

Financial Statements of

**NORTHERN HEALTH
AUTHORITY**

Year ended March 31, 2005



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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, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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, 2005 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style.

Chartered Accountants

Prince George, Canada
May 20, 2005

NORTHERN HEALTH AUTHORITY

Financial Statements

Year ended March 31, 2005

Financial Statements

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NORTHERN HEALTH AUTHORITY

Statement of Financial Position

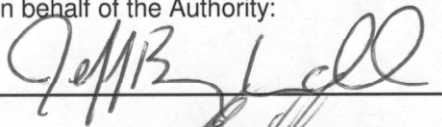
March 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash and short-term investments	\$ 63,852,999	\$ 52,624,278
Accounts receivable (note 3)	22,968,369	18,867,252
Inventories	5,925,432	5,814,713
Prepaid expenses	699,581	460,337
	93,446,381	77,766,580
Restricted cash and term deposits (note 8)	2,849,069	2,421,662
Capital assets (note 4)	300,356,859	293,849,364
	\$ 396,652,309	\$ 374,037,606

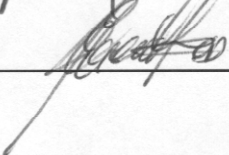
	2005	2004
		(Restated - note 2)
Liabilities, Deferred Capital Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 56,198,542	\$ 57,276,596
Deferred revenue	27,890,710	12,840,806
<u>Current portion of long-term debt (note 6)</u>	<u>738,568</u>	<u>669,183</u>
	84,827,820	70,786,585
Long-term liabilities:		
Long-term debt (note 6)	21,935,577	22,697,513
<u>Accrued sick and severance allowance (note 7)</u>	<u>22,956,616</u>	<u>21,267,351</u>
	44,892,193	43,964,864
Deferred capital contributions (note 9)	283,420,214	276,310,802
Net assets (deficiency):		
Investment in capital assets (note 10)	1,233,952	2,443,876
Externally restricted (note 8)	2,849,070	2,421,662
Internally restricted	-	1,214,138
<u>Unrestricted</u>	<u>(20,570,940)</u>	<u>(23,104,321)</u>
	(16,487,918)	(17,024,645)
Commitments (note 12)		
Contingent liabilities (note 11)		
	<u>\$ 396,652,309</u>	<u>\$ 374,037,606</u>

See accompanying notes to financial statements.

On behalf of the Authority:



Director



Director

NORTHERN HEALTH AUTHORITY

Statement of Operations

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Grants from the Ministry of Health Services	\$ 332,525,719	\$ 319,504,800
Other contributions	67,022,860	61,517,188
Patient/Client revenues	18,346,034	16,692,311
Investment income	1,081,616	1,609,340
Other revenues	15,106,382	15,995,352
Amortization of deferred capital contributions	23,264,628	17,496,413
	<u>457,347,239</u>	<u>432,815,404</u>
Expenses:		
Compensation and benefits	320,129,111	314,105,941
Supplies	53,210,475	50,906,897
Sundry	17,578,805	17,575,297
Equipment and building services	12,996,286	9,176,965
Referred-out/contracted services	27,428,143	25,265,907
Interest on long-term debt	1,420,521	1,476,130
Amortization of capital assets	24,474,579	18,762,262
	<u>457,237,920</u>	<u>437,269,399</u>
Excess (deficiency) of revenues over expenses	\$ 109,319	\$ (4,453,995)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2005, with comparative figures for 2004

	Investment in Capital Assets	Externally Restricted	Internally Restricted	Unrestricted	2005 Net Assets	2004 Net Assets
Balance, beginning of year, as previously reported	\$ 2,443,876	\$ 2,421,662	\$ 1,497,077	\$ (23,104,321)	\$ (16,741,706)	\$ (12,420,636)
Restatement (note 2)	-	-	(282,939)	-	(282,939)	(282,939)
Balance, beginning of year, as restated	2,443,876	2,421,662	1,214,138	(23,104,321)	(17,024,645)	(12,703,575)
Excess (deficiency) of revenue over expenses	(1,209,924)	-	-	1,319,243	109,319	(4,453,995)
Transfers	-	-	(1,214,138)	1,214,138	-	-
Restricted contributions	-	427,408	-	-	427,408	132,925
Balance, end of year	\$ 1,233,952	\$ 2,849,070	\$ -	\$ (20,570,940)	\$ (16,487,918)	\$ (17,024,645)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 109,319	\$ (4,453,995)
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(23,264,628)	(17,496,413)
Amortization of capital assets	24,474,579	18,762,262
	1,319,270	(3,188,146)
Change in non-cash operating working capital:		
Accounts receivable	(4,101,073)	(5,602,124)
Inventories	(110,720)	(39,392)
Prepaid expenses	(239,244)	387,999
Accounts payable, accrued liabilities	1,038,619	1,948,876
Deferred revenue	15,049,904	2,534,406
	11,637,486	(770,235)
Financing:		
Amounts received for capital asset purchases	30,373,998	27,743,955
Repayment of long-term debt, net	(692,551)	(720,720)
	29,681,447	27,023,235
Investments:		
Purchases of capital assets	(30,982,075)	(30,074,640)
Increase (decrease) in cash during the year	11,656,128	(7,009,786)
Cash and cash equivalents, beginning of year	55,045,940	62,055,726
Cash and cash equivalents, end of year	\$ 66,702,068	\$ 55,045,940

