

Financial Statements of

**NORTHERN HEALTH AUTHORITY**

Year ended March 31, 2008

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The Financial Statements of Northern Health Authority for the year ended March 31, 2008 have been prepared by management in accordance with Canadian generally accepted accounting principles and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

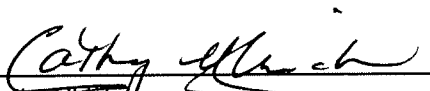
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.


The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the internal auditor regularly, and with the external auditor two times a year.

The Authority's internal auditor has the responsibility for assessing the management systems and practices of the Authority.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Authority's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit and Finance Committee of the Board and meet with it on a regular basis.

On behalf of the Northern Health Authority

  
Cathy Ulrich  
President and Chief Executive Officer  
May 20, 2008

  
Barry Cheal  
Vice President, Corporate Services and Chief Financial Officer  
May 20, 2008



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## **AUDITORS' REPORT TO THE DIRECTORS OF THE NORTHERN HEALTH AUTHORITY**

We have audited the statement of financial position of the Northern Health Authority as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these 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 Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line.

Chartered Accountants  
Prince George, Canada  
May 20, 2008

# NORTHERN HEALTH AUTHORITY

Statement of Financial Position  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
		(Restated - note 4)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50,489	\$ 39,570
Accounts receivable (note 5)	28,919	28,097
Inventories of materials and supplies	6,256	6,090
Prepays	2,029	1,318
	87,693	75,075
Restricted cash (note 11)	2,793	3,058
Capital assets (note 6)	383,322	348,534
Long-term disability plan assets (note 10 (b))	1,334	813
	\$ 475,142	\$ 427,480
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 63,458	\$ 53,185
Deferred operating contributions (note 8)	9,651	8,863
Current portion of long-term debt (note 9)	855	790
Current portion of accrued retirement allowance (note 10(a))	2,405	2,496
	76,369	65,334
Long-term debt (note 9)	15,498	17,413
Retirement allowance (note 10 (a))	26,927	25,756
Replacement reserves (note 11)	2,793	3,058
Deferred capital contributions (note 12)	371,168	333,975
	416,386	380,202
Net assets (deficiency):		
Invested in capital assets (note 13)	(1,634)	274
Unrestricted	(15,979)	(18,330)
	(17,613)	(18,056)
Commitments and contingencies (note 14)		
	\$ 475,142	\$ 427,480

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

# NORTHERN HEALTH AUTHORITY

## Statement of Operations

(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
		(Restated - note 4)
<b>Revenues:</b>		
Ministry of Health contributions	\$ 415,969	\$ 397,593
Medical Service Plan	61,732	58,019
Amortization of deferred capital contributions	29,114	25,363
Patients, clients and residents (note 16)	21,536	20,348
Other (note 17)	25,129	11,216
Other contributions (note 18)	13,221	18,488
Investment income	2,118	1,637
Gain on sale of capital assets	564	201
	<u>569,383</u>	<u>532,865</u>
<b>Expenses:</b>		
Compensation and benefits	390,598	364,518
Supplies (note 19)	67,920	65,141
Depreciation of capital assets	31,235	27,848
Referred-out and contracted services (note 20)	30,396	26,503
Equipment and building services	24,295	22,147
Sundry (note 21)	19,471	18,450
Distributions to affiliated organizations	4,055	3,792
Interest expense	970	1,307
	<u>568,940</u>	<u>529,706</u>
Excess of revenues over expenses	\$ 443	\$ 3,159

See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

Statement of Changes in Net Assets (Deficiency)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	Invested (deficiency) in capital assets	Unrestricted	2008 Net Assets	2007 Net Assets
				(Restated note 4)
Balance, beginning of year	\$ 274	\$ (16,041)	\$ (15,767)	\$ (19,058)
Restatement (note 4)	-	(2,289)	(2,289)	(2,157)
	\$ 274	\$ (18,330)	\$ (18,056)	\$ (21,215)
Excess (deficiency) of revenues over expenses (note 13)	(1,557)	2,000	443	3,159
Net change in invested in capital assets	(351)	351	-	-
Balance, end of year	\$ (1,634)	\$ (15,979)	\$ (17,613)	\$ (18,056)

