

PALLISER HEALTH REGION

FINANCIAL STATEMENTS

March 31, 2009

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PALLISER HEALTH REGION
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
Financial Statements
March 31, 2009

The accompanying financial statements are the responsibility of management and have been reviewed and approved by Senior Management. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the financial directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgment.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation and are properly authorized, reliable financial records are maintained and assets are adequately safeguarded.

The Region members carry out their responsibility for the financial statements through the Audit and Finance Committee. This Committee meets with management and the Auditor General of Alberta to review financial matters, and recommends the financial statements to the Alberta Health Services Board for approval upon finalization of the audit. The Auditor General of Alberta has free access to the Audit and Finance Committee.

The Auditor General of Alberta provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures which allow him to report on the fairness of the financial statements prepared by management.

"Original signed"

Chief Executive Officer- Alberta Health Services
Dr. Stephen Duckett
June 11, 2009

"Original signed"

Chief Financial Officer- Palliser Health Region
Seamas O'Fuarthain
June 11, 2009

"Original signed"

Chief Financial Officer- Alberta Health Services
Chris Mazurkewich
June 11, 2009

Auditor's Report

To the Members of the Alberta Health Services Board
and the Minister of Health and Wellness

I have audited the statement of financial position of Palliser Health Region (the Authority) as at March 31, 2009 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 Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated May 16, 2008.

"Original signed by Fred J. Dunn, FCA"

Auditor General

Edmonton, Alberta
June 11, 2009

"The official version of this Report of the Auditor General, and the information the Report covers, is in printed form."

PALLISER HEALTH REGION STATEMENT OF FINANCIAL POSITION

March 31, 2009
(thousands of dollars)

	2009	2008 <small>(as restated - note 19)</small>
ASSETS		
Current assets:		
Cash, cash equivalents and investments (note 3)	\$32,155	\$30,338
Accounts receivable	7,867	6,429
Contributions receivable from Alberta Health and Wellness	298	1,921
Inventories	1,419	1,239
Prepaid expenses	572	1,241
	42,311	41,168
Non-current advances - continuing care partnerships (note 4)	8,381	8,785
Other assets (note 5)	310	299
Capital assets (note 6)	80,735	77,635
TOTAL ASSETS	\$131,737	\$127,887
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$15,570	\$14,228
Accrued vacation pay	8,946	8,512
Deferred contributions (note 7)	12,163	13,174
	36,679	35,914
Deferred contributions - continuing care partnerships (note 4)	8,381	8,785
Unamortized external capital contributions	72,365	68,691
Net assets:		
Accumulated surplus (note 9):		
Unrestricted net assets	5,942	878
Internally restricted net assets:	-	4,675
Investment in capital assets	8,370	8,944
	14,312	14,497
TOTAL LIABILITIES AND NET ASSETS	\$131,737	\$127,887

Commitments and contingencies (note 10)

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

PALLISER HEALTH REGION
STATEMENT OF OPERATIONS
Year ended March 31, 2009
(thousands of dollars)

	2009 <i>Budget</i>	2009 Actual	2008 Actual <small>(as restated - note 19)</small>
	<i>(note 11)</i>		
Revenue:			
Alberta Health & Wellness contributions (note 12)	\$183,381	\$185,398	\$175,340
Other government contributions (note 13)	3,505	4,660	3,284
Fees and charges	18,077	19,636	16,025
Ancillary operations (note 14)	1,017	1,163	1,091
Donations	300	468	285
Investment and other income (note 15)	4,005	3,138	4,955
Amortization of external capital contributions	5,555	6,629	5,436
	215,840	221,092	206,416
Expenses (schedule 1):			
Inpatient acute nursing services	56,683	54,184	54,099
Emergency and outpatient services	13,119	12,735	12,382
Facility-based continuing care services	26,133	25,996	23,998
Ground Ambulance Discovery Project	4,397	4,789	4,405
Community-based care	7,197	7,885	6,869
Home care	9,861	10,177	9,321
Diagnostic and therapeutic services	41,752	41,672	37,631
Promotion, prevention and protection services	5,991	6,215	5,927
Administration	9,413	9,923	8,653
Information technology	5,435	5,039	5,237
Support services	38,129	39,372	37,597
Amortization of facilities and improvements	3,030	3,290	2,985
	221,140	221,277	209,104
Deficiency of revenue over expenses	(\$5,300)	(\$185)	(\$2,688)

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

PALLISER HEALTH REGION
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2009
(thousands of dollars)

