

Financial Statements of

# **NORTHERN HEALTH AUTHORITY**

Year ended March 31, 2009

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The Financial Statements of Northern 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.

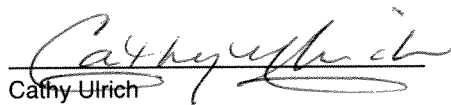
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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 regularly, and with the external auditor two times a year.

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

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

On behalf of the Northern Health Authority

  
Cathy Ulrich  
President and Chief Executive Officer  
May 15, 2009

  
Larry Tokarchuk  
Interim Vice President, Corporate Services and Chief Financial Officer  
May 15, 2009



**KPMG LLP**  
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## **AUDITORS' REPORT TO THE DIRECTORS OF THE NORTHERN HEALTH AUTHORITY**

We have audited the statement of financial position of the Northern Health Authority as at March 31, 2009 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, 2009 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, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Accountants

Prince George, Canada  
May 15, 2009

# NORTHERN HEALTH AUTHORITY

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

March 31, 2009, with comparative figures for 2008

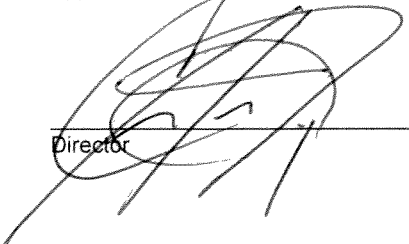
|   | 2009              | 2008              |
|---|-------------------|-------------------|
| <b>Assets</b>                                 |                   |                   |
| Current assets:                               |                   |                   |
| Cash and cash equivalents                     | \$ 46,377         | \$ 50,489         |
| Accounts receivable (note 3)                  | 37,975            | 28,919            |
| Inventories of materials and supplies         | 6,284             | 6,256             |
| Prepays                                       | 1,850             | 2,029             |
|   | <u>92,486</u>     | <u>87,693</u>     |
| Restricted cash (note 9)                      | 2,917             | 2,793             |
| Capital assets (note 4)                       | 446,856           | 383,322           |
| Long-term disability plan assets (note 8 (b)) | 6,948             | 1,334             |
|   | <u>\$ 549,207</u> | <u>\$ 475,142</u> |

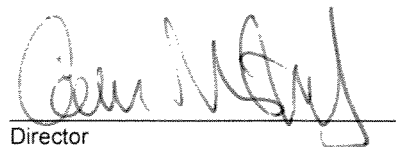
## Liabilities and Net Assets (Deficiency)

|  |                   |                   |
|--|-------------------|-------------------|
| Current liabilities:   |                   |                   |
| Accounts payable and accrued liabilities (note 5)            | \$ 73,655         | \$ 63,458         |
| Deferred operating contributions (note 6)                    | 11,551            | 9,651             |
| Current portion of long-term debt (note 7)                   | 854               | 855               |
| Current portion of accrued retirement allowance (note 8 (a)) | 2,478             | 2,405             |
|  | <u>88,538</u>     | <u>76,369</u>     |
| Long-term debt (note 7)                                      | 13,707            | 15,498            |
| Retirement allowance (note 8 (a))                            | 28,116            | 26,927            |
| Replacement reserves (note 9)                                | 2,917             | 2,793             |
| Deferred capital contributions (note 10)                     | 433,216           | 371,168           |
|  | <u>477,956</u>    | <u>416,386</u>    |
| Net assets (deficiency):                                     |                   |                   |
| Invested in capital assets (note 11)                         | (147)             | (1,634)           |
| Unrestricted   | (17,140)          | (15,979)          |
|  | <u>(17,287)</u>   | <u>(17,613)</u>   |
| Commitments and contingencies (note 12)                      |                   |                   |
|  | <u>\$ 549,207</u> | <u>\$ 475,142</u> |

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# NORTHERN HEALTH AUTHORITY

Statement of Operations  
(Amounts expressed in thousands of dollars)

