

Financial Statements of

INTERIOR HEALTH AUTHORITY

Year ended March 31, 2009



Interior Health

Statement of Management Responsibility

The Financial Statements of Interior Health Authority for the year ended March 31, 2009, have been prepared by management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

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

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

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

On behalf of Interior Health Authority

Murray Ramsden,
Chief Executive Officer

Darold Sturgeon,
Corporate Director, Financial Services

May 1, 2009



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AUDITORS' REPORT

To the Board of Interior Health Authority

We have audited the statement of financial position of Interior Health Authority as at March 31, 2009 and the statement of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Kelowna, Canada

May 1, 2009

INTERIOR HEALTH AUTHORITY

Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)

March 31, 2009, with comparative figures for 2008


	2009	2008
		(restated - note 23)
Assets		
Current assets:		
Cash and cash equivalents	\$ 63,900	\$ 39,441
Short-term investments (note 2)	96,013	153,393
Accounts receivable (note 3)	52,963	47,751
Inventories of materials and supplies	7,542	7,856
Prepaid expenses	5,820	4,822
	<u>226,238</u>	<u>253,263</u>
Other assets (note 8(b))	31,446	27,195
Capital assets (note 4)	730,078	621,458
	<u>\$ 987,762</u>	<u>\$ 901,916</u>

Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 157,954	\$ 128,951
Deferred operating contributions (note 6)	12,064	13,859
Current portion of long-term debt (note 7)	833	14,357
Current portion of retirement allowance (note 8(a))	7,004	6,507
Current portion of long-term disability benefits (note 8(b))	5,470	9,504
	<u>183,325</u>	<u>173,178</u>
Long-term debt (note 7)	29,190	3,588
Retirement allowance (note 8(a))	78,347	76,465
Replacement reserves (note 9)	483	3,448
Deferred capital contributions (note 10)	675,034	623,316
Net assets (deficiency):		
Invested in capital assets (note 11(a))	66,264	53,222
Endowment fund	235	235
Internally restricted	643	4,016
Unrestricted	(45,759)	(35,552)
	<u>21,383</u>	<u>21,921</u>
Commitments and contingencies (notes 12 and 22)		
	<u>\$ 987,762</u>	<u>\$ 901,916</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


Director


Director

INTERIOR HEALTH AUTHORITY

Statement of Operations

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
		(restated - note 23)
Revenues:		
Ministry of Health contributions	\$ 1,211,087	\$ 1,124,694
Medical Services Plan	117,201	109,222
Other contributions (note 13)	28,628	17,630
Patient, clients and residents (note 14)	73,340	68,023
Investment income	6,559	9,958
Amortization of deferred capital contributions	67,196	60,694
Other (note 15)	47,873	55,383
	1,551,884	1,445,604
Expenses:		
Compensation and benefits	1,013,210	958,909
Referred out and contracted services (note 16)	211,328	177,122
Supplies (note 17)	173,205	165,786
Depreciation of capital assets	70,133	64,656
Sundry (note 18)	41,888	30,496
Equipment and building services	32,203	33,552
Rent	10,014	9,706
Interest on long-term debt	452	1,126
Loss on disposal of capital assets	281	514
	1,552,714	1,441,867
Excess (deficiency) of revenues over expenses	\$ (830)	\$ 3,737

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2009, with comparative figures for 2008

	Invested in capital assets	Endowment Fund	Internally Restricted	Unrestricted	2009	2008 (restated - note 23)
Balance beginning of year, as previously stated	\$ 53,222	\$ 235	\$ 4,016	\$ (29,255)	\$ 28,218	\$ 9,020
Restatement of prior years (note 23)	-	-	-	(6,297)	(6,297)	(6,144)
Balance beginning of year, as restated	53,222	235	4,016	(35,552)	21,921	2,876
Excess (deficiency) of revenues over expenses	(3,218)	-	(69)	2,457	(830)	3,737
Externally restricted funds for future capital acquisitions	-	-	-	(168)	(168)	(130)
Transferred to invested in capital assets (note 11(c))	16,260	-	(3,304)	(12,496)	460	15,438
Balance, end of year	\$ 66,264	\$ 235	\$ 643	\$ (45,759)	\$ 21,383	\$ 21,921