See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

## Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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	2008	2007
		(Restated - note 4)
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 443	\$ 3,159
Items not involving cash:		
Amortization of deferred capital contributions	(29,114)	(25,363)
Depreciation of capital assets	31,235	27,848
Gain on disposal of capital assets	(564)	(201)
	2,000	5,443
Net change in non-cash items (note 15)	10,177	(5,857)
	12,177	(414)
Cash flows from investing activities:		
Purchase of capital assets	(66,487)	(53,038)
Proceeds on disposal of capital assets	1,028	-
Increase in Long-term disability plan assets	(521)	-
	(65,980)	(53,038)
Cash flows from financing activities:		
Increase in deferred capital contributions	66,307	44,479
Repayment of long-term debt	(1,850)	(782)
(Increase) decrease in restricted cash	265	(180)
	64,722	43,517
Increase (decrease) in cash and cash equivalents	10,919	(9,935)
Cash and cash equivalents, beginning of year	39,570	49,505
Cash and cash equivalents, end of year	\$ 50,489	\$ 39,570

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Supplemental Cash Flow Information (note 15)

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See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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Northern Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors ("Board") appointed by the Ministry of Health ("Ministry") and is one of six Health Authorities in British Columbia. The Authority is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Authority is a registered charity under the *Income Tax Act*, and as such, is exempt from income and capital taxes.

The mandate of the Authority, defined by the *Health Authorities Act*, is to plan, delivery, monitor, and report on health services, which include public and population health programs, services for persons with mental health or substance use disorders, acute care, and home and community care, for people in northern British Columbia.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries and other organizations that provide services under contracts.

## 1. Significant accounting policies

### (a) Affiliated organizations:

Within the Authority area is one denominational health care organization – Wrinch Memorial Hospital ("Wrinch") - which has the responsibility to manage its administration under an affiliation agreement with the Authority. Wrinch is a separate legal entity with a separate board of directors and, accordingly, these financial statements do not include its assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of Wrinch are recorded as Ministry of Health grant revenues and funds transferred to Wrinch are recorded as expenses in the statement of operations.

### (b) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

### (c) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are treated as cash and cash equivalents.

### (d) Inventories of materials and supplies:

Inventories are valued at the lower of average cost and net realizable value. Pharmacy inventories are valued on a first-in/first-out basis that approximates average costs.

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. The Authority records depreciation on its assets on a straight-line basis over the useful life of the assets as follows:

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Land improvements	5 – 25 years
Buildings	10 – 50 years
Building service equipment	5 – 25 years
Equipment	3 – 20 years
Leasehold improvements	10 – 40 years
Software license fees	5 – 10 years

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# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 1. Significant accounting policies (continued):

### (f) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and change in the fair value assessment of the retirement obligation.

### (g) Revenue recognition:

The Authority follows the deferral method of accounting for contributions which include donations and government contributions.

Under the *Health Insurance Act and Regulations* thereto, the Authority is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry. Approved operating contributions are recorded as revenues in the period to which they relate and the related expenses are incurred. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenues in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenues on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

### (h) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits, long-term disability and multiple-employer defined benefit plans as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2007 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plan is 10 years (2007 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 1. Significant accounting policies (continued)

### (i) Asset and service contributions:

Volunteers contribute their time to assist the Authority in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contribution of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

### (j) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of depreciation of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued employee benefits. Actual results could differ from these estimates.

## 2. Financial instruments:

### (a) Fair value:

During the year, the Authority adopted Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation to account for its financial assets and financial liabilities. These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which should be measured at cost, other than such instruments that are classified as held-for-trading.

Subsequent measurement and changes in fair value will depend on initial classification. Held for trading assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings. Available for sale investments are measured at fair value with changes in fair value recorded in the statement of changes in net assets until the investment is re-recognized or other than temporarily impaired which time the amounts would be recorded in net earnings.