Cash and cash equivalents are comprised of cash, short-term investments, restricted cash and term deposits

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2005

The Northern Health Authority was established under the Health Authorities Act and Regulations, to manage the delivery of health care within the Northern region of the Province of British Columbia.

The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

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. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. 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.

(c) Cash and short-term investments:

Cash and short-term investments are comprised of cash and highly liquid investments.

(d) Inventories:

Inventories include goods held for resale and goods held for use in day-to-day operations. Inventories are valued at the lower of average cost and net realizable value.

(e) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. In the year of acquisition, a full year's amortization is provided. In the year of disposition, no amortization is provided. Amortization is provided on the straight-line basis at the following annual rates and is charged against operations.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

1. Significant accounting policies (continued):

(e) Capital assets (continued):

Asset	Rate
Buildings	2% - 5%
Building improvements	2.5% - 20%
Computer equipment	10% - 33%
Furniture and equipment	10% - 20%
Land and improvements	5% - 20%
Parking lots and improvements	5% - 20%

Construction in progress represents capitalized costs relating to uncompleted improvement projects to buildings and equipment. No amortization is recorded on these costs until the projects are complete and the assets are put in use.

(f) Donated services:

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

(g) Compensation expense:

Subject to comments in note 7, compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation, sick leave and retirement allowances.

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to allowance for doubtful accounts, determination of useful lives of capital assets for amortization, and employee future benefits. Actual results could differ from those estimates.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

1. Significant accounting policies (continued):

(i) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee sick and severance benefits 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 sick and severance benefits is 10 years (2004 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2004 -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:

Effective April 1, 2004, the Authority adopted Section 3110 of the CICA Handbook, "Asset Retirement Obligations". This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Authority has determined that there are no significant asset retirement obligations with its assets.

2. Restatement:

During the year the Authority determined that certain specified donations received in prior years were incorrectly recorded as internally restricted surplus rather than deferred capital contributions. The correction has been recorded on a retroactive basis and the prior year financial statements have been restated. The effect of the restatement has been to increase deferred capital contributions at March 31, 2004 by \$282,939 and reduce internally restricted surplus by an equivalent amount. There was no effect on the statement of operations.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

3. Accounts receivable:

	2005	2004
Ministry of Health	\$ 5,815,296	\$ 3,568,599
Patient receivables	4,721,565	4,019,595
Other	13,015,327	11,814,078
	23,552,188	19,402,272
Allowance for doubtful accounts	(583,819)	(535,020)
	\$ 22,968,369	\$ 18,867,252

4. Capital assets:

	2005		2004	
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	\$356,469,292	\$117,273,771	\$239,195,521	\$243,130,027
Building service equipment	11,333,285	6,583,275	4,750,010	5,220,181
Construction in progress	7,329,066	-	7,329,066	12,320,649
Equipment	195,525,648	150,197,320	45,328,328	29,301,684
Land and improvements	7,638,238	3,884,304	3,753,934	3,876,823
	\$578,295,529	\$277,938,670	\$300,356,859	\$293,849,364

5. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts payable and accrued liabilities	\$ 30,185,924	\$ 32,450,874
Wages and benefits payable	9,609,152	8,667,340
Vacation pay payable	14,322,618	13,667,829
Restructuring costs	-	292,041
Current portion of accrued sick and severance allowance	2,080,848	2,198,512
	\$ 56,198,542	\$ 57,276,596

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

6. Long-term liabilities:

	2005	2004
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$7,829 including interest at 9.5% locked in until maturity in March 2029. Secured by first mortgage on building (Omineca Lodge).	\$ 1,054,185	\$ 1,065,475
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$1,159 including interest at 7.875% locked in until maturity in August 2020. Secured by first mortgage on building (Rainbow).	124,906	128,962
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$17,917 including interest at 6.44%, maturing May 2019. Secured by first mortgage on building (Parkside).	2,005,135	2,090,023
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$18,090 including interest at 5.84%, maturing July 2017. Secured by first mortgage on building (Alward Place - Phase I).	1,912,588	2,016,266
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$17,922 including interest at 5.84%, maturing February 2028. Secured by first mortgage on building (Alward Place - Phase II).	2,632,380	2,693,931
Scotia Bank, mortgage repayable in monthly instalments of \$16,350, including interest at 5.3573%, maturing June 1, 2007. Secured by first mortgage on building (Heritage Manor).	3,030,017	3,064,680
HSBC Trust Company, mortgage repayable in monthly installments of \$15,181 including interest at 5.51%, renewable May 2007, maturing May 2037. Secured by first mortgage on building (Laurier Manor).	2,761,929	2,792,719
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$6,994 including interest at 10.375%, maturing February 2029. Secured by first mortgage on building (Bulkley Lodge).	659,618	697,368
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$12,601 including interest at 5.5%, due January 2016. Secured by first mortgage on building (Acropolis Manor).	1,164,427	1,249,914