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
		(restated - note 23)
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ (830)	\$ 3,737
Items not involving cash:		
Amortization of deferred capital contributions	(67,196)	(60,694)
Depreciation of capital assets	70,133	64,656
Loss on disposal of capital assets	281	514
Net change in non-cash operating items (note 19)	15,406	(2,968)
	17,794	5,245
Cash flows from financing activities:		
Deferred capital contributions received (note 10)	118,746	97,329
Funding for non-depreciable capital assets	386	15,330
Increase (decrease) in replacement reserves	(2,965)	(386)
Repayment of long-term debt	(14,594)	(1,080)
	101,573	111,193
Cash flows from investing activities:		
Proceeds from disposal of capital assets	595	593
Purchase of capital assets	(152,883)	(108,534)
Net change in short-term investments	57,380	(2,040)
	(94,908)	(109,981)
Increase in cash and cash equivalents	24,459	6,457
Cash and cash equivalents, beginning of year	39,441	32,984
Cash and cash equivalents, end of year (note 1(b))	\$ 63,900	\$ 39,441
Non-cash financing and investing activities:		
Capital asset construction financed through public-private partnership obligation	\$ 26,672	\$ -

Supplemental information (note 19)

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2009

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

The Authority has over 18,000 active employees and provides services including: inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, residential care, specialized children's services and programs, community, home care and home support services, and environmental and public health including promotion and protection.

The Authority is a member of the BC Health Authorities Shared Services Organization, which is an initiative launched at the beginning of 2008 and includes all six Health Authorities in British Columbia. Its purpose is to find opportunities where the Health Authorities can improve cost effectiveness by working collaboratively on common services. The Shared Services Organization is governed by a Board of Directors consisting of the Chief Executive Officers of the six Health Authorities, the Chief Operating Office of the Ministry of Health, and two external members.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 20) and other organizations that provide services under contracts.

1. Significant accounting policies:

a) Basis of presentation:

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

b) Cash and cash equivalents:

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

c) Short-term investments:

Short-term investments are classified as held for trading and are, therefore, measured at fair value.

d) Inventories of materials and supplies:

Inventories are recorded at the lower of weighted average cost and net realized value.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 2)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

1. Significant accounting policies (continued):

e) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution. Depreciation is provided on a period basis up until the date of disposal and on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	5 – 25 years
Buildings	10 – 50 years
Building service equipment	5 – 25 years
Leasehold improvements	5 – 25 years
Major equipment	3 – 20 years

f) Capitalization of public-private partnership project:

The public-private partnership project (P3) is delivered by the private sector partner (Infusion Health KVH General Partnership) selected to design, build, finance and maintain the asset. The project is made up of three main buildings: the UBC Okanagan Medical School, the Vernon Diagnostics and Treatment Building and the Kelowna Ambulatory Care Centre (collectively known as the Kelowna and Vernon Hospitals Project). The cost of the asset is estimated at fair value, incurred as progress billings verified by an independent certifier, and also includes owner's costs incurred by the Authority. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the Project Agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions from the two Regional hospital districts, the Kelowna General Hospital Foundation and the Authority (collectively known as the Authority Funding) paid during the construction term. The interest rate used is the project internal rate of return of 7.77%.

Correspondingly, an obligation net of the Authority Funding payments made during the construction period is recorded as a liability and included in long-term debt. The obligation will be repaid as part of the monthly performance payments. Upon completion, the project assets will be amortized over their estimated useful lives.

Upon service commencement of each site, the private sector partner will receive monthly payments based upon specified performance criteria. These payments will cover the partner operating costs, financing costs and a return of their capital costs.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 3)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

g) Asset retirement obligations:

The Authority recognizes 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.

h) Revenue recognition:

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

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

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

Externally restricted contributions are recognized as revenue in the 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 depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

Endowment contributions are recognized as direct increases in net assets.

i) Internally restricted net assets:

The Authority has internally restricted certain funds for a variety of uses. These uses include repairs and maintenance, capital asset acquisitions, staff training and other sundry uses. Use of these funds is limited to the related terms of reference as approved by the Board.

j) Externally restricted net assets:

Externally restricted net assets are comprised of endowment contributions which are externally restricted in their use. Endowment contributions are recorded as direct increases to externally restricted net assets. The uses include staff training and the enhancement of the comfort or life of the residents of Deni House and Cariboo Lodge. Use of these funds is limited to the terms of reference.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 4)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

1. Significant accounting policies (continued):

k) Assets and contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to the Authority. Because of the difficulty in determining fair value, contributed services are not recognized in the 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.

l) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance 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 retirement allowance benefits is 10 years (2008 – 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2008 - 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 contributions plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

m) 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of depreciation of capital assets, write downs of capital assets, restructuring accrual, accrued liabilities, uncollectible accounts and, in particular, accrued retirement allowance benefits and long-term disability. Actual results could differ from these estimates.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 5)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

1. Significant accounting policies (continued):

n) Financial instruments:

The Authority measures all non-derivative financial assets and liabilities measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which are measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which are measured at cost, other than such instruments that are classified as held-for-trading.

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

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

o) New accounting pronouncements:

i) Accounting pronouncements issued and effective for the current fiscal year:

Section 3031, Inventories, was adopted by the Authority on April 1, 2008. Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Authority's previous accounting policy for inventories was in line with measurement requirements in the new standard; however, additional disclosures may be required in relation to inventories carried at net realizable value, the amount of inventories recognized as an expense, and the amount of any write downs of inventories.

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation", which require expanded financial instrument disclosure and presentation standards from those prescribed in Section 3861 "Financial Instruments – Disclosure and Presentation", including increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA announced during the Authority's 2009 fiscal year that not-for-profit organizations, including entities such as the Authority, may elect to continue to apply Section 3861 in place of Sections 3862 and 3863. Accordingly, the Authority has elected to continue to apply the financial instrument disclosure and presentation standards in Section 3861 in its March 31, 2009 financial statements.

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Notes to Financial Statements (page 6)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

o) New accounting pronouncements (continued):

i) Accounting pronouncements issued and effective for the current fiscal year (continued):

Section 1535, *Capital Disclosures*, establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The section was applicable for the Authority's fiscal year commencing April 1, 2008. It requires enhanced disclosure with respect to the objectives, policies and processes for managing capital, quantitative data about the entity's capital and disclosures about the entity's compliance with capital requirements and consequences of any non-compliance. The Authority's disclosure in regards of this section is located in note 24.

Section 1400, *General Standards of Financial Statement Presentation*, which includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Authority's ability to continue as a going concern based on the assumption that the current funding levels are maintained and any committed additional future funding is received. If there are significant declines in funding, expenditures will be adjusted to match committed funding.

ii) Accounting pronouncements issued but not yet effective:

In September 2008, the CICA made certain amendments to the Handbook Section 4400, "Financial Statement Presentation by Not-for Profit Organizations" and Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations". The amendments are effective for the Authority's fiscal year commencing April 1, 2009 and include removal of requirements to treat net assets invested in capital assets as a separate component of net assets. The Authority is currently evaluating the impact of these accounting standards amendments for future years financial statements.

The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Authority is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition, PSAB has issued an Invitation to comment on the future financial reporting of government organizations. The Authority is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 7)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

2. Short-term investments:

Short-term investments consist of pooled money market, short-term bond and mortgage investment funds, which have been designated as held for trading financial instruments as disclosed in note 1(n). The cost and quoted market value of the short-term investments are as follows:

March 31, 2009	Cost	Market Value
Short-term bond funds	\$ 71,987	\$ 73,528
Fixed rate mortgage funds	23,780	22,485
	\$ 95,767	\$ 96,013

March 31, 2008	Cost	Market Value
Money market funds	\$ 170	\$ 170
Short-term bond funds	120,865	122,296
Fixed rate mortgage funds	31,638	30,927
	\$ 152,673	\$ 153,393

3. Accounts receivable:

	2009	2008
Medical Services Plan	\$ 12,906	\$ 11,822
Other health authorities and provincial agencies	8,829	8,044
Regional hospital districts	7,802	9,449
Patients, clients, and residents	6,956	5,697
Ministry of Health	5,995	4,394
Foundations and auxiliaries	4,327	2,637
Federal government	3,740	2,991
WorkSafe BC	1,241	1,202
Accrued interest	-	21
Other	3,764	4,586
	55,560	50,843
Allowance for doubtful accounts	(2,597)	(3,092)
	\$ 52,963	\$ 47,751