These sections also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of (i) unrealized gains on financial assets classified as available-for-sale, which are recognized in net assets until the financial asset is derecognized or becomes impaired; and (ii) certain financial instruments that are part of a designated hedging relationship.

The adoption of these sections did not have a significant impact on the financial statements.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 2. Financial Instruments (continued)

### (b) Interest rate risk:

As described in note 9, the Authority's long-term debt bears interest at fixed rates. Fluctuations in interest rates will not impact the cost of financing incurred for the duration of each mortgage agreement.

### (c) Credit risk:

The Authority faces credit risk with respect to the collection of its accounts receivable. There is a concentration of credit risk from the collection of receivables from the Ministry of Health. Management does not perceive this concentration of credit risk to be significant based on the nature of the debtor and historical collection experience.

## 3. Future accounting changes:

### (a) Financial instruments:

On December 1, 2006, the Canadian Institute of Chartered Accountants (CICA) issued two new accounting standards: Handbook Section 3862, Financial Instruments – Disclosures (Section 3862), and Handbook Section 3863, Financial Instruments – Presentation (Section 3863). These new standards become effective for the Health Authority on April 1, 2008.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

### (b) Inventories:

The CICA issued section 3031, Inventories, which will replace Section 3030, Inventories. This new standard is effective for fiscal years beginning on or after July, 2007, and the Authority will adopt this section on April 1, 2008. Section 3031 provides more extensive guidance on measurements, and expands disclosure requirements to increase transparency. The Authority's accounting policy for inventories is currently in line with measurement requirements in the new standard; however, additional disclosures may be required in relation to inventories carried at net realizable value, the amount of inventories recognized as an expense, and the amount of any write downs of inventories.

The Authority is currently evaluating the impact of these accounting standards for fiscal year 2009.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 4. Restatement:

During the year management determined that the payroll accrual relating to vacation and overtime did not include any amount in respect of benefits such as Canada Pension Plan, Superannuation, Employment Insurance and Worksafe British Columbia. As a result, the financial statements have been restated on a retroactive basis. The effect of the restatement has been to increase accounts payable and accrued liabilities at March 31, 2007 by \$2.3 million, reduce unrestricted net assets by an equivalent amount and reduce the excess (deficiency) of revenue over expenses for the year ended March 31, 2007 by an amount of \$132,000.

## 5. Accounts receivable:

	2008	2007
Province of British Columbia		
Alternative Payments Program	\$ 7,134	\$ 7,225
Ministry of Health	3,195	9,536
Health Authorities	1,211	718
	11,540	17,479
Other		
Patients, clients, residents and agencies	5,301	4,966
Foundations, Auxiliaries, Regional Hospital Districts	5,141	564
Other	4,018	3,898
Goods and services tax	3,171	1,771
Interest	104	126
	29,275	28,804
Less allowance for doubtful accounts	(356)	(707)
	\$ 28,919	\$ 28,097

## 6. Capital assets:

			2008	2007
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 2,860	\$ -	\$ 2,860	\$ 3,331
Land improvements	4,973	(4,307)	666	809
Buildings	393,121	(161,747)	231,374	233,833
Building service equipment	17,501	(8,167)	9,334	8,327
Projects in progress	47,488	-	47,488	22,697
Leasehold improvements	1,109	(668)	441	426
Equipment	279,629	(193,393)	86,236	74,191
Software license fees	5,022	(99)	4,923	4,920
	\$ 751,703	\$ (368,381)	\$ 383,322	\$ 348,534

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 7. Accounts payable and accrued liabilities:

	<b>2008</b>	<b>2007</b>
		(Restated note 4)
Trade accounts payable and accrued liabilities	\$ 33,514	\$ 28,504
Accrued vacation payable	20,175	19,235
Salaries and benefits payable	9,769	5,446
	<b>\$ 63,458</b>	<b>\$ 53,185</b>