	2009 Accumulated Surplus Unrestricted <small>(note 9)</small>	2009 Internally Restricted <small>(note 9)</small>	2009 Investment in Capital Assets	2009 Cumulative Net Unrealized Losses on Investments	2009 Total	2008 Total <small>(as restated - note 19)</small>
Deficiency of revenue over expenses	(\$185)	\$ -	\$ -	\$ -	(\$185)	(\$2,688)
Capital assets purchased with internal funds	(1,954)	-	1,954	-	-	-
Amortization on internally funded capital assets	2,528	-	(2,528)	-	-	-
Transfer from internally restricted to unrestricted	4,675	(4,675)	-	-	-	-
Cumulative net realized losses on investments:						
Unrealized losses on available for sale financial assets, arising during the year	-	-	-	(1,987)	(1,987)	-
Transfer of net unrealized losses on available for sale financial assets to revenue (note 2 (f))	-	-	-	1,987	1,987	-
Net change	5,064	(4,675)	(574)	-	(185)	(2,688)
Net assets, beginning of year	878	4,675	8,944	-	14,497	17,185
Net assets, end of year	\$5,942	\$ -	\$8,370	\$ -	\$14,312	\$14,497

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

PALLISER HEALTH REGION
STATEMENT OF CASH FLOWS
Year ended March 31, 2009
(thousands of dollars)

	2009	2009	2008
	<i>Budget</i>	Actual	Actual
	<i>(note 11)</i>		<i>(as restated - note 19)</i>
Cash generated from (used by):			
Operating activities:			
Deficiency of revenue over expenses	(\$5,300)	(\$185)	(\$2,688)
Non cash transactions:			
Amortization of capital equipment - internally funded	2,600	2,528	2,369
Amortization of capital equipment - externally funded	2,525	3,339	2,451
Amort. of facilities & improvements - externally funded	3,030	3,290	2,985
Amortization of external capital contributions	(5,555)	(6,629)	(5,436)
Change in non-cash working capital	-	1,439	(1,563)
	(2,700)	3,782	(1,882)
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(2,600)	(1,954)	(1,098)
Externally funded - equipment	(1,992)	(5,070)	(3,662)
Externally funded - facilities and improvements	(3,055)	(5,233)	(6,186)
(Increase) decrease in other assets	-	(11)	23
	(7,647)	(12,268)	(10,923)
Financing activities:			
Capital contributions received	5,047	10,303	9,848
	5,047	10,303	9,848
Increase (decrease) in cash, cash equivalents & investments	(5,300)	1,817	(2,957)
Cash, cash equivalents and investments, beginning of year	30,338	30,338	33,295
Cash, cash equivalents and investments, end of year	\$25,038	\$32,155	\$30,338

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

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009
(thousands of dollars)

1. Authority, Purpose and Operations

Palliser Health Region ("the Region") was established June 24, 1994 under the Regional Health Authorities Act, and is a registered charity under the Income Tax Act and exempt from payment of income tax. Effective April 1, 2009 the Region will be disestablished and all the assets and liabilities will be transferred to Alberta Health Services (Note 17).

The Region delivers appropriate, accessible and affordable health services in Alberta, operating programs that promote, protect, maintain, restore and enhance physical and mental well-being.

The Region'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 16.

2. Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

- (1) 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 34.
- (2) These financial statements were prepared on a consolidated basis and include the following:
 - (i) The Region uses the proportionate consolidation method to account for its 50% interest in the Palliser Primary Care Network.
 - (ii) The Region uses the proportionate consolidation method to account for its share in the Regional Shared Health Information Program (RSHIP).
- (3) These financial statements use the deferral method, key elements of which are:
 - (i) Unrestricted contributions are recognized as revenue in the year receivable.

2. Significant Accounting Policies and Reporting Practices (continued)

- (ii) Restricted non-capital contributions are recognized as revenue in the year the related expenses are incurred.
- (iii) Restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and recognized as revenue in the period the related amortization expense of the capital asset is recorded.
- (iv) Endowments and restricted contributions to purchase capital assets that will not be amortized are treated as direct increases to net assets.
- (v) Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on available for sale financial assets are included directly in net assets or deferred contributions as appropriate, until the asset is removed from the Statement of Financial Position. Unrealized gains and losses on held for trading financial assets are included in investment income and recognized as revenue in the Statement of Operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.
- (vi) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(b) Capital Disclosure

Effective April 1, 2008, the Region implemented new capital disclosure requirements per section 1535 of the CICA Handbook. For operating purposes, the Region defines capital as including working capital and unrestricted net assets. For capital purposes, the Regions defines capital as including deferred capital contributions, unamortized external capital contributions, and the investment in capital assets.

The Region's objectives for managing capital are:

- In the short term to safeguard the Region's financial ability to continue to deliver health services and
- In the long term to plan and to build sufficient physical capacity to meet future needs for health services.

2. Significant Accounting Policies and Reporting Practices (continued)

The majority of the Region's operating funds are from Alberta Health and Wellness which is paid on the first of each month. As a result, significantly less working capital is required. The Region monitors its working capital and cash flow forecasts.

Alberta Health and Wellness approves health care facilities based on long-term capital plans and provides the majority of the funding through one-time capital grants. The Region funds the required equipment and systems by a combination of allocating a portion of operating funds and obtaining external funding from charitable donations and capital grants. The Region borrows to finance capital investments related to ancillary operations since the department does not fund ancillary operations.