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Notes to Financial Statements (page 8)
 (Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

4. Capital assets:

	Cost	Accumulated depreciation	2009 Net book value	2008 Net book value
Land	\$ 36,976	\$ -	\$ 36,976	\$ 36,484
Land improvements	17,812	8,077	9,735	10,235
Buildings	701,080	362,740	338,340	342,838
Building service equipment	49,456	22,952	26,504	19,637
Leasehold improvements	12,986	3,391	9,595	5,540
Major equipment	509,734	392,379	117,355	116,838
Construction in progress	191,573	-	191,573	89,886
	\$ 1,519,617	\$ 789,539	\$ 730,078	\$ 621,458

5. Accounts payable and accrued liabilities:

	2009	2008 (restated – note 23)
Salaries and benefits payable	\$ 64,989	\$ 55,908
Trade accounts payable and accrued liabilities	53,173	35,326
Accrued vacation pay	39,792	37,717
	\$ 157,954	\$ 128,951

The Authority has accrued \$3,500,000 (2008 - \$2,370,000) to provide for the current estimate of additional termination expenses expected in carrying out its anticipated deficit reduction plan. This accrual represents management's best estimate of these restructuring costs. However, other expenses may be incurred and recorded in future periods as the deficit reduction plan is implemented.

Termination benefits are included in salaries and benefits payable and are as follows:

	Termination benefits	Other	Total
Balance, beginning of year	\$ 2,088	\$ 282	\$ 2,370
Costs incurred during the year	(4)	(35)	(39)
Update to estimate for costs associated with facilities closures, termination benefits, other	1,416	(247)	1,169
Balance, end of year	\$ 3,500	\$ -	\$ 3,500

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Notes to Financial Statements (page 9)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

6. Deferred operating contributions:

	2009	2008
Deferred operating contributions, beginning of year	\$ 13,859	\$ 12,657
Less amount recognized as revenue in the year	(6,226)	(1,859)
Add amount received for future periods	4,431	3,061
Deferred operating contributions, end of year	\$ 12,064	\$ 13,859

7. Long-term debt:

	2009	2008
Canada Mortgage and Housing Corporation Mortgages:		
Columbia View Lodge, payable \$8,552 monthly including interest at 10.5% per annum, due December 1, 2027	\$ 1,097	\$ 1,115
Kimberley Special Care Home, payable \$2,628 monthly including interest at 8.00% per annum, due September 1, 2026	299	307
Noric House, payable \$14,457 monthly including interest at 10.00% per annum, due December 1, 2028	1,955	1,990
David Lloyd-Jones Home	-	605
Dr. F.W. Green Memorial Home	-	1,008
Henry Durand Manor	-	471
Kimberley Special Care Home	-	264
Nelson Jubilee Manor	-	238
Ridgewood Lodge	-	310
Sagebrush Lodge	-	1,290
Sunnybank Centre	-	1,696
The Gateby	-	3,746
Three Links Manor	-	2,570
Trinity Care Centre	-	2,335
Public-private partnership obligation:		
Kelowna and Vernon Hospitals Project, 30 year contract term with Infusion Health KVH General Partnership, interest at 7.77% per annum, construction completion date 2012/13 (note 21)	26,672	-
	30,023	17,945
Current portion	(833)	(14,357)
	\$ 29,190	\$ 3,588

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

2010	\$ 833	\$ 14,357
2011	2,581	75
2012	3,338	82
2013	2,787	91
2014	2,708	100

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Notes to Financial Statements (page 10)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

8. Employee benefits:

a) Retirement allowance:

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

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

Information about employee retirement allowance benefits is as follows:

	2009	2008
Accrued benefit obligation:		
Sick leave benefits	\$ 25,571	\$ 28,630
Severance benefits	37,940	42,645
	63,511	71,275
Balance of unamortized amounts	21,840	11,697
Accrued retirement allowance liabilities	85,351	82,972
Less current portion of retirement allowance	(7,004)	(6,507)
Long-term portion of accrued retirement allowance	\$ 78,347	\$ 76,465
Retirement allowance expense	\$ 8,630	\$ 8,714
Benefits paid	\$ 6,251	\$ 5,221

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

	2009	2008
Accrued benefit obligation as at March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	3.20%	3.25%
Benefit cost for years ended March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	3.20%	3.25%

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Notes to Financial Statements (page 11)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

8. Employee benefits (continued):

b) Long-term disability benefits:

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

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

The Authority's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2008. The next required valuation will be as of December 31, 2009.