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

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## Revenues:

|  |    |         |    |         |
|--|----|---------|----|---------|
| Ministry of Health contributions               | \$ | 442,596 | \$ | 415,969 |
| Medical Service Plan                           |    | 62,782  |    | 61,732  |
| Amortization of deferred capital contributions |    | 31,971  |    | 29,114  |
| Patients, clients and residents (note 13 (a))  |    | 23,490  |    | 21,536  |
| Other (note 13 (b))                            |    | 23,216  |    | 25,129  |
| Other contributions (note 13 (c))              |    | 16,692  |    | 13,221  |
| Investment income                              |    | 1,003   |    | 2,118   |
| Gain on sale of capital assets                 |    | -       |    | 564     |
|  |    | <hr/>   |    | <hr/>   |
|  |    | 601,750 |    | 569,383 |

## Expenses:

|  |  |         |  |         |
|--|--|---------|--|---------|
| Compensation and benefits                          |  | 410,434 |  | 390,598 |
| Supplies (note 13 (d))                             |  | 70,941  |  | 67,920  |
| Depreciation of capital assets                     |  | 32,680  |  | 31,235  |
| Referred-out and contracted services (note 13 (e)) |  | 32,356  |  | 30,396  |
| Equipment and building services                    |  | 25,835  |  | 24,295  |
| Sundry (note 13 (f))                               |  | 24,213  |  | 19,471  |
| Distributions to affiliated organizations          |  | 4,273   |  | 4,055   |
| Interest expense                                   |  | 692     |  | 970     |
|  |  | <hr/>   |  | <hr/>   |
|  |  | 601,424 |  | 568,940 |

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|                                  |    |     |    |     |
|----------------------------------|----|-----|----|-----|
| Excess of revenues over expenses | \$ | 326 | \$ | 443 |
|----------------------------------|----|-----|----|-----|

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See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

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

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

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|  | Invested<br>(deficiency)<br>in capital assets | Unrestricted | 2009<br>Net Assets | 2008<br>Net Assets |
|--|---|--------------|--------------------|--------------------|
| Balance, beginning of year                                 | \$ (1,634)                                    | \$ (15,979)  | \$ (17,613)        | \$ (18,056)        |
| Excess (deficiency) of<br>revenues over expenses (note 11) | (709)   | 1,035        | 326                | 443                |
| Net change in invested in capital assets (note 11)         | 2,196   | (2,196)      | -                  | -                  |
| Balance, end of year                                       | \$ (147)                                      | \$ (17,140)  | \$ (17,287)        | \$ (17,613)        |

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See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

## Statement of Cash Flows

(Amounts expressed in thousands of dollars)

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

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|  | 2009             | 2008             |
|--|------------------|------------------|
| <b>Cash flows from operating activities:</b>     |                  |                  |
| Excess of revenues over expenses                 | \$ 326           | \$ 443           |
| Items not involving cash:                        |                  |                  |
| Amortization of deferred capital contributions   | (31,971)         | (29,114)         |
| Depreciation of capital assets                   | 32,680           | 31,235           |
| Gain on disposal of capital assets               | -                | (564)            |
|  | <u>1,035</u>     | <u>2,000</u>     |
| Net change in non-cash operating items (note 14) | 4,455            | 10,442           |
|  | <u>5,490</u>     | <u>12,442</u>    |
| <b>Cash flows used in investing activities:</b>  |                  |                  |
| Purchase of capital assets                       | (96,214)         | (66,487)         |
| Proceeds on disposal of capital assets           | -                | 1,028            |
| Increase in long-term disability plan assets     | (5,614)          | (521)            |
|  | <u>(101,828)</u> | <u>(65,980)</u>  |
| <b>Cash flows from financing activities:</b>     |                  |                  |
| Increase in deferred capital contributions       | 94,018           | 66,307           |
| Repayment of long-term debt                      | (1,792)          | (1,850)          |
|  | <u>92,226</u>    | <u>64,457</u>    |
| Increase (decrease) in cash and cash equivalents | (4,112)          | 10,919           |
| Cash and cash equivalents, beginning of year     | 50,489           | 39,570           |
| Cash and cash equivalents, end of year           | <u>\$ 46,377</u> | <u>\$ 50,489</u> |

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Supplemental Cash Flow Information (note 14)

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See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

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

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

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

The mandate of the Authority, defined by the *Health Authorities Act*, is to plan, deliver, monitor, and report on health services, which include public and population health programs, services for persons with mental health or substance use disorders, acute care, and home and community care, for people in northern British Columbia.