(c) Full Cost

The Region accounts for all costs of services for which it is responsible. Fair value transactions comprise:

- (i) Revenue that contracted health service operators earn from Ministry of Health and Wellness designated fees and charges are recorded as the Region's fees and charges and as contracted health service expense.
- (ii) Alberta Health and Wellness direct payments to contracted health service operators are recorded as revenue and as program expense as they represent part of the Region's health program costs.
- (iii) Fair value to use acute care facilities not owned by the Region is recorded as other government contributions or donations, and as program expense, since the Region's contract payments do not include amounts for use of these facilities.
- (iv) Fair value to use non-acute care facilities not owned by the Region and provided to the Region at zero or nominal rent is recorded as other government contributions and as program expense.
- (v) Other assets, supplies and services a health region would otherwise purchase are recorded as revenue and expense, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers' contributed services are not reported because a fair value cannot be reasonably determined.

2. Significant Accounting Policies and Reporting Practices (continued)

(d) Employee Future Benefits

The Region participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees based on years of service and earnings. Defined contribution plan accounting is applied where information is insufficient to apply defined benefit plan accounting. Pension costs comprise the employer's contributions during the year, based on rates expected to provide benefits payable under the pension plans. The Region does not record its portion of the plan's deficit or surplus. The Region fully accrues its obligations for employee non-pension future benefits.

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

(e) Investments

Investments are accounted for in accordance with the accounting policies described in Note 2(f).

Transaction costs associated with the acquisition and disposal of investments are expensed. The purchase and sale of investments are accounted for using the settlement date accounting.

(f) Financial Instruments

Initial measurement of financial instruments is at fair value and subsequent measurement and recognition of changes in value depend upon the classification. Financial assets and financial liabilities classified as "held for trading" are measured at fair value with changes in those fair values recognized in the Statement of Operations or deferred contributions. Financial assets classified as "available for sale" are measured at fair value with changes in fair values recognized in the Statement of Changes in Net Assets or deferred contributions until realized, at which time the cumulative changes in fair value are recognized in the Statement of Operations. "Loans and receivables", financial liabilities classified as "other financial liabilities" and financial assets classified as "held to maturity" are measured at amortized cost using the effective interest method.

2. Significant Accounting Policies and Reporting Practices (continued)

The Region has classified its financial assets and financial liabilities as follows:

<u>Financial Assets and Liabilities</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Investments	Available for sale
Accounts receivable	Loans and receivables
Non-current advances - continuing care partnerships	Loans and receivables
Accounts payable	Other financial liabilities

At March 31, 2008 the Region classified its investments as held to maturity. At March 31, 2009, the Region no longer intends to hold these investments to maturity. Therefore, the Region re-categorized its investments as available for sale (note 3).

The Region does not use hedge accounting and accordingly, is not impacted by the requirement of Section 3865 Hedges. The Region as a Not-for-Profit Organization has elected not to apply the standards for embedded derivatives in non-financial contracts.

When it is determined that an impairment of a financial instrument classified as available for sale is other than temporary, the cumulative loss that had been recognized directly in net assets or deferred contributions is removed and recognized in the Statement of Operations even though the financial asset has not been derecognized. Impairment losses recognized in the Statement of Operations for a financial instrument classified as available for sale are not reversed.

The carrying value of cash, accounts receivable, contributions receivable, accounts payable and accrued liabilities and accrued vacation pay approximates their fair value because of the short term nature of these items. Unless otherwise noted, it is management's opinion that the Region is not exposed to significant interest, currency or credit risks arising from its financial instruments.

(g) Inventories

In June 2007 the Canadian Institute of Chartered Accountants (the "CICA") issued a new accounting standard, Section 3031 Inventories which provides guidance on the recognition, measurement and disclosure of inventories. The standard provides specific direction for not-for-profit organizations to record inventories held for consumption or distribution at no charge at the lower of cost or current replacement cost.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009
(thousands of dollars)

2. Significant Accounting Policies and Reporting Practices (continued)

The Region adopted this new standard as of April 1, 2008, but did not adjust opening balances or restate prior periods because the adoption did not have a material impact.

Inventories held for consumption or distribution at no charge are recorded at the lower of cost (defined as weighted average cost) and current replacement cost. All other inventories are recorded at the lower of cost and net realizable value, with cost determined by the weighted average cost method.

(h) Capital Assets

Capital assets and work in progress are recorded at cost and amortized over their estimated useful lives on a straight-line basis as follows:

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

Work in progress is not amortized until after a project is complete. Leases transferring substantially all benefits and risks of capital asset ownership are reported as capital asset acquisitions financed by long-term obligations.

