

Audited Financial Statements of

**NORTHERN HEALTH
AUTHORITY**

Year ended March 31, 2007

MANAGEMENT REPORT

The financial statements of the Northern Health Authority (the "Northern Health") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to the financial statements.

Management maintains systems of internal controls designed to provide reasonable assurance, on a cost-effective basis, that the financial information is reliable and accurate.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditor, and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

KPMG LLP, Northern Health's independent external auditors appointed by the Board of Directors, has examined the financial statements of Northern Health in accordance with Canadian generally accepted auditing standards and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Audit and Finance Committee. The Auditors' Report outlines the scope of this independent audit and their opinion on the financial statements of Northern Health.



President and Chief Executive Officer



Vice President, Corporate Services and Chief Financial Officer

May 10, 2007



KPMG LLP
Chartered Accountants
Suite 400 - 177 Victoria Street
Prince George, B.C. V2L 5R8
Canada

Telephone (250) 563-7151
Telefax (250) 563-5693
www.kpmg.ca

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, 2007 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, 2007 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, flowing style.

Chartered Accountants

Prince George, Canada
May 10, 2007

NORTHERN HEALTH AUTHORITY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

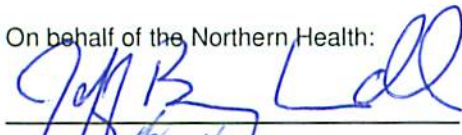
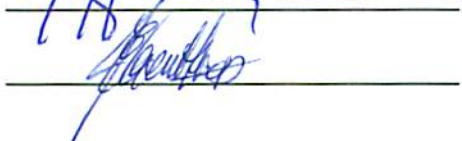
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,569,739	\$ 49,503,963
Accounts receivable (note 2)	28,096,922	42,652,991
Inventories	6,090,288	6,610,325
Prepaid expenses and deposits	1,317,618	1,640,281
	<u>75,074,567</u>	<u>100,407,560</u>
Capital assets (note 3)	348,534,943	326,099,172
Restricted cash (note 7)	3,057,680	2,878,072
	<u>\$ 426,667,190</u>	<u>\$ 429,384,804</u>

Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 52,579,408	\$ 74,706,608
Deferred operating contributions	8,862,871	13,760,608
Current portion of long-term debt (note 5)	790,060	785,644
	<u>62,232,339</u>	<u>89,252,860</u>
Long-term debt (note 5)	17,412,640	21,153,639
Accrued sick and severance liabilities (note 6)	25,755,530	24,796,781
Deferred capital contributions (note 8)	333,974,646	310,360,278
Net assets (deficiency):		
Investment in capital assets (note 9)	274,500	(1,667,452)
Externally restricted (note 7)	3,057,680	2,878,072
Unrestricted	(16,040,145)	(17,389,374)
	<u>(12,707,965)</u>	<u>(16,178,754)</u>
Contingent liabilities (note 10)		
Commitments (note 11)		
	<u>\$ 426,667,190</u>	<u>\$ 429,384,804</u>

See accompanying notes to financial statements.

On behalf of the Northern Health:

Director

Director

NORTHERN HEALTH AUTHORITY

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Ministry of Health	\$ 397,593,157	\$ 376,857,345
Other contributions	69,098,185	70,251,817
Patient/client revenues	19,609,062	19,664,939
Investment income	1,838,314	1,587,711
Other revenues	19,363,631	19,352,849
	<u>507,502,349</u>	<u>487,714,661</u>
Expenses:		
Compensation and benefits	364,386,216	355,536,645
Equipment and building services	22,146,730	13,474,140
Interest on long-term debt	1,307,056	1,381,505
Referred-out/contracted services	30,295,011	30,579,607
Sundry	18,449,968	20,612,907
Supplies	65,140,589	62,948,291
	<u>501,725,570</u>	<u>484,533,095</u>
Excess of revenues over expenses before the undernoted	5,776,779	3,181,566
Amortization of deferred capital contributions	25,362,577	28,622,087
Amortization of capital assets	(27,848,175)	(31,523,491)
Excess of revenues over expenses	<u>\$ 3,291,181</u>	<u>\$ 280,162</u>