These 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) Affiliated organizations:

Within the Authority area is one denominational health care organization – Wrinch Memorial Hospital ("Wrinch") - which has the responsibility to manage its administration under an affiliation agreement with the Authority. Wrinch is a separate legal entity with a separate board of directors and, accordingly, these financial statements do not include its assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of Wrinch are recorded as Ministry of Health grant revenues and funds transferred to Wrinch are recorded as expenses in the statement of operations.

### (b) Basis of presentation:

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

### (c) 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.

### (d) Inventories of materials and supplies:

Inventories are valued at the lower of average cost and current replacement cost. Pharmacy inventories are valued on a first-in/first-out basis that approximates average costs; those inventories converted to the new supply chain software are valued at the average costs.

### (e) Capital assets:

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

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|                            |               |
|----------------------------|---------------|
| Land improvements          | 5 – 25 years  |
| Buildings                  | 10 – 50 years |
| Building service equipment | 5 – 25 years  |
| Equipment                  | 3 – 20 years  |
| Leasehold improvements     | 5 – 40 years  |
| Software license fees      | 5 – 10 years  |

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# NORTHERN HEALTH AUTHORITY

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

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

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## 1. Significant accounting policies (continued):

### (f) 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 change in the fair value assessment of the retirement obligation.

### (g) 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 budget management plans and performance agreements established and approved by the Ministry. Approved operating contributions are recorded as revenues 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 revenues 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 revenues in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenues 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.

### (h) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and long-term disability 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 plan 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 contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

### (i) Asset and service contributions:

Volunteers contribute their time to assist the Authority 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.

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.

# NORTHERN HEALTH AUTHORITY

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

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

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## 1. Significant accounting policies (continued):

### (j) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of depreciation of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued employee benefits. Actual results could differ from these estimates.

### (k) Financial instruments:

The Authority has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and loans and receivables and certain investments which are designated as held to maturity.

- The Authority initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Held to maturity investments and loans and receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities which include the Authority's long-term disability liabilities and assets, accrued retirement allowance liabilities, long term debt, and obligations under capital leases, are recorded at amortized cost.
- All transaction costs incurred on held to maturity investments, loans, receivables, and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Authority has not classified any assets or liabilities as available for sale.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of transactions that received hedge accounting. The Authority has no derivative instruments at year end.

## 2. New accounting pronouncements:

### (a) Accounting pronouncements issued and effective for the current fiscal year:

Effective April 1, 2008, the Authority adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories*. Under this new standard, inventories are required to be measured at the lower of cost and current replacement cost. The standard also provides more extensive guidance on the measurement and disclosure requirements for inventories; significantly, the new standard allows the reversals of previous writedowns to the net realizable value when there is a subsequent increase in the value of the inventories.

# NORTHERN HEALTH AUTHORITY

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

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

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## 2. New accounting pronouncements (continued):

Effective April 1, 2008, the Authority implemented Handbook 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.

Effective April 1, 2008, the Authority adopted Handbook Section 1535, *Capital Disclosures*. Under this new standard, the Authority is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Authority's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Authority regards as capital, whether the Authority has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements (note 17).

### (b) 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 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.

Section 3862, *Financial Instruments – Disclosure*, and Section 3863, *Financial Instruments – Presentation*, which require expanded financial instruments 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 2008 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.