(i) Measurement Uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. Amounts recorded for amortization of capital assets and amortization of external capital contributions are based on estimates of the useful life of related assets. The Supplementary Retirement Plan is based on actuarial calculations. Actual results could differ from these estimates.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009
(thousands of dollars)

3. Cash, Cash Equivalents and Investments

	2009		2008	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash	\$ 11,362	\$ 11,362	\$ 6,270	\$ 6,270
Bonds	33,781	35,768	36,848	36,157
Less Health Foundation funds	(5,777)	(5,777)	(6,087)	(6,087)
Less Third Party funds	(7,211)	(7,211)	(6,002)	(6,002)
	\$ 32,155	\$ 34,142	\$ 31,029	\$ 30,338

To optimize returns at an acceptable risk level, management has established a policy asset mix of 0% to 100% for fixed-income securities and 0% for equities. Risk is reduced through diversification of issuers.

Bonds represent fixed income securities comprised of:

Canadian provincial bonds with effective yields of 5.69% to 6.28% (2008 - 5.69% to 6.28%)
Corporate bonds with effective yields of 4.72% to 7.39% (2008 - 4.72% to 7.39%).

At March 31 the bonds have the following maturity structure:

	2009	2008
1 to 5 years	40%	45%
6 to 10 years	55%	47%
11 to 15 years	5%	8%
	100%	100%

Total pooled funds have a market value of \$1,987 less than book value (2008 - \$691 greater than book value). Valuation of bonds has been obtained from independent brokerage firms. At March 31, 2009, management determined that the impairment of investments classified as available for sale was other than temporary and therefore the cumulative loss has been recognized in the statement of operations.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

4. Non-Current Advances – 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.

The Region uses the Forgivable Mortgage Model for reporting the contribution and advancement of funds. Under this model, the Region 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) (3) (iii). The portion included in revenue, representing the amount forgiven during the year, is \$404 (2008 - \$405).

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. 100% of the advance is to be forgiven over the period from 2002 to 2027.

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 Masterpiece Living Project. 90% of the advance is to be forgiven over the period from 2005 to 2035.

5. Other Assets

On November 2, 2005, the Region initiated a Supplemental Retirement Plan (SRP) for certain senior executives, as noted in 2 (d). At March 31, 2009, the fair value of plan assets is \$1,307 (2008 - \$965), and the net asset is \$310 (2008 - \$299).

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

6. Capital Assets

	Cost			
	Opening Balance Apr 1/08	Asset Additions	Asset Disposals	Closing Balance Mar 31/09
Land	\$ 852	\$ -	\$ -	\$ 852
Buildings	111,967	10,224	-	122,191
Land/leasehold improvements	4,276	106	-	4,382
Building service equipment	17,578	1,556	-	19,134
Equipment	35,604	7,024	-	42,628
Construction in progress	8,710	(6,653)	-	2,057
	\$ 178,987	\$ 12,257	\$ -	\$ 191,244

	Accumulated Amortization			Net Book Value	
	Opening Balance Apr 1/08	Additions	Closing Balance Mar 31/09	2009	2008 (as restated – note 19)
Land	\$ -	\$ -	\$ -	\$ 852	\$ 852
Buildings	66,632	2,833	69,465	52,726	45,335
Land/leasehold improve.	2,609	96	2,705	1,677	1,667
Building service equip.	13,575	361	13,936	5,198	4,003
Equipment	18,536	5,867	24,403	18,225	17,068
Construction in progress	-	-	-	2,057	8,710
	\$ 101,352	\$ 9,157	\$ 110,509	\$ 80,735	\$ 77,635

Capital assets have been funded from the following sources:

	2009	2008
Externally funded (Unamortized External Capital Contributions)	\$ 72,365	\$ 68,691
Internally funded (Investment in Capital Assets)	8,370	8,944
	\$ 80,735	\$ 77,635

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

7. Deferred Contributions

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

	2009	2008
Alberta Telestroke program	\$ -	\$ 20
Clinical Telehealth	507	151
Continuing care projects	283	584
Innovation in immunization	-	140
Innovation in pre-school development	182	131
Mental health projects	534	1,270
Physician on call	383	939
Regional Health Promotion Coordinators – healthy weights	417	370
Security of systems	219	239
Pandemic funding	-	891
Public health safety – hand hygiene	243	300
Reducing and avoiding injury	640	728
Infrastructure - maintenance program and projects	6,055	5,411
Primary Care Network (Note 16 (c))	2,700	2,000
	<u>\$ 12,163</u>	<u>\$ 13,174</u>

