

Consolidated Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2008

Vancouver Island Health Authority Management Report

The consolidated financial statements of the Vancouver Island Health Authority (the "Authority") 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 preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 13, 2008. The consolidated financial statements have also been reviewed by the Finance and Audit Committee.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function periodically evaluates internal controls and reports its findings to management and the Finance and Audit Committee.

The financial statements have been examined by The Office of the Auditor General of British Columbia, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly presents the Authority's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Their Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Finance and Audit 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 auditors, and management to satisfy itself that each group has properly discharged its responsibilities with respect to the annual financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



President and Chief Executive Officer



Vice President and Chief Financial Officer

Victoria, BC
May 13, 2008



Report of the Auditor General of British Columbia

*To the Board of Directors of the
Vancouver Island Health Authority, and*

*To the Minister of Health,
Province of British Columbia:*

I have audited the consolidated statement of financial position of the *Vancouver Island Health Authority* as at March 31, 2008 and the consolidated 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the *Vancouver Island Health 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.

The comparative figures in the financial statements were reported on by another auditor.

*Victoria, British Columbia
May 13, 2008*

John Doyle, MBA, CA
Auditor General

VANCOUVER ISLAND HEALTH AUTHORITY

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

As at March 31, 2008, with comparative figures for 2007

	2008	2007
		(Restated see note 3)
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,603	\$ 34,560
Short-term investments	32,216	46,074
Accounts receivable (note 5)	50,000	38,645
Inventories of materials and supplies	13,914	12,551
Prepays	11,603	8,099
	<u>211,336</u>	<u>139,929</u>
Long-term investments	14,423	43,381
Capital assets (note 6)	645,864	622,884
	<u>\$ 871,623</u>	<u>\$ 806,194</u>

Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 148,610	\$ 119,382
Deferred operating contributions (note 8)	8,803	8,057
Current portion of long-term debt (note 9)	4,417	4,753
Current portion of retirement allowance (note 10(a))	7,271	6,950
Current portion of long-term disability benefits (note 10(b)(i))	10,581	9,908
	<u>179,682</u>	<u>149,050</u>
Long-term debt (note 9)	10,295	10,766
Retirement allowance (note 10(a))	69,008	66,763
Long-term disability benefits (note 10(b)(i))	14,661	24,162
Deferred capital contributions (note 11)	673,258	633,715
	<u>946,904</u>	<u>884,456</u>
Net assets (deficiency):		
Invested in capital assets (note 12)	25,748	26,179
Externally restricted	4,933	4,962
Internally restricted	8,043	6,345
Unrestricted	(114,005)	(115,748)
	<u>(75,281)</u>	<u>(78,262)</u>
Commitments and contingencies (note 14)		
	<u>\$ 871,623</u>	<u>\$ 806,194</u>

See the accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director



Director

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Operations
(Amounts expressed in thousands of dollars)

For the year ended March 31, 2008, with comparative figures for 2007

	2008	2007
		(Restated see note 3)
Revenues:		
Ministry of Health contributions	\$ 1,228,088	\$ 1,147,960
Medical Services Plan	107,543	101,502
Other contributions (note 15)	78,050	66,379
Other (note 16)	57,059	45,189
Amortization of deferred capital contributions	59,125	53,570
Patient, clients and residents (note 17)	53,313	51,706
Investment income (note 18)	5,754	4,512
Pharmacare	1,078	999
	1,590,010	1,471,817
Expenses:		
Compensation and benefits	939,103	875,446
Referred out and contracted services (note 19)	332,130	305,841
Supplies (note 20)	157,636	146,058
Depreciation of capital assets	61,774	56,206
Equipment and building services	60,600	59,648
Sundry	36,337	26,312
Interest on long-term debt	848	916
	1,588,428	1,470,427
Excess of revenues over expenses	\$ 1,582	\$ 1,390

See the accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2008, with comparative figures for 2007