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced existing Handbook Section 3062, *Goodwill and Other Intangible Assets*, and Handbook Section 3450, *Research and Development*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for the Authority's fiscal year commencing April 1, 2009. The Authority does not believe it will have a material impact on the financial statements.

The Authority is currently evaluating the impact of these accounting standards for fiscal year 2010.

# NORTHERN HEALTH AUTHORITY

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

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

### 3. Accounts receivable:

|   | 2009      | 2008      |
|---|-----------|-----------|
| Province of British Columbia                          |           |           |
| Alternative Payments Program                          | \$ 5,678  | \$ 7,134  |
| Ministry of Health                                    | 2,889     | 3,195     |
| Health Authorities                                    | 635       | 1,211     |
|   | 9,202     | 11,540    |
| Other   |           |           |
| Patients, clients, residents and agencies             | 4,538     | 5,301     |
| Foundations, Auxiliaries, Regional Hospital Districts | 16,405    | 5,141     |
| Other   | 6,367     | 4,018     |
| Goods and services tax                                | 2,001     | 3,171     |
| Interest  | 25        | 104       |
|   | 38,538    | 29,275    |
| Less allowance for doubtful accounts                  | (563)     | (356)     |
|   | \$ 37,975 | \$ 28,919 |

### 4. Capital assets:

|                            |            |                             | 2009              | 2008              |
|----------------------------|------------|-----------------------------|-------------------|-------------------|
|                            | Cost       | Accumulated<br>Depreciation | Net Book<br>Value | Net Book<br>Value |
| Land                       | \$ 2,859   | \$ -                        | \$ 2,859          | \$ 2,860          |
| Land improvements          | 5,106      | (4,488)                     | 618               | 666               |
| Buildings                  | 405,438    | (181,581)                   | 223,857           | 231,374           |
| Building service equipment | 21,497     | (8,595)                     | 12,902            | 9,334             |
| Projects in progress       | 106,181    | -                           | 106,181           | 47,488            |
| Leasehold improvements     | 1,129      | (668)                       | 461               | 441               |
| Equipment                  | 300,556    | (205,629)                   | 94,927            | 86,236            |
| Software license fees      | 5,150      | (99)                        | 5,051             | 4,923             |
|                            | \$ 847,916 | \$ (401,060)                | \$ 446,856        | \$ 383,322        |

# NORTHERN HEALTH AUTHORITY

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

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

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## 5. Accounts payable and accrued liabilities:

|  | <b>2009</b>      | <b>2008</b>      |
|--|------------------|------------------|
| Trade accounts payable and accrued liabilities | \$ 41,998        | \$ 33,514        |
| Accrued vacation payable                       | 21,387           | 20,175           |
| Salaries and benefits payable                  | 10,270           | 9,769            |
|  | <b>\$ 73,655</b> | <b>\$ 63,458</b> |

## 6. Deferred operating contributions:

|   | <b>2009</b>      | <b>2008</b>     |
|---|------------------|-----------------|
| Deferred operating contributions, beginning of year | \$ 9,651         | \$ 8,863        |
| Less amounts recognized as revenue in the year      | (2,466)          | (2,528)         |
| Add amounts received for future periods             | 4,366            | 3,316           |
| Deferred operating contributions, end of the year   | <b>\$ 11,551</b> | <b>\$ 9,651</b> |

# NORTHERN HEALTH AUTHORITY

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

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

## 7. Long-term debt:

|  | 2009      | 2008      |
|--|-----------|-----------|
| Mortgages payable to CMHC, at interest rates varying from 2.86% to 10.375 %, payable in blended payments of \$ 91 per month, with maturity dates ranging to March 2029, secured by first charges on properties.                        | \$ 9,927  | \$ 11,648 |
| Mortgages payable to TD Canada Trust, at interests rates varying from 4.673 % to 5.856%, payable in blended payments of \$ 26 per month, with maturity dates of May and August 2037, secured by building and first charge on property. | 4,634     | 4,705     |
| Long-term debt balance at year end   | \$ 14,561 | \$ 16,353 |
| Current portion of long-term debt  | 854       | 855       |
| Long-term portion of long-term debt  | \$ 13,707 | \$ 15,498 |

