

Financial Statements of

FRASER HEALTH AUTHORITY

Year ended March 31, 2008



fraserhealth

Better health.
Best in health care.

Statement of Management Responsibility

The Financial Statements of Fraser 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 Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditors six times a year and also with the external auditors 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 Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Fraser Health Authority

Brian Woods,
Vice President Corporate Services & CFO

Dr. Nigel Murray,
President and CEO

May 9, 2008

Fraser Health Authority
Accounting Services

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AUDITORS' REPORT

To the Board of Fraser Health Authority

We have audited the statement of financial position of Fraser Health Authority (the "Authority") as at March 31, 2008 and the statements of operations, changes in net assets (deficiency) 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.

Chartered Accountants

Vancouver, Canada

May 9, 2008

FRASER HEALTH AUTHORITY

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

March 31, 2008, with comparative figures for 2007

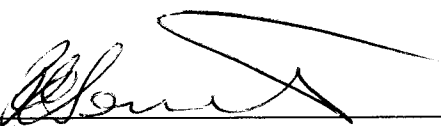
	2008	2007 (restated - note 16)
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 45,960	\$ 74,687
Short-term investments (note 2)	100,875	24,222
Accounts receivable (note 3)	43,272	38,336
Inventories of materials and supplies	15,902	15,398
Prepays	15,975	14,253
	<u>221,984</u>	<u>166,896</u>
Long-term investments (note 2)	85,742	86,889
Capital assets (note 4)	585,765	530,235
	<u>\$ 893,491</u>	<u>\$ 784,020</u>

Liabilities and Net Assets (Deficiency)

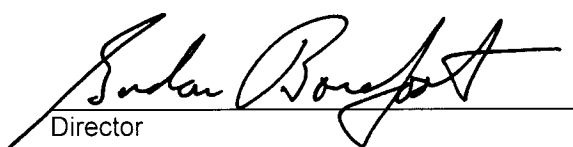
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 183,757	\$ 147,166
Deferred operating contributions (note 6)	18,162	4,156
Mortgage payable (note 7)	1,316	1,370
Current portion of deferred gain on sale and leaseback	535	-
Current portion of retirement allowance (note 8(a))	9,736	9,914
Current portion of long-term disability benefits (note 8(b))	7,526	7,526
Asset retirement obligations (note 11(d))	1,200	-
	<u>222,232</u>	<u>170,132</u>
Deferred gain on sale/leaseback	9,743	-
Retirement allowance (note 8(a))	86,905	81,961
Long-term disability benefits (note 8(b))	13,439	24,781
Deferred capital contributions (note 9)	640,820	590,638
	<u>973,139</u>	<u>867,512</u>
Net assets (deficiency):		
Invested in capital assets (note 10(a))	32,850	29,730
Unrestricted	(112,498)	(113,222)
	<u>(79,648)</u>	<u>(83,492)</u>
Commitments and contingencies (note 11)		
	<u>\$ 893,491</u>	<u>\$ 784,020</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

FRASER 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 16)
Revenues:		
Ministry of Health contributions	\$ 1,768,347	\$ 1,661,613
Other contributions (note 12(a))	60,436	49,445
Medical Services Plan	122,011	109,929
Patients, clients and residents (note 12(b))	55,162	50,864
Investment income	5,864	4,239
Amortization of deferred capital contributions	71,464	67,194
Other (note 12(c))	60,350	44,565
	<u>2,143,634</u>	<u>1,987,849</u>
Expenses:		
Compensation and benefits	1,288,938	1,195,997
Supplies (note 12(d))	211,264	198,389
Sundry (note 12(e))	69,639	60,144
Equipment and building services	57,101	47,231
Referred out and contracted services (note 12(f))	442,781	417,709
Depreciation of capital assets	73,572	68,501
	<u>2,143,295</u>	<u>1,987,971</u>
Excess (deficiency) of revenues over expenses	<u>\$ 339</u>	<u>\$ (122)</u>

See accompanying notes to financial statements.