	Invested in capital assets (note12)	Externally restricted	Internally restricted	Unrestricted	2008 Total	2007 Total (Restated see note 3)
Balance, beginning of year	\$ 26,179	\$ 4,962	\$ 6,345	\$(115,748)	\$(78,262)	\$(79,652)
Excess (deficiency) of revenues over expenses	(2,637)	(42)	1,698	2,563	1,582	1,390
Transfer to invested in capital assets	807	13	-	(820)	-	-
Purchase of land	1,399	-	-	-	1,399	-
Balance, end of year	\$ 25,748	\$ 4,933	\$ 8,043	\$(114,005)	\$(75,281)	\$(78,262)

See the accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

For the year ended March 31, 2008, with comparative figures for 2007

	2008	2007
		(Restated see note 3)
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 1,582	\$ 1,390
Items not involving cash:		
Depreciation of capital assets	61,774	56,206
Amortization of deferred capital contributions	(59,125)	(53,570)
Net change in non-cash items (note 21)	7,490	16,998
	<u>11,721</u>	<u>21,024</u>
Cash flows from investing activities:		
Purchase of capital assets:		
Land	(1,227)	-
Land improvements	(208)	(1,171)
Buildings	(36,352)	(31,545)
Equipment	(33,259)	(39,927)
Construction in progress	(13,708)	5,175
	<u>(84,754)</u>	<u>(67,468)</u>
Net change in short-term investments	13,858	(21,033)
Net change in long-term investments	28,958	22,619
	<u>(41,938)</u>	<u>(65,882)</u>
Cash flows from financing activities:		
Capital contributions	98,668	66,174
Contribution for land purchase	1,399	-
Repayment of long-term debt	(807)	(717)
	<u>99,260</u>	<u>65,457</u>
Increase (decrease) in cash and cash equivalents	69,043	20,599
Cash and cash equivalents, beginning of year	34,560	13,961
Cash and cash equivalents, end of year	<u>\$ 103,603</u>	<u>\$ 34,560</u>
Cash and cash equivalents are comprised of:		
Cash	\$ 83,616	\$ 24,599
Marketable securities	19,987	9,961
	<u>\$ 103,603</u>	<u>\$ 34,560</u>

See the accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

The Vancouver Island Health Authority (the "Authority") was formed on December 12, 2001 pursuant to a Ministerial Order under the Health Authorities Act and provides a full range of health services to over 730,400 residents of Vancouver Island, on the islands of the Georgia Strait, and in the mainland communities north of Powell River and south of Rivers Inlet.

The Authority employs over 16,000 people and provides an extensive range of services including: emergency services, inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, childrens' services and programs, community, home care and home support services, residential care services, environmental and public health including promotion and protection, and communicable disease control, testing and research.

The Authority is a registered charity under the Income Tax Act, and as such, is exempt from income taxes.

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

1. Significant accounting policies

(a) Basis of presentation:

The consolidated financial statements include the operations of the Vancouver Island Health Authority, the Cumberland Regional Hospital Laundry Society and the OBL Continuing Care Society. All significant balances and transactions between the entities have been eliminated.

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 contributions.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of British Columbia in accordance with the budget management plan and performance agreements established and approved by the Ministry of Health. Approved operating contributions are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of the 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 established 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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the 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.

Equipment with a total value of \$295,482 (2007 - \$122,943) was contributed to the Authority during the year.

(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 equivalents. Cash equivalents are designated as held-for-trading securities and are recorded at fair value.

(e) Short-term investments:

The short-term investments include bankers' acceptances, treasury bills and bonds. Short-term investments are designated as held-for-trading securities and are recorded at fair value.

(f) Inventories of materials and supplies:

Inventories are valued at the lower of average cost and replacement cost.

(g) Long-term investments:

Long-term investments include bonds, bankers' acceptances and pooled fund investments. Long-term investments are designated as held-for-trading securities and are recorded at fair value.

(h) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized.