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Investment (deficiency) in Capital Assets	Externally Restricted	Unrestricted	2007 Net Assets	2006 Net Assets
Balance, beginning of year	\$ (1,667,452)	\$ 2,878,072	\$ (17,389,374)	\$ (16,178,754)	\$ (16,487,918)
Excess (deficiency) of revenue over expenses	(2,485,598)	-	5,776,779	3,291,181	280,162
Investment in capital assets	4,427,550	-	(4,427,550)	-	-
Restricted contributions	-	179,608	-	179,608	29,002
Balance, end of year	\$ 274,500	\$ 3,057,680	\$ (16,040,145)	\$ (12,707,965)	\$ (16,178,754)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,291,181	\$ 280,162
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(25,362,577)	(28,622,087)
Amortization of capital assets	27,848,175	31,523,491
	<u>5,776,779</u>	<u>3,181,566</u>
Change in non-cash operating working capital:		
Accounts receivable	19,054,701	(19,684,622)
Inventories	520,037	(684,893)
Prepaid expenses	322,663	(940,703)
Accounts payable and accrued liabilities	(21,168,451)	20,348,232
Deferred operating contributions	(4,897,737)	(14,130,102)
Replacement reserve	179,608	29,003
	<u>(5,989,179)</u>	<u>(15,063,085)</u>
	(212,400)	(11,881,519)
Financing:		
Amounts received for capital asset purchases	44,478,313	55,562,151
Repayment of long-term debt	(782,156)	(734,862)
Decrease (increase) in restricted cash	(179,608)	(29,003)
	<u>43,516,549</u>	<u>54,798,286</u>
Investments:		
Purchase of capital assets	(53,238,373)	(57,265,803)
Increase (decrease) in cash during the year	(9,934,224)	(14,349,036)
Cash and cash equivalents, beginning of year	49,503,963	63,852,999
Cash and cash equivalents, end of year	<u>\$ 39,569,739</u>	<u>\$ 49,503,963</u>
Supplemental cash flow information:		
Interest paid on long-term debt	\$ 1,307,056	\$ 1,381,105
Transfer of Heritage Manor:		
Debt transfer	\$ (2,954,424)	\$ -
Asset transfer	\$ (3,118,573)	\$ -

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

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

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.

Northern Health is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. Northern Health is a not-for-profit organization and is a registered charity under the Income Tax Act, and as such, is exempt from income and capital taxes and is able to issue donation receipts.

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) Cash and short-term investments:

Cash and short-term investments are comprised of cash and highly liquid investments with original terms to maturity of less than 90 days from the year end date.

(c) 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. Pharmacy inventories are valued on first-in/first-out basis that approximates average costs.

(d) 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 or enhance the service potential of an asset are capitalized. When a capital asset no longer contributes to Northern Health's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the straight-line basis at the following annual rates and is charged against operations.

Asset	Rate
Buildings	2% - 5%
Building service equipment	2.5% - 20%
Equipment	10% - 33%
Land improvements	5% - 20%

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

1. Significant accounting policies (continued):

(d) Capital assets (continued):

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.

(e) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation is 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 liability related to hazardous materials is not reasonably determinable.

(f) Revenue recognition:

Northern Health follows the deferral method of accounting for contributions. Under the Health Insurance Act and Regulations thereto, Northern Health is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry and Northern Health. Operating grants are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a grant 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 year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are amortized.

(g) Contributed services:

Volunteers contribute their time to assist Northern Health 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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

1. Significant accounting policies (continued):

(h) 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 (2006 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2006 - 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.

(i) 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. Actual results could differ from those estimates.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

2. Accounts receivable:

	2007	2006
Ministry of Health:		
Operating - general	\$ 7,225,332	\$ 6,060,959
Capital	10,226,544	5,727,912
Province of B.C. - wage settlement	-	19,636,522
Patient receivables	4,966,433	5,438,416
Other	6,385,784	6,532,378
	28,804,093	43,396,187
Allowance for doubtful accounts	(707,171)	(743,196)
	\$ 28,096,922	\$ 42,652,991

3. Capital assets:

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$378,288,656	\$144,029,230	\$234,259,426	\$235,714,240
Building service equipment	16,034,009	7,707,450	8,326,559	6,420,255
Equipment	255,501,627	181,409,251	74,092,376	59,024,461
Land improvements	8,302,467	4,162,426	4,140,041	3,624,708
Construction in progress	27,716,541	-	27,716,541	21,315,508
	\$685,843,300	\$337,308,357	\$348,534,943	\$326,099,172

4. Accounts payable and accrued liabilities:

	2007	2006
Trade accounts payable and accrued liabilities	\$ 27,692,738	\$ 34,150,168
Accrued wages and benefits	5,446,024	22,991,038
Accrued vacation payable	16,944,757	15,503,768
Current portion of accrued sick and severance liabilities (note 6)	2,495,895	2,061,634
	\$ 52,579,414	\$ 74,706,608