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

|            |           |
|------------|-----------|
| 2010       | \$ 854    |
| 2011       | 886       |
| 2012       | 918       |
| 2013       | 954       |
| 2014       | 991       |
| Thereafter | 9,958     |
|            | \$ 14,561 |

# NORTHERN HEALTH AUTHORITY

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

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

## 8. Employee future 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, updated to December 31, 2008. 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                               | \$ 8,738  | \$ 9,871  |
| Severance benefits                                | 13,318    | 15,110    |
| Total retirement allowance obligation             | 22,056    | 24,981    |
| Balance of unamortized amounts                    | 8,538     | 4,351     |
| Accrued retirement allowance benefits             | 30,594    | 29,332    |
| Less current portion of retirement allowance      | 2,478     | 2,405     |
| Long-term portion of accrued retirement allowance | \$ 28,116 | \$ 26,927 |
| Retirement allowance benefits paid                | \$ 1,901  | \$ 2,137  |
| Retirement allowance expense                      | \$ 3,162  | \$ 3,218  |

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

|  | 2009  | 2008  |
|--|-------|-------|
| Accrued benefit obligation as at March 31: |       |       |
| Discount rate                              | 7.25% | 5.50% |
| Rate of compensation increase              | 2.50% | 3.25% |
| Benefit costs of years ended March 31:     |       |       |
| Discount rate                              | 7.25% | 5.50% |
| Rate of compensation increase              | 2.50% | 3.25% |

# NORTHERN HEALTH AUTHORITY

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

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

## 8. Employee future 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 and for extended health and dental benefits initiated after March 31, 2004. 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                  | \$ 37,571  | \$ 27,699  |
| Fair value of plan assets                   | 22,268     | 20,144     |
| Net unfunded obligation, December 31        | 15,303     | 7,555      |
| Balance of unamortized amounts              | (18,063)   | (5,923)    |
| Contributions to plan (January - March)     | (4,188)    | (2,966)    |
| Long-term disability plan asset at March 31 | \$ (6,948) | \$ (1,334) |
| Long-term disability expense                | \$ 16,506  | \$ 12,008  |
| Benefits paid                               | \$ 14,869  | \$ 12,382  |

Plan assets consist of:

|                   | 2009 | 2008 |
|-------------------|------|------|
| Debt securities   | 58%  | 61%  |
| Foreign equities  | 24%  | 20%  |
| Canadian equities | 18%  | 19%  |
| Total             | 100% | 100% |



# NORTHERN HEALTH AUTHORITY

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

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

## 8. Employee future benefits (continued):

### (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% |

Contributions to the Trust of \$16.5 million (2008 - \$12.0 million) were expensed during the year. The most recent actuarial valuation at December 31, 2008 indicated a surplus of \$30.3 million. The plan covers 78,748 active employees, of which 4,646 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*.

Employer contributions to the Municipal Pension Plan of \$18.0 million (2008 - \$16.9 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 150,000 active employees of which 5,587 are employees of the Authority. The next required valuation will be as of December 31, 2009 with results available in 2010.

Employer contributions to the Public Service Pension Plan of \$0.63 million (2008 - \$0.67 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, 2008 indicated a surplus of \$487 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 55,000 active employees of which 124 are employees of the Authority. The next required valuation will be as of March 31, 2011 with results available in 2012.