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

	2009	2008
Accrued benefit obligation	\$ 134,262	\$ 116,107
Fair value of plan assets	90,614	94,122
Net unfunded obligation, December 31	43,648	21,985
Less:		
Balance of unamortized amounts	(63,429)	(34,760)
Contributions to the plan (January – March)	(6,195)	(4,916)
Net assets as at March 31	\$ 25,976	\$ 17,691
Long-term disability expense	\$ 27,709	\$ 24,817
Benefits paid	\$ 23,258	\$ 21,874

The net accrued benefit asset is included in the Authority's statement of financial position as follows:

	2009	2008
Other assets	\$ 31,446	\$ 27,195
Current portion of long-term disability benefits	(5,470)	(9,504)
	\$ 25,976	\$ 17,691

Plan assets consist of:

	2009	2008
Debt securities	58%	61%
Foreign equities	24%	20%
Equity securities	18%	19%
	100%	100%

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Notes to Financial Statements (page 12)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

b) Long-term disability benefits (continued):

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

	2009	2008
Accrued benefit obligation as at March 31:		
Discount rate	7.00%	5.50%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31:		
Discount rate	5.50%	5.50%
Expected long-term rate of return on plan assets	6.75%	6.75%
Rate of benefit increase	2.50%	2.50%

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust continue to be structured as a multiple-employer plan. Contributions to the Trust of \$31,569,000 (2008 – \$30,437,000) were expensed during the year. The most recent actuarial valuation at December 31, 2008 indicated a surplus of \$30,294,000. The plan covers approximately 79,000 members of which approximately 12,983 are employees of the Authority. The next required valuation will be as of December 31, 2009.

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*.

The Authority's employer contributions to the Municipal Pension Plan of \$49,480,000 (2008 - \$47,097,000) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$438,000,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 150,000 active plan members of which approximately 13,477 are employees of the Authority. The next required valuation will be as of December 31, 2009 with results available in 2010.

The Authority's employer contributions to the Public Service Pension Plan of \$1,895,000 (2008 - \$2,055,000) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2008 indicated a surplus of \$487,000,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 55,000 active plan members of which approximately 359 are employees of the Authority.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 13)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

9. Replacement reserves:

Under the terms of mortgage agreements with Canada Mortgage and Housing Corporation ("CMHC") and BC Housing Management Commission ("BC Housing"), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of reserve funds requires the approval of CMHC or BC Housing, respectively.

The change in the replacement reserves is calculated as follows:

	2009	2008
Balance, beginning of year	\$ 3,448	\$ 3,834
Provision for replacement reserve funding	87	196
Interest on replacement reserves	1	174
Expenses	(3,053)	(756)
	\$ 483	\$ 3,448

The replacement reserves by facility are as follows:

Kimberley Special Care Home	\$ 312	\$ 302
Noric House	171	452
Columbia View Lodge	-	2
David Lloyd-Jones Home	-	165
Dr. F.W. Green Memorial Home	-	192
Henry Durand Manor	-	288
Nelson Jubilee Manor	-	7
Ridgewood Lodge	-	79
Sagebrush Lodge	-	280
Sunnybank Centre	-	248
The Gateby	-	913
Three Links Manor	-	162
Trinity Care Centre	-	358
	\$ 483	\$ 3,448

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 14)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

10. Deferred capital contributions:

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

	2009	2008
Balance, beginning of year	\$ 623,316	\$ 586,551
Capital funding receipts:		
Ministry of Health	59,967	64,452
Regional hospital districts	40,727	24,911
Foundations and auxiliaries	12,261	6,352
Other	5,791	1,614
	118,746	97,329
	742,062	683,880
Transfer of externally restricted funds for future capital acquisitions	168	130
Amortization for the year	(67,196)	(60,694)
Balance, end of year	\$ 675,034	\$ 623,316