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

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

	2009	2008
Accrued benefit obligation:		
Accrued obligation, beginning of year	\$ 1,224	\$ 876
Current service cost	51	57
Interest cost	65	48
Prior service cost	-	2
Actuarial (gain) loss	(260)	247
Benefit payments	(29)	(6)
Accrued obligation, end of year	1,051	1,224
Reconciliation of funded status of accrued benefit asset:		
Funded status of plan (deficit)	256	(259)
Unamortized actuarial loss	34	384
Unrecognized initial obligation	20	173
Unamortized prior service costs	-	1
Accrued benefit asset	310	299
Determination of net benefit cost for the year:		
Current service cost	51	57
Interest cost	65	48
Amortization of initial obligation	153	86
Amortization of prior service costs	-	1
Amortization of net actuarial loss	128	42
Expected return on plan assets	(32)	(23)
Benefit cost	\$ 365	\$ 211
Significant actuarial assumptions are as follows:		
Discount rate	6.20%	5.20%
Expected average remaining service life of employees	6 years	3 years
Salary increase	4.00%	4.00%
Expected return on plan assets	3.10%	2.60%
The above is based on the actuarial valuation performed at March 31, 2009. The Region's SRP is fully funded.		
Employer contributions at March 31:		
Plan assets (held by trustee) - fair value of assets	628	488
Plan assets (held by Canada Revenue Agency) - paid by refundable taxes	679	477
Total plan assets	\$ 1,307	\$ 965
Funded status of plan (deficit)	\$ 256	\$ (259)

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

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

Pension expense related to the Region's participation in the Local Authorities Pension Plan in these financial statements is equal to the Region's annual contributions payable of \$6,140 for the year ended March 31, 2009 (2008 - \$5,702).

At December 31, 2008, the Local Authorities Pension Plan reported a deficiency of \$4.414 billion (December 31, 2007 - deficiency of \$1.183 billion).

Pension expense related to the Region's participation in Supplementary Retirement Plan in these financial statements is equal to \$365 for the year ended March 31, 2009 (2008 - \$211).

9. Accumulated Surplus

The Region's accumulated surplus comprises the following:

	2009	2008 (as restated - note 19)
Unrestricted net assets	\$ 5,942	\$ 878
Internally restricted net assets:		
Future capital equipment replacement	-	4,675
	<u>\$ 5,942</u>	<u>\$ 5,553</u>

In 2009, the Alberta Health Services Board unrestricted all funds that were previously internally restricted.

10. Commitments and Contingencies

The Region has entered into various multi-year commitments for the purchase of supplies. Also, the Region 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 the Region. While it is not possible to estimate the ultimate liability, if any, the Region believes that there will be no material adverse effect on its financial position from these claims.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

The Region has been named as a defendant in a legal action in respect of increased long term care accommodation charges. The claim has been filed against the province of Alberta and the Regional Health Authorities. The amount of the claim is in excess of \$150 million, based on the amount of the increase in accommodation charges levied, which came into effect August 1, 2003. The outcome of the claim is not determinable.

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

11. Budget

The budget was approved by senior executive and submitted to the Minister of Health and Wellness on June 5, 2008.

12. Alberta Health and Wellness Contributions

	2009	2008
Unrestricted contributions	\$ 171,860	\$ 162,131
Transfers from deferred contributions	12,146	12,217
Legacy Mortgage Assistance Program for nursing home upgrades	192	192
Primary Care Network (note 16)	1,200	800
	<u>\$ 185,398</u>	<u>\$ 175,340</u>

13. Other Government Contributions

	2009	2008
Persons with Developmental Disabilities - Alfred Egan Home	\$ 3,094	\$ 2,879
Transition grant from East Central Health (note 18)	1,056	-
Emergency Medical Services grant from East Central Health	106	-
Continuing care partnerships	404	405
	<u>\$ 4,660</u>	<u>\$ 3,284</u>

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

14. Ancillary Operations

	2009			2008	
	Revenue	Direct Expenses	Excess of Revenue over Expenses	Revenue	Excess of Revenue over Expenses
Parking operations	\$ 367	\$ 108	\$ 259	\$ 314	\$ 225
Non-patient food services	796	796	-	777	-
Total	\$ 1,163	\$ 904	\$ 259	\$ 1,091	\$ 225

Ancillary operations consist of the sale of goods and services that are not related to the direct provision of health services. Ancillary expenses are reported in the support services line in the Statement of Operations.

15. Investment and Other Income

	2009	2008
Investment income	\$ 1,954	\$ 2,026
Other than temporary impairment of investments (note 3)	(1,987)	-
Other income	3,171	2,929
Total	\$ 3,138	\$ 4,955

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

Other income comprises Student Health Initiative Program, WCB recoveries, rental income and miscellaneous recoveries.

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

16. Related Parties

(a) Province of Alberta and Health Regions

The Minister of Health and Wellness appoints the members of the Alberta Health Services Board. The Board is economically dependent upon the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry.