FRASER 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 in capital assets	Unrestricted	2008	2007 (restated - note 16)
Balance beginning of year	\$ 29,730	\$ (107,486)	\$ (77,756)	\$ (76,150)
Restatement of prior years (note 16)	-	(5,736)	(5,736)	(5,140)
Adjustment to opening net assets on adoption of accounting policy (note 1(l))	-	(881)	(881)	-
Balance beginning of year, as restated	29,730	(114,103)	(84,373)	(81,290)
Excess (deficiency) of revenues over expenses (note 10(b))	(2,108)	2,447	339	(122)
Change in market value of investments classified as available-for-sale	-	1,366	1,366	-
Acquisition (disposal) of land	3,020	-	3,020	(2,080)
Transfer to invested in capital assets (note 10(c))	2,208	(2,208)	-	-
Balance end of year	\$ 32,850	\$ (112,498)	\$ (79,648)	\$ (83,492)

See accompanying notes to financial statements.

FRASER HEALTH AUTHORITY

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

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

	2008	2007
		(restated - note 16)
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 339	\$ (122)
Items not involving cash:		
Depreciation of capital assets	73,572	68,501
Amortization of deferred capital contributions	(71,464)	(67,194)
Gain on disposal of capital assets	(219)	-
Increase in retirement allowance	4,766	4,982
Decrease in long-term disability benefits	(11,342)	(9,856)
Net change in non-cash operating items (note 13)	44,635	12,200
	40,287	8,511
Cash flows from investing activities:		
Net change in short-term investments	(76,653)	21,226
Change in market value of investments classified as available-for-sale	485	-
Net change in long-term investments	1,147	(3,363)
Purchase of capital assets	(129,488)	(99,523)
Proceeds from disposal of capital assets	12,233	225
	(192,276)	(81,435)
Cash flows from financing activities:		
Capital contributions	123,316	98,288
Repayment of mortgage payable	(54)	(1,959)
	123,262	96,329
Increase (decrease) in cash and cash equivalents	(28,727)	23,405
Cash and cash equivalents, beginning of year	74,687	51,282
Cash and cash equivalents, end of year	\$ 45,960	\$ 74,687

Supplementary information (note 13)

See accompanying notes to financial statements.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

Fraser 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 Authority has over 23,500 active employees and provides services including inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, residential care, specialized children's services and programs, community, home care and home support services, and environmental and public health services.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 15) and other organizations that provide services under contracts.

1. Significant accounting policies

(a) Basis of presentation:

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

(b) Revenue recognition:

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

Under the *Health Insurance Act and Regulations* thereto, the Health 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 revenue 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 revenue 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 revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

1. Significant accounting policies (continued)

(c) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions 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.

(d) 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.

(e) Short-term investments:

Short-term investments include banker's acceptances, treasury bills and bonds, and are classified as available-for-sale and recorded at fair value.

(f) Inventories of materials and supplies:

Inventories are recorded at the lower of cost and replacement cost.

(g) Long-term investments:

Long-term investments include bonds, bankers' acceptances and bond funds that are not expected to mature within the next fiscal year, and are classified as available-for-sale and recorded at fair value.

(h) Capital assets:

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

Land improvements	20 years
Buildings	20 - 50 years
Building service equipment	15 - 20 years
Equipment	4 - 20 years
Software licence fees	3 - 5 years

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

1. Significant accounting policies (continued)

(i) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multi-employer defined long-term disability benefits 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 multi-employer defined long-term disability benefits 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.

(j) Asset retirement obligations:

The Authority recognizes asset retirement obligations 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 changes in the fair value assessment of the retirement obligation.

(k) 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 retirement allowance benefits and long-term disability benefits. Actual results could differ from the estimates.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

1. Significant accounting policies (continued):

(l) Financial instruments:

During the year, the Authority adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 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 de-recognized or other than temporarily impaired at 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 and losses on financial assets classified as available-for-sale, which are recognized directly in net assets until the financial asset is de-recognized or becomes impaired; and (ii) certain financial instruments that are part of a designated hedging relationship.