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

5. Long-term debt:

	2007	2006
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$9,174 including interest at 9.5% locked in until maturity in March 2029. Secured by first mortgage on building (Omineca Lodge).	\$ 1,028,205	\$ 1,041,797
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).	115,790	120,524
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).	1,818,975	1,915,004
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).	1,686,984	1,803,030
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$17,922 including interest at 5.84%, maturing February 1, 2028. Secured by first mortgage on building (Alward Place - Phase II).	2,498,875	2,567,548
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).	2,695,091	2,729,418
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$8,905 including interest at 10.375%, maturing February 2029. Secured by first mortgage on building (Bulkley Lodge).	571,636	617,849
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).	979,212	1,074,331

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

5. Long-term debt (continued):

	2007	2006
Canada Mortgage and Housing Corporation, mortgage repayable in monthly installments of \$8,299 including interest at 10.375%, due February 2028. Secured by building (NPCC Intermediate Care Facility).	\$ 862,282	\$ 873,653
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).	1,493,758	1,597,755
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).	2,339,142	2,467,525
Toronto Dominion, mortgage repayable in monthly installments of \$12,305 including interest at 5.856%, due September 2012, secured by first mortgage on building (McConnell Estates).	2,112,750	2,137,377
Scotia Bank, mortgage.	-	2,993,472
	18,202,700	21,939,283
Current portion of long-term debt	790,060	785,644
	\$ 17,412,640	\$ 21,153,639

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

2008	\$ 790,060
2009	\$ 844,906
2010	\$ 899,408
2011	\$ 959,223
2012	\$ 1,017,301

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

6. Employee future benefits:

(a) Employee sick and severance benefits:

Under the terms of the employer's union contracts, certain employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees has been estimated by actuarial valuation as at March 31, 2007 using an early measurement date of December 31, 2006.

The accumulated benefit obligation for sick and severance benefits at March 31, 2007 is as follows:

	2007	2006
Accrued benefit obligation:		
Sick leave benefits	\$ 9,909,816	\$ 11,088,725
Severance benefits	15,236,798	15,095,207
Total unfunded obligation	25,146,614	26,183,932
Balance of unamortized amounts	3,104,811	674,483
Accrued sick and severance liabilities	\$ 28,251,425	\$ 26,858,415

The amounts recorded in the financial statements are as follows:

	2007	2006
Accrued sick and severance liabilities:		
Current portion (note 4)	\$ 2,495,895	\$ 2,061,634
Long-term portion	25,755,530	24,796,781
	\$ 28,251,425	\$ 26,858,415

	2007	2006
Sick and severance plan expense	\$ 3,266,302	\$ 3,152,084
Benefits paid	\$ 1,872,614	\$ 1,357,271

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

6. Employee future benefits (continued):

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

The amount recorded as a liability by Northern Health in the amount of \$28,251,425 differs from the actuarially determined accrued benefit obligation of \$25,146,614 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 Northern Health's accrued sick and severance liabilities are as follows:

	2007	2006
Accrued benefit obligation as at March 31:		
Discount rate	5.00 %	5.00 %
Rate of compensation increase	3.25 %	3.25 %
Benefit costs of years ended March 31:		
Discount rate	5.00 %	5.50 %
Rate of compensation increase	3.25 %	3.25 %

(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 Northern Health 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. Northern Health's assets and liabilities for these long-term disability, extended health and dental benefits have been segregated. Accordingly, Northern Health's net liabilities are reflected in these financial statements.

Northern Health's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2006. The next required valuation will be as of December 31, 2007.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

6. Employee future benefits (continued):

(b) Employee healthcare benefits (continued):

Plan assets consist of:

	2007	2006
Debt securities	54 %	51 %
Equity securities	20 %	23 %
Other	26 %	26 %
Total	100 %	100 %

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

	2007	2006
Accrued benefit obligation	\$ 24,354,000	\$ 19,937,000
Fair value of plan assets	21,315,000	19,472,000
Net unfunded obligation	3,039,000	465,000
Balance of unamortized amounts	(1,385,000)	1,310,000
Contributions to the plan during January to March	(2,467,000)	(2,393,000)
Net asset	\$ 813,000	\$ 618,000

	2007	2006
Long-term disability, extended health and dental plan expense	\$ 9,949,000	\$ 9,366,000
Benefits and administrative expenses paid	\$ 11,607,000	\$ 10,999,000

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

	2007	2006
Accrued benefit obligation as at March 31:		
Discount rate	5.00 %	5.00 %
Rate of benefit increase	2.50 %	2.50 %

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

6. Employee future benefits (continued):

(b) Employee healthcare benefits (continued):

	2007	2006
Benefit cost for years ended March 31:		
Discount rate	5.00 %	6.00 %
Expected long-term rate of return on plan assets	7.00 %	7.50 %
Rate of benefit increase	2.50 %	2.50 %

The group life insurance, accidental death and dismemberment and 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 of \$2,935,783 (2006 - \$3,870,754) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$25,564,000 (December 31, 2005 surplus of \$4,751,000). The multi-employer plan covers 74,274 active employees of which approximately 3,893 are employees of Northern Health. The next required valuation will be as of December 31, 2007.