## 8. Deferred operating contributions:

	<b>2008</b>	<b>2007</b>
Deferred operating contributions, beginning of year	\$ 8,863	\$ 13,752
Less amounts recognized as revenue in the year	(2,528)	(7,747)
Add amounts received for future periods	3,316	2,858
Deferred operating contributions, end of the year	<b>\$ 9,651</b>	<b>\$ 8,863</b>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 9. Long-term debt:

Long-term debt consists of the following:

	2008	2007
Mortgages payable to CMHC, at interest rate varying from 4.71% to 10.375 %, payable in blended payments of \$ 115,414 per month, with maturity dates ranging to March 2029, secured by first charges on properties.	\$ 11,648	\$ 13,395
Mortgages payable to TD Canada Trust, at interest varying rates from 4.673 % to 5.856%, payable in blended payments of \$ 25,951 per month, with maturity dates of May and August 2037, secured by building and first charge on property.	4,705	2,113
HSBC/Resmor Trust mortgage payable monthly	-	2,695
Long-term debt balance at year end	\$ 16,353	\$ 18,203
Current portion of long-term debt	855	790
Long-term portion of long-term debt	\$ 15,498	\$ 17,413

Required principal repayments on long-term debt for the years ending March 31 are as follows:

2009	\$	855
2010		900
2011		949
2012		997
2013		1,052
Thereafter		11,600
	\$	16,353

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
 (Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 10. Employee future benefits:

### (a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an actuarial valuation as at December 31, 2006, updated to December 31, 2007. The next required valuation will be as of December 31, 2009.

Information about employee retirement allowance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	\$ 9,871	\$ 9,910
Severance benefits	15,110	15,237
Total retirement allowance obligation	24,981	25,147
Balance of unamortized amounts	4,351	3,105
Accrued retirement allowance benefits	29,332	28,252
Less current portion of retirement allowance	2,405	2,496
Long-term portion of accrued retirement allowance	\$ 26,927	\$ 25,756
Retirement allowance benefits paid	\$ 2,137	\$ 1,873
Retirement allowance expense	\$ 3,218	\$ 3,266

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement allowance are as follows:

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs of years ended March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 10. Employee future benefits (continued):

### (b) Long-term disability benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Authority and other provincially funded organizations.

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997 and for extended health and dental benefits initiated after March 31, 2004. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net liabilities are reflected in these financial statements.

The Authority's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2007. The next required valuation will be as of December 31, 2008.

Information about the employee long-term disability benefits is as follows:

	2008	2007
Accrued benefit obligation	\$ 27,699	\$ 24,354
Fair value of plan assets	20,144	21,315
Net unfunded obligation, December 31	7,555	3,039
Balance of unamortized amounts	(5,923)	(1,385)
Contributions to plan (January - March)	(2,966)	(2,467)
Long-term disability plan asset at March 31	\$ (1,334)	\$ (813)
Long-term disability expense	\$ 12,008	\$ 9,949
Benefits paid	\$ 12,382	\$ 11,607

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# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 10. Employee future benefits (continued):

### (b) Long-term disability benefits (continued):

	2008	2007
Debt securities	61%	54%
Foreign equities	20%	26%
Canadian equities	19%	20%
Total	100%	100%

The significant actuarial assumptions adopted in measuring the Authority's accrual long-term disability liabilities are as follows:

	2008	2007
Accrued benefit obligation as at March 31		
Discount rate	5.50%	5.00%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31		
Discount rate	5.50%	5.00%
Expected long-term rate of return on plan assets	6.75%	6.75%
Rate of benefit increase	2.50%	2.50%

Contributions to the Trust of \$11.9 million (2007 - \$9.4 million) were expensed during the year. The most recent actuarial valuation at December 31, 2007 indicated a surplus of \$41.09 million. The plan covers 77,289 active employees, of which approximately 4,057 are employees of the Authority. The next required valuation will be as of December 31, 2008.