The authority records depreciation on its assets on a straight-line basis over the useful life of the assets, based on the following years of useful life:

Land improvements	5 – 20 years
Buildings	15 – 50 years
Equipment	3 – 20 years

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the 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 multiple-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 retiring allowance benefits is 10 years (2007 – 10 years). The average remaining service period of the active employees covered by the multiple-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 an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises, resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(k) Referred out and contracted services:

Referred out and contracted services are payments to affiliate organizations, other long-term care facilities, home support and other agencies.

(l) 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 revenue 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 and long-term disability benefits. Actual results could differ from the estimates.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

2. Future accounting changes

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

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Authority is currently evaluating the impact of this accounting standard for fiscal year 2009.

3. Prior Period Adjustments

- (a) During the year an error in the depreciation of capital assets was corrected. Prior to this year's financial statements, some capital additions were amortized for the full year in the year of acquisition, regardless of their service commencement date. The Authority's policy is to amortize new capital additions beginning in the 4-week accounting period they are put into use. As of April 1, 2007 all Authority assets are now being depreciated in this manner.
- (b) A prior period error corrected during the year related to a duplication of entries for depreciation expense and amortization revenue. There were offsetting errors to capital asset and deferred capital contribution balances.
- (c) During the year the amount owing for salaries and benefits payable was amended to include an estimate of amounts owing for benefits on top of the year end amounts owing for vacation and overtime.

The correction of these accounting errors has been applied retroactively and result in a restatement of the 2007 comparative figures as follows:

	Amount Per 2007 Financial Statement	Prior Period Adjustment (a)	Prior Period Adjustment (b)	Prior Period Adjustment (c)	Other Restatement (note 22)	2007 Comparatives Restated
<u>Statement of Financial Position</u>						
Capital assets	\$ 611,957	\$ 7,855	\$ 3,072	\$ -	\$ -	\$ 622,884
Deferred capital contributions	622,788	7,855	3,072	-	-	633,715
Accounts payable and accrued Liabilities	114,963	-	-	4,261	158	119,382
Net assets	(74,001)	-	-	(4,261)	-	(78,262)
<u>Statement of Operations</u>						
Depreciation of capital assets	62,867	278	(3,072)	-	(3,867)	56,206
Amortization of deferred capital contributions	60,231	278	(3,072)	-	(3,867)	53,570
Net income	1,652	-	-	(262)	-	1,390

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

4. Change in accounting policy - financial instruments

Effective April 1, 2007, the Authority adopted the recommendations of CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement (“Section 3855”). This section provides standards for the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. Upon adoption of the new standard on April 1, 2007, the Authority elected to designate its cash equivalents, short-term investments, and long-term investments as held-for-trading investments measured at fair value. In accordance with the transitional provisions Section 3855 has been adopted prospectively, and accordingly the prior period balances have not been restated. The effect of the change in accounting policy was to decrease the opening value of cash equivalents and investments, and the opening value of net assets/(deficiency), by \$29,092. Annual changes in the fair value of investments are recognized in the consolidated statement of operations. Transaction costs directly attributable to the acquisition of the investments are recognized as expenses immediately on the statement of operations.

The Authority’s financial instruments include cash and cash equivalents, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities, long-term disability liabilities and assets, accrued retirement allowance liabilities, and long term debt. It is management’s opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. 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 10, and long term debt which is recorded at amortized book value.

5. Accounts receivable

	2008	2007
Medical Services Plan	\$ 14,208	\$ 12,235
Patient and third party	8,098	8,220
Regional Hospital Districts	4,788	4,260
Ministry of Health	9,344	3,072
Hospital Foundations	4,159	2,745
Other	12,885	10,941
	\$ 53,482	\$ 41,473
Less: allowance for doubtful accounts	(3,482)	(2,828)
	\$ 50,000	\$ 38,645