The Region had the following significant transactions with other health regions recorded on the Statement of Operations and Financial Position at the amounts agreed upon by the related parties:

	2009				2008			
	Revenue	Expense	Receivable	Payable	Revenue	Expense	Receivable	Payable
Other regional health authorities and provincial health boards	\$ 1,814	\$ -	\$ 4,433	\$ -	\$ 670	\$ -	\$ 2,165	\$ -
Total	\$ 1,814	\$ -	\$ 4,433	\$ -	\$ 670	\$ -	\$ 2,165	\$ -

(b) Regional Shared Health Information Program (RSHIP)

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

RSHIP transactions recorded in the financial statements are as follows:

	2009	2008
Alberta Health and Wellness funding	\$ 1,067	\$ 1,091
Health region contribution	602	569
Total	\$ 1,669	\$ 1,660
Reported as follows:		
Expenses	\$ 602	\$ 569
Capital assets	1,067	1,091
Total	\$ 1,669	\$ 1,660

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

(c) Primary Care Network

During 2007, a Primary Care Network (PCN) commenced operation within the Region. The Region's 50% share of the PCN is included in the financial statements under the proportionate consolidation method, as follows:

	2009	2008
Statement of Financial Position:		
Cash and cash equivalents	\$ 2,700	\$ 2,000
Deferred contributions	2,700	2,000
Statement of Operations:		
Revenue (note 12)	\$ 1,200	\$ 800
Expenses	1,200	800

(d) Foundations

The Region has economic interest in the following foundations:

	2009			2008		
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Bassano	\$ 35	-	\$ 35	\$ 75	-	\$ 75
Bow Island	103	-	103	141	-	141
Brooks	623	-	623	670	-	670
Medicine Hat	4,741	-	4,741	4,923	-	4,923
Oyen	286	-	286	286	-	286
Total	\$ 5,788	-	\$ 5,788	\$ 6,095	-	\$ 6,095

	2009			2008		
	Revenue	Expenses	Deficiency	Revenue	Expenses	Excess
Bassano	\$ 31	\$ 71	\$ (40)	\$ 56	\$ 6	\$ 50
Bow Island	43	82	(39)	111	101	10
Brooks	339	387	(48)	230	157	73
Medicine Hat	935	1,117	(182)	1,390	915	475
Oyen	54	54	-	81	18	63
Total	\$ 1,402	\$ 1,711	\$ (309)	\$ 1,868	\$ 1,197	\$ 671

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

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

	2009	2008
Bassano & District Health Foundation	\$ 70	\$ 6
Bow Island & District Health Foundation	77	101
Brooks & District Health Foundation	374	143
Medicine Hat & District Health Foundation	931	757
Oyen & District Health Care Foundation	52	15
	\$ 1,504	\$ 1,022

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	2009 Total	2008 Total
Bassano & District Health Foundation	\$ 10	\$ 25	\$ 35	\$ 75
Bow Island & District Health Foundation	78	25	103	142
Brooks & District Health Foundation	326	297	623	670
Medicine Hat & District Health Foundation	3,562	1,179	4,741	4,923
Oyen & District Health Care Foundation	278	8	286	285
	\$ 4,254	\$ 1,534	\$ 5,788	\$ 6,095

(e) Private Health Service Providers

The Region has an economic interest through its contracts with private health service providers. Funding was provided as follows:

	2009	2008
Direct Region funding	\$ 29,430	\$ 26,745
Alberta Health & Wellness funding	192	192
Fees and charges	7,200	6,350
	\$ 36,822	\$ 33,287

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

17. New Governance Structure

On May 15, 2008, the Minister of Health & Wellness restructured the governance model of the health services delivery system in Alberta. A single common board replaced the board members of each of Alberta's nine regional health authority boards, Alberta Mental Health Board, Alberta Cancer Board, and Alberta Alcohol and Drug Abuse Commission. Effective April 1, 2009, all of these entities including the Region, but excluding East Central Health, will be disestablished and all the assets, liabilities, rights and obligations of these entities, including the Region, will be assumed by East Central Health whose name will change to Alberta Health Services.

18. Transition Costs

As at March 31, 2009, the Region recorded incremental transition costs and restructuring charges related to the transition to Alberta Health Services, consisting of severance costs and termination benefits (Schedule 2). In the Statement of Operations, these expenses are included in Administration. Additional incremental expenses related to the transition to Alberta Health Services are also reported and disclosed in the financial statements of East Central Health.

East Central Health received \$80 million in funding from Alberta Health and Wellness for the costs of AHS transitioning and the Region has recorded a receivable from East Central Health for the transition costs incurred as described below.

	Severance- Related	Other	Total
Liability as at March 31, 2008	\$ -	\$ -	\$ -
Expenses	1,056	-	1,056
Payments made during the year	(699)	-	(699)
Liability as at March 31, 2009	\$ 357	\$ -	\$ 357

PALLISER HEALTH REGION
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009
 (thousands of dollars)

19. Correction of Errors

During the year, the Region identified and corrected errors from prior years. These errors and related adjustments to previously reported balances are as follows:

- (a) Assets were purchased in 2006, 2007 and 2008 that were funded from external sources and were not capitalized in the financial statements.
- (b) Payroll benefits were incorrectly accrued in 2008 and prior years.
- (c) RSHIP assets were incorrectly recorded in 2008 and prior years.

