Patient transportation	822	847
Other	96	88
Support services – contract operators (note 21)	5,264	4,090
	\$ 27,641	\$ 26,925

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

Palliser is established under the Regional Health Authorities Act. At March 31, 2003, two thirds of the Board members of Palliser were elected. The Minister of Health and Wellness appoints the remaining 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 12 and 13 to the financial statements.

Palliser shares a common relationship with other health authorities by way of 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 HEALTH REGION**  
 NOTES TO THE FINANCIAL STATEMENTS  
 March 31, 2003  
 (thousands of dollars)

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

Palliser formed six Foundations in 1996 and has the ability to appoint two of Palliser's Members to each Foundation board. Under Ministerial Order #50/2003, the Empress and District Health Foundation was wound up effective March 31, 2003 and all of its assets and liabilities were transferred to the Palliser Health Region in trust for the health care needs of Empress and District residents.

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	2003 Total	2002 Total
Bassano & District Health Foundation	\$ -	\$ 17	\$ 20	\$ 53
Bow Island & District Health Foundation	3 10	27	37	47
Brooks & District Health Foundation	225	52	277	290
Empress & District Health Foundation	-	-	-	15
Medicine Hat & District Health Foundation	2,939	489	3,428	3,292
Oyen & District Health Care Foundation	52	8	60	58
	\$ 3,229	\$ 593	\$ 3,822	\$ 3,755

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

	2003	2002
Bassano & District Health Foundation	\$ 58	\$ 19
Bow Island & District Health Foundation	54	63
Brooks & District Health Foundation	136	59
Empress & District Health Foundation	-	-
Medicine Hat & District Health Foundation	375	478
Oyen & District Health Care Foundation	27	20
	\$ 650	\$ 639

**21. Related Parties - Voluntary and Private Health Service Contract Operators**

Palliser contracts with voluntary and private health service operators to provide health services in the Region. Transactions between Palliser and health service operators are conducted on normal commercial terms and the amounts of the contracted health services for the year are as follows:

Facility Name	2003			2002	
	Direct Region Funding	Direct Alberta Health Funding	Approved Patient Fees & Charges	Total	Total
<b>Voluntary operators:</b>					
South Country Village	\$ 3,576		\$ 1,300	\$ 4,876	\$ 4,704
Community Care Homes	2,829		950	3,779	2,083
<b>Private operators:</b>					
Central Park Lodge	4,926	203	1,700	6,829	6,395
Medicine Hat Diagnostic Lab	3,768			3,768	3,447
Community Care Homes	1,726		450	2,176	1,997
Other	992			992	1,094
	\$ 17,817	\$ 203	\$ 4,400	\$ 22,420	\$ 19,720

The payments to contract operators have been reported in the following expense categories:

	2003	2002
Facility based continuing care services	\$ 7,398	\$ 7,139
Community and home-based services	3,713	2,834
Diagnostic and therapeutic services	4,674	4,331
Promotion, prevention and protection services	407	487
Administration	964	839
Support services	5,264	4,090
	\$ 22,420	\$ 19,720

**22. 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 \$2,581 for the year ended March 31, 2003 (2002 - \$2,356).

At December 31, 2002, the Local Authorities Pension Plan reported an actuarial deficiency of \$445 million (December 31, 2001 - actuarial surplus of \$635 million).

**23. 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 voluntary and private health service operators to provide health services. 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, 2003, Palliser and the Health Science Association of Alberta (HSAA) have not yet agreed on contract terms covering HSAA staff for the period from April 1, 2002 to March 31, 2003. For fiscal 2003, 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.

**24. Boundary Realignment**

On December 19, 2002, the Minister of Health and Wellness announced that the number of Regional Health Authorities will be reduced from seventeen to nine, effective April 1, 2003.

The boundary adjustment will have a minor effect on Palliser by increasing the population served by approximately 1.3% effective April 1, 2003. All of the assets, liabilities and net assets of Palliser Health Region at March 31, 2003 will continue to be held by Palliser Health Region at April 1, 2003.