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

6. Capital assets

			2008	2007
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 19,399	\$ -	\$ 19,399	\$ 18,173
Land improvements	12,079	6,662	5,417	5,802
Buildings	685,503	281,740	403,763	402,259
Equipment	502,087	386,468	115,619	133,971
Equipment under capital lease	346	306	40	70
Construction in progress	28,289	-	28,289	31,938
Equipment in progress	47,937	-	47,937	30,104
Leasehold improvements	21,218	7,349	13,869	471
Information Systems equipment	47,012	35,481	11,531	96
	\$ 1,363,870	\$ 718,006	\$ 645,864	\$ 622,884

7. Accounts payable and accrued liabilities

	2008	2007
Trade accounts payable and accrued liabilities	\$ 80,077	\$ 58,565
Accrued vacation pay	39,019	36,599
Salaries and benefits payable	29,514	24,218
	\$ 148,610	\$ 119,382

8. Deferred operating contributions

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

	2008	2007
Deferred operating contributions, beginning of year	\$ 8,057	\$ 3,799
Less amount recognized as revenue in the year	(2,544)	(1,174)
Add amount received for future periods	3,290	5,432
Deferred operating contributions, end of year	\$ 8,803	\$ 8,057

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

9. Long term debt

	2008	2007
Royal Bank loan, interest at 6.05% per annum, due November 20, 2011, repayable at \$55,507 per month, including interest.	\$ 7,438	\$ 7,646
Royal Bank loan, interest at 4.55% per annum, due November 10, 2009, repayable at \$30,783 per month, including interest.	3,301	3,506
CMHC mortgage, interest at 4.71% per annum, due June 1, 2008, repayable at \$19,727 per month, including interest. Secured by land and buildings with a net book value of \$332,476.	1,605	1,756
CMHC mortgage, interest at 4.71% per annum, due June 1, 2008, repayable at \$14,065 per month, including interest. Secured by land and buildings with a net book value of \$368,853.	1,266	1,367
CMHC mortgage, interest at 4.71% per annum, due June 1, 2008, repayable at \$7,645 per month, including interest. Secured by buildings with a net book value of \$2,374,979.	658	717
CMHC mortgage, interest at 4.71% per annum, due June 1, 2008, repayable at \$2,873 per month, including interest. Secured by buildings with a net book value of \$440,242.	441	454
Royal Bank loan, interest at prime, paid out on November 20, 2007.	-	42
Obligations under capital leases	3	31
Long-term debt at end of year	14,712	15,519
Less current portion of long-term debt	4,417	4,753
Long-term portion of long-term debt	\$ 10,295	\$ 10,766

Scheduled principal payments and maturities over the next five years are as follows:

2009	\$ 4,417
2010	468
2011	492
2012	6,982
2013	262

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

10. 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 independent actuarial valuation as at December 31, 2006. The next required valuation will be as of December 31, 2009.

Information about employee retirement allowance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	\$ 27,669	\$ 28,047
Severance benefits	43,476	43,975
Total unfunded obligation	71,145	72,022
Balance of unamortized amounts	5,134	1,691
Accrued retirement allowance liabilities	76,279	73,713
Less current portion	7,271	6,950
Long-term portion	\$ 69,008	\$ 66,763
Retirement allowance expense	\$ 8,462	\$ 8,416
Benefits paid	5,772	5,380

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

10. Employee benefits (continued):

(b) Healthcare Benefit Trust 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.

(i) Long-term disability benefits:

The Trust is a multiple-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 consolidated financial statements.

The Authority's March 31, 2008 liabilities are based on an actuarial valuation using an early measurement date of December 31, 2007 (March 31, 2007: measurement date of December 31, 2006). 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	\$ 99,854	\$ 95,720
Fair value of plan assets	41,298	31,511
Net unfunded obligation, December 31	58,556	64,209
Balance of unamortized amounts	(25,085)	(24,758)
Contributions to the plan during January to March	(8,229)	(5,381)
Accrued long-term disability liabilities	25,242	34,070
Less current portion	10,581	9,908
Long-term portion	\$ 14,661	\$ 24,162
Long-term disability expense	\$ 23,163	\$ 18,626
Benefits paid	17,123	15,447