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

6. Long-term liabilities: (continued):

	2005	2004
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$6,518 including interest at 10.375%, due February 2028. Secured by building(NPCC Intermediate Care Facility).	\$ 883,931	\$ 893,220
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$16,567 including interest at 6.19%, due April 2017. Secured by building (Peace River Haven).	1,695,602	1,787,902
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$22,150 including interest at 5.77%, due June 2019. Secured by land and building (Terraceview Lodge).	2,588,810	2,703,727
Toronto Dominion, mortgage repayable in monthly instalments of \$12,305 including interest at 5.856%, due September 2012, secured by first mortgage on building (McConnell Estates).	2,160,617	2,182,509
	22,674,145	23,366,696
Current portion of long-term debt	738,568	669,183
	\$ 21,935,577	\$ 22,697,513

Estimated principal payments over the next five years are as follows:

2006	\$ 738,568
2007	\$ 785,644
2008	\$ 832,183
2009	\$ 888,772
2010	\$ 945,659

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with ten 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, 2003 updated to March 31, 2005.

Information about employee sick and severance benefits is as follows:

	2005	2004
Accrued benefit obligation:		
Sick leave benefits	\$ 10,145,334	\$ 9,181,068
Severance benefits	14,136,962	13,254,522
Total obligation	24,282,296	22,435,590
Balance of unamortized amounts	755,168	1,030,273
Accrued sick and severance liabilities	\$ 25,037,464	\$ 23,465,863

The amounts recorded in the financial statements are as follows:

	2005	2004
Accrued sick and severance liabilities:		
Current portion (note 5)	\$ 2,080,848	\$ 2,198,512
Long-term portion	22,956,616	21,267,351
	\$ 25,037,464	\$ 23,465,863

	2005	2004
Sick and severance plan expense	\$ 2,992,023	\$ 2,559,395
Benefits paid	\$ 1,420,422	\$ 1,687,779

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Employee benefits (continued):

(a) Employee sick and severance benefits (continued):

The amount recorded as a liability by the Authority in the amount of \$25,037,464 differs from the actuarially determined accrued benefit obligation of \$24,282,296 due to the amortization of prior years experience gains and losses taken into account in the determination of the accrued benefit obligation.

The significant actuarial assumptions adopted in measuring the Authority's accrued sick and severance liabilities are as follows:

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	5.50 %	5.75 %
Rate of compensation increase	3.25 %	3.25 %
Benefit costs of years ended March 31:		
Discount rate	5.75 %	6.25 %
Rate of compensation increase	3.25 %	5.20 %

(b) Employee healthcare 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.

Effective March 31, 2004, the Trust was restructured from a multi-employer to a multiple-employer plan only 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, extended health and dental benefits have been segregated. Accordingly, the Authority's net liabilities are reflected in these consolidated financial statements.

The Authority's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2004. The next required valuation will be as of December 31, 2005.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

Information about the employee long-term disability, extended health and dental benefits is as follows:

	2005	2004
Accrued benefit obligation	\$ 18,411,000	\$ 16,584,000
Fair value of plan assets	18,973,000	10,286,000
Net asset (unfunded obligation)	\$ 562,000	\$ (6,298,000)
Balance of unamortized amounts	(2,828,000)	-
Contributions receivable (Jan - Mar)	2,633,000	-
Accrued long-term asset (liability) as at March 31, 2004	\$ 367,000	\$ (6,298,000)
Long-term disability, extended health and dental plan expense	\$ 10,455,000	*
Benefits and administrative expenses paid	\$ 8,212,000	*

*Comparative figures are not available because the long-term disability benefit plan was a multi-employer plan throughout 2004 and, consequently, the Authority does not have sufficient information about the long-term disability, extended health or dental benefit plan expense or benefit payments in 2004.