While the Trust has been restructured, the Authority and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 10. Employee future benefits (continued):

### (c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$16.9 million (2007 - \$15.5 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$438 million. The actuary does not attribute portions of the unfunded surplus to individual employers. The plan covers approximately 140,000 active employees of which approximately 5,294 are employees of the Authority. The next required valuation will be as of December 31, 2009 with results available in 2010.

Employer contributions to the Public Service Pension Plan of \$0.67 million (2007 - \$0.71 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767 million. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 52,000 active employees of which approximately 143 are employees of the Authority. The next required valuation will be as of March 31, 2008 with results available in 2009.

## 11. Replacement reserves:

Under the terms of the agreements with Canada Mortgage and Housing Corporation (CMHC), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires the approval of CMHC. During the year management determined that the replacement reserve previously presented as externally restricted surplus of \$3.06 million in the Authority's prior year financial statements should more properly be presented as a replacement reserve liability on the statement of financial position. The impact of this change has been accounted for on a retroactive basis resulting in a reduction of net assets at March 31, 2007 in the amount of \$3.06 million and a corresponding increase in the replacement reserve liability. There was no impact on the statement of operations.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
 (Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 11. Replacement reserves (continued):

The change in the replacement reserves is calculated as follows:

	2008	2007
Balance, beginning of the year	\$ 3,058	\$ 2,878
Provision for replacement reserves funding	169	228
Interest on replacement reserves	112	160
Expenditures	(95)	(76)
Transfer of reserves	(451)	(132)
	\$ 2,793	\$ 3,058

The replacement reserves by facility are as follows:

	2008	2007
North Peace Care Centre - Ft. St. John	\$ 136	\$ 126
Peace River Haven - Pouce Coupe	223	201
Parkside Intermediate Care Home - Prince George	218	206
Rainbow Intermediate Care Home - Prince George	369	338
Bulkley Lodge - Smithers	174	162
Alward Place - Phase 1 - Prince George	548	563
Alward Place - Phase 2 - Prince George	248	254
Acropolis Manor - Prince Rupert	274	252
Stuart Nechako Manor (Omineca Lodge) - Vanderhoof	-	451
Terrace View Lodge - Terrace	267	240
Heritage Manor - Ft. St. John	2	-
Laurier Manor - Prince George	191	153
McConnell Estates - Terrace	143	112
	\$ 2,793	\$ 3,058

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 12. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenues in the statement of operations.

	2008	2007
Deferred capital contributions, beginning of year	\$ 333,975	\$ 310,360
Contributions during the year:		
Ministry of Health	57,372	33,548
Regional Hospital Districts	5,588	11,854
Foundations	2,277	1,643
Auxiliaries	334	1,161
Other	736	772
	400,282	359,338
Less amortization for the year	29,114	25,363
Deferred capital contributions, end of year	\$ 371,168	\$ 333,975

Deferred capital contributions are comprised of the following:

	2008	2007
Contributions used to purchase capital assets	\$ 366,467	\$ 327,615
Unspent contributions	4,701	6,360
	\$ 371,168	\$ 333,975

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
 (Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 13. Invested in capital assets:

	2008	2007
Capital assets	\$ 383,322	\$ 348,534
Amounts financed by:		
Deferred capital contributions (note 12)	(366,467)	(327,615)
Accounts payable and accrued liabilities, net	(2,136)	(2,442)
Long-term debt	(16,353)	(18,203)
	\$ (1,634)	\$ 274

### (b) Deficiency of revenues over expenses

	2008	2007
Amortization of deferred capital contributions	\$ 29,114	\$ 25,363
Depreciation of capital assets	(31,235)	(27,848)
Gain on disposal of capital assets	564	201
	\$ (1,557)	\$ (2,284)

### (c) Transfer to invested in capital assets

	2008	2007
Purchase of capital assets, net	\$ 65,956	\$ 53,203
Amounts funded by deferred capital contributions	(66,307)	(48,976)
Principal payments on long-term debt	837	618
Amounts funded by long-term debt	(837)	(618)
	\$ (351)	\$ 4,227