The adoption of these sections was done on a prospective basis and resulted in a decrease in opening net assets of \$881 and a decrease in opening deferred capital contributions of \$529.

(m) Future changes in accounting standards:

Commencing with the fiscal year beginning April 1, 2008, the Authority will be adopting CICA Handbook Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation*. These standards revise the current standards on financial instruments disclosure and presentation and place an increased emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

1. Significant accounting policies (continued):

(m) Future changes in accounting standards (continued):

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 1, 2007, and hence will be effective for the Authority on April 1, 2008. Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency.

Management is currently determining the impact of the adoption of these standards on the financial statements for the 2009 fiscal year.

2. Financial instruments

The Authority's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, long-term investments, long-term disability liabilities and assets, accounts payable and accrued liabilities, mortgage payable, accrued retirement allowance liabilities and asset retirement obligations. The fair values of these instruments approximate their carrying values, except for the fair value of accrued retirement allowance liabilities and accrued long-term disability liabilities and assets, which are disclosed in note 8.

Credit risk, liquidity risk and interest rate risk - The Authority has investments in pooled bond funds, and as such is subject to risks arising from the credit worthiness of the underlying assets, the liquidity of the underlying assets and general interest rate fluctuations.

3. Accounts receivable

	2008	2007
Patients, clients and residents	\$ 9,775	\$ 11,700
Less allowance for doubtful accounts	(2,601)	(2,526)
	7,174	9,174
Ministry of Health	1,233	3,223
Medical Services Plan	17,097	10,470
Other government reporting entities	3,736	2,767
Hospital foundations	4,242	5,113
Goods and Services Tax	3,943	2,500
Other	5,847	5,089
	\$ 43,272	\$ 38,336

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

4. Capital assets

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	\$ 21,666	\$ -	\$ 21,666	\$ 18,646
Land improvements	4,985	3,359	1,626	1,371
Buildings	733,086	414,905	318,181	307,872
Building service equipment	28,604	24,859	3,745	4,577
Construction in progress	58,813	-	58,813	34,813
Leasehold improvements	10,508	2,968	7,540	5,763
Equipment	535,088	381,293	153,795	142,444
Equipment in progress	6,755	-	6,755	7,830
Software license fees	37,477	23,833	13,644	6,919
	\$ 1,436,982	\$ 851,217	\$ 585,765	\$ 530,235

5. Accounts payable and accrued liabilities

	2008	2007
Trade accounts payable and accrued liabilities	\$ 78,486	\$ 57,489
Salaries and benefits payable	50,815	38,780
Accrued vacation pay	54,456	50,897
	\$ 183,757	\$ 147,166

6. Deferred operating contributions

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

	2008	2007
Deferred operating contributions, beginning of year	\$ 4,156	\$ 4,934
Less amount recognized as revenue in the year	(4,352)	(3,776)
Add amount received for specific purposes	18,358	2,998
Deferred operating contributions, end of year	\$ 18,162	\$ 4,156

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

7. Mortgage payable

(a) Mortgage payable consists of the following:

	2008	2007
Canada Mortgage and Housing Corporation:		
- Maple Ridge Treatment Centre, payable \$10 monthly, including principal and interest at 4.71% per annum, due 2009, secured by capital assets	\$ 1,316	\$ 1,370

(b) B.C. Housing Corporation provides an annual rebate of \$33 on mortgage interest paid to Canada Mortgage and Housing Corporation for the Maple Ridge Treatment Centre mortgage.

8. Employee 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. The next required valuation will be as of December 31, 2009.