Plan assets consist of:

	2005	2004
Debt securities	45 %	48 %
Equity securities	41 %	39 %
Other	14 %	13 %
Total	100 %	100 %

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability, extended health and dental liabilities are as follows:

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	6.00 %	7.50 %
Rate of benefit increase	1.50 %	1.50 %
Benefit cost for years ended March 31:		
Discount rate	7.50 %	7.50 %
Expected long-term rate of return on plan assets	7.50 %	7.50 %
Rate of benefit increase	1.50 %	1.50 %

The group life insurance, accidental death and dismemberment, pre-October 1, 1997 long-term disability claims administered by the Trust continue to be structured as a multi-employer plan. Contributions to the Trust in respect of these items aggregated \$4,304,175 and were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2004 indicated a deficit of \$6,415,000. The plan covers approximately 76,108 active employees of which approximately 3,722 are employees of the Authority. The next required valuation will be as of December 31, 2005.

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.

(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 \$11,710,538 (2004 - \$10,943,756) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789,000,000. The plan covers approximately 128,000 active employees of which approximately 4,222 are employees of the Authority. The next required valuation will be as of December 31, 2006.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$630,739 (2004 - \$651,647) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2002 indicated a surplus of \$546,000,000. The plan covers approximately 51,000 active employees of which approximately 164 are employees of the Authority. The next required valuation will be as of March 31, 2005.

8. Replacement reserves:

Substantially all the restricted cash and term deposits relate to replacement reserves required by the Canada Mortgage and Housing Corporation ("CMHC"). Under the terms of the agreements with CMHC, the Authority must maintain designated replacement reserve funds, along with accumulated interest thereon, in a separate account and/or invested in securities acceptable to CMHC. The funds in the account may only be used as approved by CMHC.

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the related assets are amortized.

	2005	2004
		(Restated - note 2)
Balance, beginning of year	\$276,310,802	\$266,063,634
Add capital funding receipts:		
Ministry of Health	20,884,733	17,181,025
Other	9,489,307	10,562,556
	306,684,842	293,807,215
Less amortization for the year	23,264,628	17,496,413
Balance, end of year	\$283,420,214	\$276,310,802

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

9. Deferred capital contributions (continued):

Deferred capital contributions are comprised of:

	2005	2004
		(Restated - note 2)
Unamortized deferred capital contributions	\$273,692,111	\$265,949,114
Unspent portion of deferred capital contributions	9,728,103	10,361,688
	<u>\$283,420,214</u>	<u>\$276,310,802</u>

10. Investment in capital assets:

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

	2005	2004
Capital assets	\$ 300,356,860	\$ 293,849,364
Amounts financed by:		
Deferred contributions	(273,692,111)	(265,949,114)
Accounts payable and accrued liabilities, net	(2,756,652)	(2,089,633)
Long-term debt	(22,674,145)	(23,366,741)
	<u>\$ 1,233,952</u>	<u>\$ 2,443,876</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2005	2004
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 23,264,628	\$ 17,496,413
Amortization of capital assets	(24,474,579)	(18,762,262)
	<u>\$ (1,209,951)</u>	<u>\$ (1,265,849)</u>

Financing of capital assets:

Purchase of capital assets, net	\$ 30,982,075	\$ 30,074,640
Amounts funded by deferred contributions	\$ (30,982,075)	\$ (30,074,640)
Repayment of long-term debt	\$ 692,551	\$ 720,675

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

11. Contingent liabilities:

(a) 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, 2005, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims will not have a material effect on the Authority's financial position.

(b) Risk management:

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

12. Commitments:

- (i) The Authority has various lease agreements with British Columbia Buildings Corporation and other organizations requiring payments of approximately \$3,500,000 in 2005. The lease agreements have expiry dates from 2005 to 2027.
- (ii) The Authority is planning significant upgrades to certain clinical information systems over the next 3 to 5 years at an estimated cost of approximately \$24.0 million. The Authority has committed costs of approximately \$9.1 million in respect of these upgrades.

13. Economic interest:

- (a) 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 interest 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 of operations of the foundations and auxiliaries are not included in the Authority's financial statements. During 2005 an amount of approximately \$1,957,160 was contributed to the Authority (2004 - \$946,398).
- (b) Regional Hospital Districts, through various local governments within the Authority's area, levy property taxes for purposes of funding global capital projects of the Authority. During 2005, these Regional Hospital Districts contributed a total of approximately \$6,426,955 to the Authority (2004 - \$9,417,773).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2005

14. Financial instruments:

The Authority's financial instruments consist of cash and short-term investments, accounts receivable, restricted cash and term deposits, accounts payable and accrued liabilities, deferred revenue, accrued sick and severance allowance and long-term debt. With the exceptions of accrued sick and severance allowance and long-term debt, the fair value of these financial instruments approximate their carrying value due to the relatively short period to maturity of the instruments. 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 sick and severance allowance and the Healthcare Benefit Trust liability is disclosed in note 7. Unless otherwise noted, it is management's opinion there are no significant currency, credit or interest rate risks arising from these financial instruments.

15. Comparative figures:

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