While the Trust has been restructured, Northern Health 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:

Northern Health 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 \$15,509,533 (2006 - \$13,596,890) 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 for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 140,000 active employees of which approximately 5,011 are employees of Northern Health. The next required valuation will be as of December 31, 2006 with results available in 2007.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

6. Employee future benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$710,725 (2006 - \$595,556) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767,000,000. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 51,000 active employees of which approximately 176 are employees of Northern Health. The next required valuation will be as of March 31, 2008.

7. Restricted cash and replacement reserves:

Substantially all the restricted cash and term deposits relate to replacement reserves required by the Canada Mortgage and Housing ("CMHC"). Under the terms of the agreements with CMHC, Northern Health 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 and are recorded as externally restricted net assets.

8. 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.

	2007	2006
Balance, beginning of year	\$310,360,278	\$283,420,214
Add capital funding receipts:		
Ministry of Health	33,546,561	45,010,417
Other	15,430,384	10,551,734
	359,337,223	338,982,365
Less amortization for the year	25,362,577	28,622,087
Balance, end of year	\$333,974,646	\$310,360,278

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

8. Deferred capital contributions (continued):

Deferred capital contributions are comprised of:

	2007	2006
Unamortized deferred capital contributions	\$327,615,423	\$302,851,837
Unspent portion of deferred capital contributions	6,359,223	7,508,441
	\$333,974,646	\$310,360,278

9. Investment (deficiency) in capital assets:

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

	2007	2006
Capital assets	\$ 348,534,943	\$ 326,099,172
Amounts financed by:		
Deferred contributions	(327,615,423)	(302,851,837)
Accounts payable and accrued liabilities, net	(2,442,320)	(2,975,504)
Long-term debt	(18,202,700)	(21,939,283)
	\$ 274,500	\$ (1,667,452)

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

	2007	2006
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 25,362,577	\$ 28,622,087
Amortization of capital assets	(27,848,175)	(31,523,491)
	\$ (2,485,598)	\$ (2,901,404)
Financing of capital assets:		
Purchase of capital assets, net	\$ 53,404,495	\$ 57,265,803
Amounts funded by deferred contributions	(48,976,945)	(57,265,803)
Repayment of long-term debt	618,007	734,862
Amounts funded by long-term debt	(618,007)	(734,862)
	\$ 4,427,550	\$ -

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

10. Contingent liabilities:

(a) Litigation and claims:

The nature of Northern Health's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2007, management believes Northern Health 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 Northern Health'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.

11. Commitments:

Operating Leases:

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

2008	\$ 4,618,913
2009	\$ 4,659,719
2010	\$ 4,569,734
2011	\$ 5,565,019
2012	\$ 5,573,316

12. Economic interest:

- (a) Northern Health is supported by numerous foundations and auxiliaries incorporated under the Society Act (British Columbia) and registered as charities under the Income Tax Act. Northern Health 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 Northern Health. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations and auxiliaries are related to Northern Health by virtue of holding resources which are to be used to produce revenue or provide services for Northern Health. The net assets and results of operations of the foundations and auxiliaries are not included in Northern Health's financial statements. During 2007 an amount of \$2,804,300 was contributed to Northern Health (2006 - \$1,364,068).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2007

12. Economic interest (continued):

- (b) Regional Hospital Districts, through various local governments within Northern Health's area, levy property taxes for purposes of funding global capital projects of Northern Health. During 2007, these Regional Hospital Districts contributed a total of \$11,853,652 to Northern Health (2006 - \$8,696,050).

13. Financial instruments:

Northern Health's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, accrued sick and severance allowance and long-term debt. With the exceptions of accrued sick and severance 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 Northern Health'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 and the Healthcare Benefit Trust liability is disclosed in note 6.

Unless otherwise noted, it is management's opinion there are no significant currency, credit or interest rate risks arising from these financial instruments.

14. Comparative figures:

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