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

10. Employee benefits (continued):

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

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 cost for years ended March 31:		
Discount rate	5.50%	5.00%
Expected long-term rate of return on plan assets	6.75%	6.75%
Rate of benefit increase	2.50%	2.50%

(ii) Other trust benefits:

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 \$24.7 million (2007 - \$24.1 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2007 indicated a surplus of \$41.1 million (2007 - \$25.6 million). The plan covers approximately 77,300 active employees of which approximately 9,200 are employees of the Authority. The next required valuation will be as of December 31, 2008.

Although 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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

10. 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 \$44.4 million (2007 - \$41.2 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$438 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 145,000 active employees of which approximately 13,600 are employees of the Authority. The next required evaluation will be as of December 31, 2009 with results available in 2010.

Employer contributions to the Public Service Pension Plan of \$1.6 million (2007 - \$1.7 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 52,000 active employees of which approximately 340 are employees of the Authority. The next required valuation will be as of March 31, 2008 with results available in 2009.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

11. Deferred capital contributions

Deferred capital contributions represent externally restricted grants 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	\$ 633,715	\$ 621,111
Capital funding receipts:		
Ministry of Health	73,883	47,731
Regional Hospital Districts	15,552	13,619
Foundations (note 13)	7,377	3,375
Other	1,856	1,449
	98,668	66,174
Less amortization for the year	59,125	53,570
Deferred capital contributions, end of year	\$ 673,258	\$ 633,715

Deferred capital contributions are comprised of the following:

	2008	2007
Contributions used to purchase capital assets	\$ 606,664	\$ 582,731
Unspent contributions	66,594	50,984
	\$ 673,258	\$ 633,715

12. Invested in capital assets

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

	2008	2007
Capital assets	\$ 645,864	\$ 622,884
Amounts financed by:		
Unamortized capital contributions (note 11)	(606,664)	(582,731)
Long-term debt	(13,260)	(13,976)
Other	(192)	2
	\$ 25,748	\$ 26,179

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

12. Invested in capital assets (continued):

(b) Deficiency of revenue over expenses:

	2008	2007
Amortization of deferred capital contributions	\$ 59,125	\$ 53,570
Depreciation of capital assets	(61,774)	(56,206)
Loan interest	(681)	(725)
Parkade revenue	693	693
	\$ (2,637)	\$ (2,668)

(c) Transfer to invested in capital assets:

	2008	2007
Principal payments on long-term debt	\$ 807	\$ 717

(d) Purchase of land:

	2008	2007
Contribution for the purchase of land	\$ 1,399	\$ -

13. Related party transactions

The Authority is supported by a number of foundations incorporated under the Society Act (British Columbia) and registered as charities under the Income Tax Act. The purpose of these foundations is to raise funds in the community for the purpose of furthering the interests and objectives of the facilities which they support. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations 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 funds are provided to the Authority restricted for use to specified capital purchases and programs.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

13. Related party transactions (continued):

The hospital foundations provided the following capital funding to the Authority during the year:

	2008	2007
Victoria Hospitals Foundation	\$ 4,431	\$ 1,001
Nanaimo and District General Hospital Foundation	1,699	762
Cowichan District Hospital Foundation	-	610
Saanich Peninsula Hospital Foundation	464	399
Queen Alexandra Foundation for Children	284	166
Greater Victoria Eldercare Foundation	197	73
Campbell River Hospital and Yucalta Lodge Foundation	158	248
Lady Minto Hospital Foundation	95	72
Cowichan Lodge Foundation	40	-
West Coast General Hospital Foundation	9	32
Tofino Hospital Foundation	-	12
	\$ 7,377	\$ 3,375

The capital funding amounts from the various foundations represent funding receipts upon completion of certain capital purchases within the year. Fluctuations in funding amounts are attributed to the timing and nature of capital purchases. They do not necessarily represent annual funding commitments provided by the foundations. At March 31, 2008 the hospital foundations have committed to provide additional capital funding to the Authority of \$6.3 million in future years.