	As Originally Reported	(a)	Adjustments (b)	(c)	As Restated
For the year ended March 31, 2008:					
Deficiency of revenues over expenses	\$ (2,688)	\$ -	\$ -	\$ -	\$ (2,688)
As at March 31, 2008:					
Accounts receivable	4,934	-	-	1,495	6,429
Prepaid expenses	2,308	-	-	(1,067)	1,241
Capital assets	76,872	763	-	-	77,635
Accounts payable and accrued liabilities	14,678	-	(450)	-	14,228
Unamortized External Capital Contributions	67,928	763	-	-	68,691
Net Assets: Accumulated surplus	4,675	-	450	428	5,553
As at March 31, 2007:					
Net Assets: Accumulated surplus	6,092	-	450	428	6,970

20. Comparative Figures

Certain 2008 figures have been reclassified and restated to conform to the 2009 presentation.

21. Approval of Financial Statements

These financial statements have been approved by the Alberta Health Services Board.

PALLISER HEALTH REGION
SCHEDULE OF EXPENSES BY OBJECT
Year ended March 31, 2009
(thousands of dollars)

Schedule 1

		2009	2008
	<i>Budget</i>	Actual	Actual
	<i>(note 11)</i>		
Salaries and benefits (schedule 2)	\$129,510	\$129,562	\$121,985
Contracts with health service providers (note 16)	34,877	36,822	33,287
Drugs and gases	5,080	4,618	4,695
Medical and surgical supplies	5,590	5,975	5,261
Other contracted services	16,210	15,252	15,266
Other expenses - utilities	4,000	3,854	3,772
Other expenses - miscellaneous	17,718	16,037	17,033
Amortization:			
Capital equipment - internally funded	2,600	2,528	2,369
Capital equipment - externally funded	2,525	3,339	2,451
Facilities and improvements - externally funded	3,030	3,290	2,985
	\$221,140	\$221,277	\$209,104

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS
Year Ended March 31, 2009
(thousands of dollars)

Schedule 2(a)

	2009							2008		
	FTE	Base Salary	Other Cash Benefits	Other Non-Cash Benefits	Sub Total	Severance		Total	FTE	Total
						FTE	Amount			
(1)	(2)	(3)	(4)	(6)		(5)		(1)		
Board Chair (7)										
Ken Hughes - AHS	0.88		-		-			-		-
Carol Secondiak	0.12		\$11		\$11			\$11	1.00	\$32
Board Members (7)										
Jack Ady - AHS	0.88		-		-			-		-
Pierre Crevolin - AHS	0.21		-		-			-		-
Catherine Roozen - AHS	0.63		-		-			-		-
Linda Hohol - AHS	0.88		-		-			-		-
John Lehnrs - AHS	0.88		-		-			-		-
Irene Lewis - AHS	0.88		-		-			-		-
Don Sieben - AHS	0.88		-		-			-		-
Lori Andreachuk - AHS	0.33		-		-			-		-
Gord Bontje - AHS	0.33		-		-			-		-
Teri Lynn Bougie - AHS	0.33		-		-			-		-
Jim Clifford - AHS	0.33		-		-			-		-
Strater Crowfoot - AHS	0.33		-		-			-		-
Tony Franceschini - AHS	0.33		-		-			-		-
Andreas Laupacis - AHS	0.33		-		-			-		-
Gord Winkel - AHS	0.33		-		-			-		-
Howard Barker	0.12		2		2			2	1.0	9
Jim Black	0.12		1		1			1	1.0	7
Hugh English	0.12		-		-			-	1.0	5
Jim Kirwan	0.12		1		1			1	1.0	7
Albert McFadyen	0.12		2		2			2	1.0	12
Leva Olstad	0.12		3		3			3	1.0	12
Lynne Sangster	0.12		2		2			2	1.0	13
Ken Sauer	0.12		2		2			2	1.0	6
Martin Shields	0.12		1		1			1	1.0	7
Rod Sommerfeld	0.12		2		2			2	1.0	12
Harold Storlien	0.12		1		1			1	1.0	6
Craig Widmer	0.12		1		1			1	1.0	9
	10.32		\$29		\$29			\$29	13.0	\$137

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS
Year Ended March 31, 2009
(thousands of dollars)