**25. Comparative Figures**

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

**26. 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, 2003  
(thousands of dollars)

**Schedule 1**

		2003	2002
	<i>Budget</i>	Actual	Actual
	<i>(unaudited - note 11)</i>		
Salaries, benefits, allowances & severance (schedule 2)	\$82,286	\$81,015	\$76,690
Contracts with health service operators (note 21)	23,048	22,420	19,720
Drugs, gases, medical and surgical supplies	5,831	6,270	5,872
Other contracted services	6,950	6,941	5,912
Other expenses	15,852	15,868	17,006
Amortization:			
Capital equipment - internally funded	1,433	1,066	1,217
Capital equipment - externally funded	762	1,590	1,496
Facilities and improvements	3,232	4,235	3,200
Continuing care partnership project	0	284	142
Less amounts reported in ancillary operations (note 15)	(1,000)	(959)	(1,072)
	<b>\$138,394</b>	<b>\$138,730</b>	<b>\$130,183</b>

**PALLISER HEALTH REGION**  
**SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE**  
Year ended March 31, 2003  
(thousands of dollars)

**Schedule 2(a)**

	2003					2002					
	FTE	Salaries and Honoraria	Benefits Allowances	Severance	Total	Average salaries & benefits	FTE	Salaries, Benefits & Allowances	Severance	Total	Average salaries & benefits
	(a)	(b)	(c)	(d)			(a)	(b)	(c)	(d)	
<b>Board Members Compensation:</b>											
Len Mitzel (Chair)		\$32			\$32		\$21			\$21	
Jim Black		10			10		6			6	
John Boksteyn							17			17	
Hugh English		8			8		4			4	
Larry Gillespie							4			4	
Jim Hem		7			7		10			10	
Leo Hill		8			8		5			5	
Albert McFadyen		13			13		9			9	
Leva Olstad		11			11		10			10	
Dorothy Patry							5			5	
Audrey Redmond							3			3	
Lynne Sangster		9			9		7			7	
Ken Sauer		9			9		8			8	
Carol Secondiak		13			13		9			9	
Martin Shields		9			9		5			5	
Rod Sommerfeld		8			8		5			5	
Ann Zukowski							3			3	
		\$137			\$137		\$131			\$131	
<b>Staff:</b>											
President / Chief Executive Officer	1.0	175	26		201	1.0	198			198	
Senior Vice President Health Services	1.0	129	20		149	1.0	147			147	
Vice President Corporate / Support Services	1.0	116	18		134	1.0	136			136	
Vice President Community Health Regional Chief of Staff	1.0	105	18		123	1.0	117			117	
	0.8	222			222	0.8	205			205	
Other Management reporting to those above	25	2,053	356		2,409	\$96	2,287			2,287	\$91
Other Management	40	3,074	534	56	3,664	\$90	3,406			3,406	\$85
Regulated Nurses not included above	500	30,459	5,287	163	35,909	\$71	33,737			33,737	\$65
Other Health Technical & Professional	152	8,549	1,484		10,033	\$66	9,705	39		9,744	\$64
Unregulated Health Service Providers	157	4,508	782		5,290	\$34	5,807			5,807	\$32
Other Staff	538	19,277	3,346	121	22,744	\$42	20,775			20,775	\$38
	<b>1417</b>	<b>\$68,804</b>	<b>\$11,871</b>	<b>\$340</b>	<b>\$81,015</b>		<b>\$76,651</b>	<b>\$39</b>		<b>\$76,690</b>	

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

**PALLISER HEALTH REGION**

**Schedule 2(b)**

**SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES & SEVERANCE - NOTES**

Year ended March 31, 2003

(thousands of dollars)

---

**(a) FTE**

Full time equivalent (FTE) has been determined at the rate of 2,023 annual hours for each full time employee.

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 2,298 (2002 - 2,370).

**(b) Salaries and Honoraria**

Salaries and honoraria include regular base pay, overtime, lumpsum payments, shift differential, honoraria, sick leave, vacation leave earned and other remuneration.

Medical doctors' salaries represent payments for administrative and medical services. These include fees for medical interpretation, assessment and procedures and payments for departmental administration and teaching.

**(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 all 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 18 employees (2002 - 2).