14. Commitments and contingencies

(a) Construction projects in process:

As at March 31, 2008 the Authority had outstanding commitments for construction projects in progress of \$18.1 million (2007 - \$8.3 million).

(b) Operating leases:

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

2009	\$ 11,658
2010	9,380
2011	4,262
2012	2,461
2013 and thereafter	1,437
	\$ 29,198

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

14. Commitments and contingencies (continued):

(c) 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 in the financial statements based on management's best estimate of the ultimate settlement.

Insurance for all Health Authorities in British Columbia is provided in the form of indemnity by Government through the Risk Management Branch of the Ministry of Finance.

(d) Asset Retirement Obligations:

The Authority has identified that certain buildings owned by the Authority contain asbestos. The Authority has not accrued asset retirement obligations for related future removal costs as the fair value of the retirement obligations cannot be reasonably estimated due to indeterminate settlement dates for the renovation or demolition of the buildings. The obligations will be recorded when the amounts and timing of the costs are determinable.

15. Other contributions

	2008	2007
Provincial Health Services Authority	\$ 55,997	\$ 49,681
Other Ministries	13,657	11,446
Other	8,396	5,252
	<u>\$ 78,050</u>	<u>\$ 66,379</u>

16. Other revenue

	2008	2007
Services and other external recoveries	\$ 34,156	\$ 25,135
Staff remuneration recoveries	11,350	9,706
Ancillary operations	3,963	3,623
Other	3,109	2,454
Hospice	2,618	2,646
Fees and licenses	1,863	1,625
	<u>\$ 57,059</u>	<u>\$ 45,189</u>

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

17. Patients, clients and residents revenue

	2008	2007
WorkSafe BC	\$ 4,932	\$ 5,148
Non-residents of British Columbia	7,185	6,277
Non-residents of Canada	5,008	4,989
Residents of British Columbia self pay	8,639	8,991
Long-term care and extended care self pay	22,807	21,311
Preferred accommodation	1,144	1,238
Other	3,598	3,752
	<u>\$ 53,313</u>	<u>\$ 51,706</u>

18. Investment income

	2008	2007
Income earned on investments	\$ 3,862	\$ 3,747
Bank interest	1,318	739
Unrealized changes in market value of investments	419	-
Other	155	26
	<u>\$ 5,754</u>	<u>\$ 4,512</u>

19. Referred-out and contracted services

	2008	2007
Residential care	\$ 139,267	\$ 130,452
Community care	66,378	63,448
Acute care	51,235	46,919
Administration/support	35,758	32,549
Mental health	25,007	22,064
Public & preventive health	14,485	10,409
	<u>\$ 332,130</u>	<u>\$ 305,841</u>

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2008

20. Supplies

	2008	2007
Medical & surgical supplies	\$ 61,303	\$ 54,984
Drugs & medical gases	38,441	37,210
Diagnostic	18,123	16,933
Plant operation	12,547	11,550
Other supplies	8,162	7,551
Laundry & linen	6,630	5,848
Food & dietary supplies	6,375	6,256
Printing, stationery & office	4,538	4,194
Housekeeping	1,517	1,532
	<u>\$ 157,636</u>	<u>\$ 146,058</u>

21. Supplemental cash flow information

(a) Net change in non-cash operating items:

	2008	2007
Accounts receivable	\$ (11,355)	\$ 66,311
Inventories of materials and supplies	(1,363)	(1,201)
Prepays	(3,504)	2,344
Accounts payable and accrued liabilities	29,228	(45,494)
Deferred operating contributions	746	695
Retirement allowance	2,566	2,998
Long-term disability benefits	(8,828)	(8,655)
	<u>\$ 7,490</u>	<u>\$ 16,998</u>
(b) Cash paid for interest on long-term debt	\$ 848	\$ 914

22. Comparative figures

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