## 14. Commitments and contingencies:

### (a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2009	\$	5,001
2010		5,146
2011		5,287
2012		5,399
2013		5,535
Thereafter		15,570
	\$	41,938

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## 14. Commitments and contingencies (continued):

### (b) Litigation and claims:

The nature of the Authority's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2008, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

### (c) Risk management:

Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

### (d) Resident trust:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The total amount is not significant.

### (e) Asset retirement obligation:

The Authority has identified significant asset retirement obligations relating to asbestos removal in several of its facilities. At this time, the Authority has not recognized the asset retirement obligations where there is not an indeterminate settlement date of the future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated. The asset retirement obligation will be recognized as a liability in the period when the fair value can be reasonably estimated.

## 15. Net change in cash flows:

	2008	2007
Accounts receivable	\$ (822)	\$ 19,055
Inventories of materials and supplies	(166)	520
Prepays	(711)	322
Accounts payable and accrued liabilities	10,273	(21,995)
Deferred operating contributions	788	(4,898)
Retirement allowance and long-term disability benefits	1,080	959
Replacement reserves	(265)	180
Total change in non-cash items	\$ 10,177	\$ (5,857)

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 16. Patients, clients and resident revenues:

	2008		2007	
Residents of British Columbia-self pay	\$	12,074	\$	10,947
Non-residents of British Columbia		4,221		4,122
Worksafe British Columbia		2,719		2,681
Federal government		719		997
Non-residents of Canada		998		822
Fees and licenses		805		779
	\$	21,536	\$	20,348

## 17. Other revenues:

	2008		2007	
Sales to non-related entities	\$	16,158	\$	5,109
Sales to government reporting entities		8,653		5,638
Pharmacare		318		469
	\$	25,129	\$	11,216

## 18. Other contributions:

	2008		2007	
Provincial Health Services Authority	\$	4,454	\$	10,745
Other ministries		4,861		4,850
Non-related entities		2,896		1,192
Other health authorities and related entities		1,010		1,701
	\$	13,221	\$	18,488

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

## 19. Supplies:

	2008	2007
Medical and surgical	\$ 18,486	\$ 16,965
Drugs and medical gases	17,422	18,242
All other supplies	7,530	7,089
Plant operation	7,239	7,050
Diagnostic	7,774	6,579
Food and dietary	5,378	5,234
Printing, stationery and office	1,842	1,815
Laundry and linen	1,363	1,267
Housekeeping	886	900
	\$ 67,920	\$ 65,141

## 20. Referred-out and contracted services:

	2008	2007
Residential care	\$ 8,902	\$ 7,677
Mental health	8,171	8,045
Public and preventive health	6,522	5,430
Other	3,884	2,809
Community care	2,917	2,542
	\$ 30,396	\$ 26,503

## 21. Sundry:

	2008	2007
Travel and accommodation	\$ 7,285	\$ 7,090
Other	6,328	5,862
Communication and data processing	3,428	3,292
Professional fees	2,430	2,206
	\$ 19,471	\$ 18,450



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

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## **22. Related party transactions:**

The Authority is supported by numerous foundations and auxiliaries incorporated under the *Society Act* (British Columbia) and registered as charities under the *Income Tax Act*. The Authority has an economic interest in these foundations and auxiliaries, as their purpose is to raise funds in the communities to further the interests and objectives of the facilities they support within the Authority. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations and auxiliaries are related to the Authority by virtue of holding resources, which are to be used to produce revenue or provide services for the Authority. The net assets and results from operations of the foundations and auxiliaries are not included in the consolidated statements of the Authority due to the large number of organizations, and a lack of readily available financial information from these organizations.

## **23. Financial instruments:**

The Authority's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, long-term disability benefits, retirement allowance and long-term debt. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of the Authority's long-term debt approximates carrying value as the fixed rates of interest approximate interest rates for similar instruments at the financial statement date. The fair value of the accrued retirement allowance liability and long-term disability benefits are disclosed in note 10. The maximum credit risk exposure for all financial assets is the carrying amount of that asset. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

## **24. Comparative figures:**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.