Deferred capital contributions are comprised of the following:

	2009	2008
Contributions used to purchase capital assets	\$ 633,791	\$ 550,291
Unspent capital contributions	41,243	73,025
	\$ 675,034	\$ 623,316

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 15)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

11. Invested in capital assets:

a) Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	\$ 730,078	\$ 621,458
Amounts financed by:		
Deferred capital contributions	(633,791)	(550,291)
Long-term debt	(30,023)	(17,945)
	\$ 66,264	\$ 53,222

b) Deficiency of revenues over expenses:

	2009	2008
Amortization of deferred capital contributions	\$ 67,196	\$ 60,694
Depreciation of capital assets	(70,133)	(64,656)
Loss on disposal of capital assets	(281)	(514)
	\$ (3,218)	\$ (4,476)

c) Transferred to invested in capital assets:

	2009	2008
Purchase of capital assets	\$ 179,555	\$ 108,534
Amounts funded by deferred capital contributions	(150,695)	(92,580)
Principal payments on long-term debt	14,594	1,080
Public-private partnership obligation	(26,672)	-
Interfund transfer to deferred capital contributions	74	109
Proceeds from disposal of capital assets	(595)	(593)
	\$ 16,260	\$ 16,550

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 16)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

12. Commitments and contingencies:

a) Operating leases:

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

2010	\$	9,378
2011		8,737
2012		3,434
2013		3,119
2014		2,892

b) Litigation and claims:

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2009, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage 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.

c) 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 Finance.

d) Asset retirement obligations:

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

e) Resident comfort funds:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The amount held in trust as at March 31, 2009 is \$323,000 (2008 - \$298,000). These amounts are not included in the Authority's statement of financial position.

f) Trust funds:

A trust fund from the Estate of the late Anton Svec is held by the Minister of Finance for the District of Sparwood. The trust fund valued at \$715,000 (2008 - \$693,000) is for any health care purpose in the District of Sparwood. This trust fund has not been reflected in these financial statements.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 17)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

12. Commitments and contingencies (continued):

g) Bill 29 compensation:

A settlement agreement was signed on January 25, 2008 between the Government of the Province of British Columbia and the Health Employers Association of British Columbia. This agreement provides for \$75 million of compensation for health care workers impacted by Bill 29 - B.C.'s *Health and Social Services Delivery Improvement Act*. The Authority received a total of \$5,587,000, which was paid out to the union members in accordance with the agreement. There was no impact on the Authority's financial statements as the payment to the workers was accounted for as a flow-through arrangement.

13. Other contributions:

	2009	2008
Health Authorities	\$ 16,263	\$ 11,631
Other ministries	6,276	3,807
Other	6,089	2,192
	\$ 28,628	\$ 17,630

14. Patients, clients and residents:

	2009	2008
Residents of BC – self pay	\$ 36,586	\$ 36,873
Non-Residents of BC	15,804	12,325
WorkSafe BC	8,898	7,680
Non-Residents of Canada	5,843	5,492
Federal Government of Canada	1,894	1,633
Preferred accommodation	954	834
Other	3,361	3,186
	\$ 73,340	\$ 68,023

15. Other:

	2009	2008
Recoveries from Health Authorities and government reporting entities	\$ 24,976	\$ 21,667
Compensation Recoveries	7,221	5,949
Parking	2,677	2,245
Fees and licenses	1,255	1,265
Other	11,744	24,257
	\$ 47,873	\$ 55,383

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 18)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

16. Referred out and contracted services:

	2009	2008
Referred out residential care	\$ 127,095	\$ 102,397
Referred out community care	37,489	28,547
Referred out mental health	26,534	26,667
Other	20,210	19,511
	<hr/>	<hr/>
	\$ 211,328	\$ 177,122

17. Supplies:

	2009	2008
Medical and surgical	\$ 58,001	\$ 55,422
Drugs and medical gases	45,453	44,408
Plant and facilities	20,762	18,477
Diagnostic and therapeutic	17,835	16,352
Food and dietary	13,791	13,998
Other	17,363	17,129
	<hr/>	<hr/>
	\$ 173,205	\$ 165,786