Schedule 2(a) continued

	2009							2008		
	FTE (1)	Base Salary (2)	Other Cash Benefits (3)	Other Non-Cash Benefits (4) (6)	Sub Total	Severance		Total	FTE (1)	Total
						FTE	Amount (5)			
Board Direct Reports (8):										
President / Chief Executive Officer - AHS (9)	0.02	-	-	-	-	-	-	-	-	-
Interim Chief Executive Officer - AHS (9)	0.88	-	-	-	-	-	-	-	-	-
President / Chief Executive Officer (Palliser) (9)	0.27	78	7	247	332	1.0	699	1,031	1.0	454
CEO Direct Reports (10):										
Senior Vice President - Health Services	1.00	190	34	78	302	-	-	302	1.0	276
Vice President - Community Health	1.00	160	4	46	210	-	-	210	1.0	178
Vice President - Planning & Corporate Services	1.00	160	-	39	199	1.0	357	556	1.0	178
Chief Financial Officer	1.00	187	17	4	208	-	-	208	1.0	179
Vice President - Medical Services	1.00	259	-	-	259	-	-	259	1.2	393
Other Employees:										
Other Management reporting to CEO Direct Reports	28	3,150	-	547	3,697	-	-	3,697	29	3,673
Other Management Regulated Nurses:										
RNs, RPNs, Grad Nurses	459	37,533	-	6,517	44,050	-	-	44,050	469	43,094
LPNs	129	7,227	-	1,255	8,482	-	-	8,482	137	7,802
Other Health Technical & Professionals	311	22,657	-	3,934	26,591	-	-	26,591	308	24,433
Unregulated Health Service Providers	148	5,845	-	1,015	6,860	-	-	6,860	148	6,040
Other Staff	604	28,320	-	4,914	33,234	-	-	33,234	598	30,962
	1731	\$109,219	\$91	\$19,196	\$128,506	2	\$10,56	\$129,562	1745	\$121,985

The accompanying notes (1) to (10) are part of this Schedule

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS - NOTES
Year Ended March 31, 2009
(thousands of dollars)

Schedule 2(b)

- Full time equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full time employee. Total actual discrete number of individuals employed: 3,112 (2008 - 3,091). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.
- Base Salary includes pensionable base pay.
- Other cash benefits include honoraria (for Board Members), fixed vehicle allowances and vacation liability increases (for named positions).
- Other non-cash benefits include:
 - Employer's current and prior service cost of supplementary retirement plans (per note 6 below).
 - Share of all employee benefits and contributions made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional membership and tuition.
- Severance includes direct or indirect payments to individuals upon termination, which are not included in other benefits.
- Supplemental Retirement Plan (SRP):
Under the terms of the supplementary retirement plan, executive officers may receive supplemental retirement payments. SRP costs detailed below are not cash payments during the year, but are the period expense for rights to future compensation. SRP costs reflect the actuarially estimated cost to provide pension income over the post-employment period. The SRP provides future pension benefits to participants based on years of service and earnings.

The annual benefit for each executive is as follows:

	2009		2008	
	Current Service Costs	Prior Service & Other costs	Total	Total
President / Chief Executive Officer (Palliser)	\$10	\$235	\$245	\$149
Senior Vice President - Health Services	16	40	56	44
Vice President - Community Health	8	16	24	4
Vice President - Planning & Corporate Services	8	8	16	3
Other retirees and non-named positions	9	15	24	11
	\$51	\$314	\$365	\$211

The accrued SRP obligation for each executive is as follows:

	Accrued Obligation	Change in accrued obligation	Accrued Obligation
	Mar 31, 2008		Mar 31, 2009
President / Chief Executive Officer (Palliser)	\$677	(\$88)	\$589
Senior Vice President - Health Services	219	(5)	214
Vice President - Community Health	142	(25)	117
Vice President - Planning & Corporate Services	75	(48)	27
Other retirees and non-named positions	111	(7)	104
	\$1,224	(\$173)	\$1,051

The actual SRP payments made or payable to named recipients upon termination were as follows (in thousands of dollars):

- President / Chief Executive Officer (Palliser): Total SRP payments of \$24 for 2009 (2008 - \$0), based on payments of \$3 per month from August 2008 indefinitely (joint & survivor benefit).
- Vice President - Planning & Corporate Services: Total SRP payments of \$27 for 2009 (2008 - \$0), based on a single lump sum payment of \$27, payable after March 31, 2009.

PALLISER HEALTH REGION
SCHEDULE OF SALARIES AND BENEFITS - NOTES
Year Ended March 31, 2009
(thousands of dollars)

Schedule 2(b) continued

- (7) On May 15, 2008, the Region's board, along with the other regional health authority boards, was replaced by the Alberta Health Services (AHS) interim board according to Ministerial Order 50/2008. On December 1, 2008, an additional 8 panel members were appointed to complete the 15 member board. Salaries and benefits of AHS board members are reported and disclosed in the financial statements of East Central Health.
- (8) Board Direct Reports reflect FTEs and costs for the entire 2009 fiscal year based on the titling and positioning that existed as at May 15, 2008.
- (9) On July 8, 2008 the Region's CEO was terminated. The Interim CEO - AHS was appointed effective May 15, 2008 to manage the operations of the health regions, provincial boards and Alberta Alcohol and Drug Abuse Commission and to effect their transition to a single provincial health authority. Salary and benefits of the Interim CEO - AHS are reported and disclosed in the financial statements of East Central Health. The President and CEO - AHS was appointed effective March 23, 2009. Salary and benefits of the President and CEO - AHS are reported and disclosed in the financial statements of East Central Health.
- (10) CEO Direct Reports reflect FTEs and costs for the 2009 fiscal year based on the titling and positioning that existed as at July 8, 2008.

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