Information about retirement allowance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	\$ 35,255	\$ 36,245
Severance benefits	57,528	58,945
Total unfunded obligation	\$ 92,783	\$ 95,190
Balance of unamortized amounts	\$ 3,858	\$ (3,315)
Accrued retirement allowance benefits	\$ 96,641	\$ 91,875
Less current portion	9,736	9,914
Long-term portion	\$ 86,905	\$ 81,961
Retirement allowance expense	\$ 10,851	\$ 10,569
Benefits paid	6,085	5,587

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

8. Employee benefits (continued)

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement allowance liabilities 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 for years ended March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%

(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 multi-employer plan with respect to long-term disability benefits initiated after September 30, 1997. 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	\$ 119,888	\$ 110,732
Fair value of plan assets	60,665	53,191
Net unfunded obligation December 31	59,223	57,541
Balance of unamortized amounts	(25,724)	(17,270)
Contributions to the plan (January - March)	(12,534)	(7,964)
Accrued long-term disability benefits	20,965	32,307
Less current portion	7,526	7,526
Long-term portion	\$ 13,439	\$ 24,781

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

8. Employee benefits (continued):

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

	2008	2007
Long-term disability expense	\$ 27,632	\$ 22,219
Benefits paid	24,103	17,421

Plan assets consist of:

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

The significant actuarial assumptions adopted in measuring the Authority's accrued 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 costs 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%

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of \$35,606 (2007 - \$34,492) were expensed during the year. The most recent actuarial valuation at December 31, 2007 indicated a surplus of \$41,089. The plan covers 77,289 active employees, of which 13,745 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.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

8. Employee 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 \$56,874 (2007 - \$52,490) 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 approximately \$438,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 145,000 active employees, of which approximately 20,000 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 \$3,095 (2007 - \$3,134) 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 approximately \$767,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 52,000 active employees, of which approximately 650 are employees of the Authority. The next required valuation was at March 31, 2008 with results available in 2009.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

9. 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 revenue in the Statement of Operations.

	2008	2007
Deferred capital contributions, beginning of year	\$ 590,638	\$ 559,389
Adjustment to opening deferred contributions on adoption of accounting policy (note 1(l))	(529)	-
Deferred capital contributions, beginning of year, as restated	590,109	559,389
Add:		
Ministry of Health	100,882	82,146
Province of BC - Health Authorities	40	20
Regional Hospital District	2,611	-
Foundations	15,219	11,335
Hospital auxiliaries	560	1,236
Other	4,759	3,706
	124,071	98,443
Less:		
Amortization for the year	(71,464)	(67,194)
Change in market value of investments classified as available for sale	(1,896)	-
Deferred capital contributions, end of year	\$ 640,820	\$ 590,638

Deferred capital contributions are comprised of the following:

	2008	2007
Contributions used to purchase capital assets	\$ 551,599	\$ 499,135
Unspent contributions	89,221	91,503
	\$ 640,820	\$ 590,638

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

10. Invested in capital assets

(a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	\$ 585,765	\$ 530,235
Amounts financed by:		
Deferred capital contributions (note 9)	(551,599)	(499,135)
Mortgage payable	(1,316)	(1,370)
	\$ 32,850	\$ 29,730

(b) Deficiency of revenues over expenses:

	2008	2007
Amortization of deferred capital contributions	\$ 71,464	\$ 67,194
Depreciation of capital assets	(73,572)	(68,501)
	\$ (2,108)	\$ (1,307)

(c) Transfer to invested in capital assets:

	2008	2007
Purchase of capital assets	\$ 126,827	\$ 99,678
Amounts funded by deferred contributions	(124,619)	(95,344)
Principal payments on mortgage payable	-	1,914
Other	-	183
	\$ 2,208	\$ 6,431

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

11. Commitments and contingencies:

(a) Operating leases:

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

2009	\$	19,089
2010		17,190
2011		14,437
2012		12,232
2013		11,743
Thereafter		132,681
	\$	207,372

(b) Litigation and claims:

The nature of the Authority's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2008, management is of the opinion that it has valid defenses and appropriate insurance coverages 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) Asset retirement obligations:

The Authority has accrued asset retirement obligations of \$1,200 representing the fair value of the cost of asbestos removal from buildings at one of its hospital sites. The Authority has determined that the buildings will be demolished or renovated at the end of 2009. The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the period until the demolition or renovations are completed.