18. Sundry:

	2009	2008
Communications and data processing	\$ 10,480	\$ 9,449
Travel – Staff	10,274	9,111
Travel - Patient	8,851	586
Professional, management and membership fees	3,809	2,533
Other	8,474	8,817
	<hr/>	<hr/>
	\$ 41,888	\$ 30,496

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 19)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

19. Statement of cash flow:

a) Interest paid:

During the year the Authority paid interest of \$452,000 (2008 - \$1,126,000).

b) Net change in non-cash operating items:

	2009	2008
Accounts receivable	\$ (5,212)	\$ (16,673)
Inventories of materials and supplies	314	(937)
Prepaid expenses	(998)	(801)
Other assets	(4,251)	(9,515)
Accounts payable, accrued liabilities and retirement allowance	27,348	23,757
Deferred operating contributions	(1,795)	1,201
	<hr/>	<hr/>
	\$ 15,406	\$ (2,968)

20. Foundations and auxiliaries:

Within the Authority, there are 68 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services. The foundations and auxiliaries are separate legal entities incorporated under the Society Act of British Columbia with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the Income Tax Act of Canada. The net assets and results from operations of the foundations and auxiliaries are not included in the statements of the Authority. During the year, the foundations and auxiliaries granted \$12,777,000 (2008 - \$6,816,000) to various facilities within the Authority.

21. Financial instruments:

(a) Fair value:

The Authority's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short term nature of these financial assets and liabilities. The fair value of short-term investments is disclosed in note 2.

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.

(b) Credit, interest rate and currency risks:

The maximum credit risk exposure for all financial assets is the carrying amount of that asset. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from its financial instruments.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 20)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

22. Public private partnership commitments and contingencies:

The Authority has entered into a multiple-year public private partnership contract with Infusion Health KVH General Partnership (P3 partner) to design, build, finance and maintain the Kelowna and Vernon Hospitals Project, expiring August, 2042. The information presented below shows the anticipated cash outflow for all future obligations under, and defined in, this contract including the remaining Authority funding payments and the Annual service payments for lifecycle capital maintenance, hard facility maintenance costs and P3 costs. As construction proceeds, the asset values are recorded as construction in progress and the corresponding liabilities are reported in the Authority's balance sheet and disclosed in note 7. The P3 partner is also undertaking the hard facility maintenance costs for the existing buildings at the Kelowna General Hospital and Vernon Jubilee Hospital sites in advance of delivering the first new building; the costs associated with this service is included in the Annual service payment values. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

Year ended, March 31	Annual service payments	Authority funding payments	Total future obligation
2010	\$ 4,590	\$ 85,649	\$ 90,239
2011	6,714	63,503	70,217
2012	9,994	28,689	38,683
2013	17,435	2,184	19,619
Future payments	703,299	-	703,299
	<hr/>	<hr/>	<hr/>
	\$ 742,032	\$ 180,025	\$ 922,057

23. Restatement:

During the year, management determined that payroll accruals relating to vacation and overtime did not include any amount in respect of benefits such as Canada Pension Plan, Superannuation, Employment Insurance and Workers Compensation payments. As a result, the financial statements have been restated on a retroactive basis. The effect of the restatement has been to increase accounts payable and accrued liabilities at March 31, 2008 by \$6,297,000 reduce unrestricted net assets by an equivalent amount, reduce the excess (deficiency) of revenues over expenses for the year ended March 31, 2008 by \$153,000 and reduce unrestricted net assets as at April 1, 2007 by \$6,144,000.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements (page 21)
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2009

24. Capital disclosures:

The Authority defines capital to be net assets and deferred capital contributions. The Authority receives its principal source of capital through funding received from the Ministry of Health.

The Authority's objective when managing capital is to fund its operations and capital asset investments. The Authority manages the capital structure in conjunction with the Ministry of Health and makes adjustments based on available government funding and economic conditions. Currently, the Authority's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health.

The Authority is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. Non-compliance with external restrictions may result in reductions of future funding for designated purposes.

25. Comparative figures:

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