The Authority has also identified significant asset retirement obligations relating to asbestos removal in several other of its facilities. At this time, the Authority has not recognized these asset retirement obligations as there is 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 obligations will be recognized as a liability in the period when the fair value can be reasonably estimated.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

12. Statement of Operations

(a) Other contributions:

	2008	2007
Provincial Health Services Authority	\$ 52,910	\$ 43,208
Other ministries	4,384	3,779
Other	3,142	2,458
	\$ 60,436	\$ 49,445

(b) Patients, clients and residents revenue:

	2008	2007
Federal government	\$ 1,966	\$ 2,222
WorkSafe BC	9,136	7,232
Non-residents of British Columbia	6,106	5,879
Non-residents of Canada	6,291	6,119
Residents of British Columbia self pay	2,953	2,393
Long-term care and extended care	23,464	21,883
Preferred accommodation	3,844	3,448
Other	1,402	1,688
	\$ 55,162	\$ 50,864

(c) Other revenue:

	2008	2007
Recoveries from government reporting entities	\$ 19,438	\$ 18,266
Parking	7,978	6,878
Compensation recoveries	7,860	7,572
WorkSafe BC distribution	9,815	-
Gain on sale of assets	219	-
Other	15,040	11,849
	\$ 60,350	\$ 44,565

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

12. Statement of Operations (continued)

(d) Supplies:

	2008	2007
Medical and surgical	\$ 85,356	\$ 78,138
Drugs and medical gases	55,419	52,039
Diagnostic and therapeutic	18,047	17,032
Plant and facilities	20,828	20,433
Food and dietary	13,829	13,393
Other	17,785	17,354
	\$ 211,264	\$ 198,389

(e) Sundry:

	2008	2007
Professional and consulting fees	\$ 8,187	\$ 9,105
Rent	21,228	17,443
Communications and data processing	6,082	5,709
Travel	9,940	9,360
Other	24,202	18,527
	\$ 69,639	\$ 60,144

(f) Referred out and contracted services:

	2008	2007
Referred out residential care	\$ 286,664	\$ 272,387
Referred out community care	70,157	66,752
Referred out mental health	64,707	59,779
Contracted laundry	11,689	11,453
Other	9,564	7,338
	\$ 442,781	\$ 417,709

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

13. Supplementary information to statement of cash flows:

	2008	2007
Changes to non-cash operating items:		
Accounts receivable	\$ (4,936)	\$ 78,898
Inventories of materials and supplies	(504)	(212)
Prepays	(1,722)	(2,243)
Accounts payable and accrued liabilities	36,591	(63,465)
Deferred operating contributions	14,006	(778)
Asset retirement obligations	1,200	-
	\$ 44,635	\$ 12,200
Supplementary information:		
Interest paid	\$ 79	\$ 134
Interest received	3,117	2,101
Non-cash transactions:		
Transfer of land	1,350	-
Transfer of leasehold improvements	-	155
Transfer of deferred capital contributions	-	(155)
Assumption of mortgage payable	31,750	-
Transfer of mortgage payable	(31,750)	-
Acquisition of land and buildings	(32,740)	-
Book value of land and buildings sold	32,740	-
Assumption of accounts payable	990	-
Transfer of accounts payable	(990)	-

14. Abbotsford Regional Hospital and Cancer Centre ("ARHCC") project

Partnerships British Columbia, Inc. ("PBC"), an entity controlled by the Province, is responsible for the construction of the ARHCC project through its wholly owned subsidiary, Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.").

ARHCC Inc. entered into a project agreement with Access Health Abbotsford Ltd. ("AHA") in December, 2004. Under the agreement, AHA will design, construct, finance and maintain the facilities until the end of the term of the agreement, May, 2038. All payment obligations of ARHCC Inc. to AHA, under the agreement, are supported by a payment guarantee from the Province to AHA.

During the year, the Authority received capital grants from the Ministry of Health on behalf of PBC of \$1,405 which were transferred directly to PBC to finance the ARHCC project. These amounts have not been included in the operations of the Authority.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

14. Abbotsford Regional Hospital and Cancer Centre (“ARHCC”) project (continued)

Subsequent to year end, on May 6, 2008 PBC transferred the ownership of ARHCC Inc. to the Authority and the Provincial Health Services Authority (“PHSA”) in accordance with a Share Transfer Agreement whereby 102 common shares of ARHCC Inc. were transferred to the Authority and 18 common shares were transferred to PHSA for one dollar per share. For 2009 and subsequent fiscal years, the Authority plans to consolidate the accounts of ARHCC Inc. with recognition of the non-controlling interest held by PHSA.

15. Foundations and Auxiliaries

The Foundations and the Auxiliaries were established to raise funds for the respective hospitals and/or community health services within the Fraser Health Authority. The Foundations and the Auxiliaries are separate legal entities incorporated under the Society Act of British Columbia with separate governance structures. The Foundations and some of the Auxiliaries are registered charities under the provisions of the Income Tax Act of Canada. The net assets and results from operations of the Foundations and the Auxiliaries are not included in the statements of the Authority.

(a) During the year, the Authority received the following contributions from the Foundations:

	2008	2007
Burnaby Hospital Foundation	\$ 1,292	\$ 1,460
Delta Hospital Foundation	250	2,442
The Eagle Ridge Hospital Foundation	694	578
Fraser Valley Health Care Foundation	469	315
Langley Memorial Hospital Foundation	572	567
Peach Arch Hospital and Community Health Foundation	7,724	2,271
Queen’s Park Healthcare Foundation	41	44
Royal Columbian Hospital Foundation	2,971	2,841
The Ridge Meadows Hospital Foundation	2,422	612
Surrey Memorial Hospital Foundation	223	1,215
	\$ 16,658	\$ 12,345

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

15. Foundations and Auxiliaries (continued)

(b) Net assets of the Foundations as at March 31, 2007 were as follows:

Burnaby Hospital Foundation	\$	4,242
Delta Hospital Foundation		3,642
The Eagle Ridge Hospital Foundation		1,786
Fraser Valley Health Care Foundation		1,819
Langley Memorial Hospital Foundation		6,895
Peach Arch Hospital and Community Health Foundation		26,470
Queen's Park Healthcare Foundation		694
The Ridge Meadows Hospital Foundation		5,115
Royal Columbian Hospital Foundation		10,778
Surrey Memorial Hospital Foundation		5,340
	\$	66,781

Net assets of the Foundations as at March 31, 2008 have not been reported as they were not available at the time of issuance of the financial statements.

(c) During the year, the Authority received the following contributions from the Auxiliaries:

	2008	2007
Delta Hospital Auxiliary Society	\$ 280	\$ 524
Langley Memorial Hospital Auxiliaries Council	386	428
Peach Arch Hospital Auxiliary Society	65	277
Royal Columbian Hospital Auxiliary	189	187
Auxiliary to Ridge Meadows Hospital	146	83
Surrey Memorial Hospital Auxiliary	86	89
Other auxiliaries	40	14
	\$ 1,192	\$ 1,602

(d) Net assets of the Auxiliaries have not been reported as they were not available at the time of issuance of the financial statements.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2008

16. Restatement

During the year, management determined that payroll accruals relating to vacation and overtime did not include any amount in respect of benefits such as Canada Pension Plan, Superannuation, Employment Insurance and Workers Compensation. 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 \$5,736, reduce unrestricted net assets by an equivalent amount and reduce the excess (deficiency) of revenues over expenses for the year ended March 31, 2007 by an amount of \$596.

17. Comparative figures

Certain of the comparative figures have been reclassified to conform with current year's financial statement presentation.