# NORTHERN HEALTH AUTHORITY

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

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

## 9. Replacement reserves:

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

The change in the replacement reserves is calculated as follows:

|  |    | <b>2009</b> |    | <b>2008</b> |
|--|----|-------------|----|-------------|
| Balance, beginning of the year             | \$ | 2,793       | \$ | 3,058       |
| Provision for replacement reserves funding |    | 167         |    | 169         |
| Interest on replacement reserves           |    | 67          |    | 112         |
| Expenditures                               |    | (110)       |    | (95)        |
| Transfer of reserves                       |    | -           |    | (451)       |
| Balance, end of the year                   | \$ | 2,917       | \$ | 2,793       |

The replacement reserves by facility are as follows:

|   |    | <b>2009</b> |    | <b>2008</b> |
|---|----|-------------|----|-------------|
| North Peace Care Centre - Ft. St. John          | \$ | 145         | \$ | 136         |
| Peace River Haven - Pouce Coupe                 |    | 242         |    | 223         |
| Parkside Intermediate Care Home - Prince George |    | 194         |    | 218         |
| Rainbow Intermediate Care Home - Prince George  |    | 398         |    | 369         |
| Bulkley Lodge - Smithers                        |    | 184         |    | 174         |
| Alward Place - Phase 1 - Prince George          |    | 533         |    | 548         |
| Alward Place - Phase 2 - Prince George          |    | 238         |    | 248         |
| Acropolis Manor - Prince Rupert                 |    | 291         |    | 274         |
| Terrace View Lodge - Terrace                    |    | 287         |    | 267         |
| Heritage Manor - Ft. St. John                   |    | 5           |    | 2           |
| Laurier Manor - Prince George                   |    | 227         |    | 191         |
| McConnell Estates - Terrace                     |    | 173         |    | 143         |
|   | \$ | 2,917       | \$ | 2,793       |

# NORTHERN HEALTH AUTHORITY

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

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

## 10. Deferred capital contributions:

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

|   | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
| Deferred capital contributions, beginning of year | \$ 371,168  | \$ 333,975  |
| Contributions during the year:                    |             |             |
| Ministry of Health                                | 62,224      | 57,372      |
| Regional Hospital Districts                       | 26,216      | 5,588       |
| Foundations                                       | 2,463       | 2,277       |
| Auxiliaries                                       | 389         | 334         |
| Other   | 2,727       | 736         |
|   | 465,187     | 400,282     |
| Less amortization for the year                    | 31,971      | 29,114      |
| Deferred capital contributions, end of year       | \$ 433,216  | \$ 371,168  |

Deferred capital contributions are comprised of the following:

|   | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
| Contributions used to purchase capital assets | \$ 429,968  | \$ 366,467  |
| Unspent contributions                         | 3,248       | 4,701       |
|   | \$ 433,216  | \$ 371,168  |

# NORTHERN HEALTH AUTHORITY

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

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

## 11. Invested in capital assets:

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

|   | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
| Capital assets                                | \$ 446,856  | \$ 383,322  |
| Amounts financed by:                          |             |             |
| Deferred capital contributions (note 10)      | (429,968)   | (366,467)   |
| Accounts payable and accrued liabilities, net | (2,474)     | (2,136)     |
| Long-term debt                                | (14,561)    | (16,353)    |
|   | \$ (147)    | \$ (1,634)  |

(b) Deficiency of revenues over expenses:

|  | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|
| Amortization of deferred capital contributions | \$ 31,971   | \$ 29,114   |
| Depreciation of capital assets                 | (32,680)    | (31,235)    |
| Gain on disposal of capital assets             | -           | 564         |
|  | \$ (709)    | \$ (1,557)  |

(c) Transfer to invested in capital assets:

|  | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|
| Purchase of capital assets, net                  | \$ 96,214   | \$ 65,956   |
| Amounts funded by deferred capital contributions | (94,018)    | (66,307)    |
|  | \$ 2,196    | \$ (351)    |

# NORTHERN HEALTH AUTHORITY

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

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

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## 12. Commitments and contingencies:

(a) Operating leases:

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

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|            |    |        |
|------------|----|--------|
| 2010       | \$ | 4,577  |
| 2011       |    | 3,603  |
| 2012       |    | 2,232  |
| 2013       |    | 1,242  |
| 2014       |    | 988    |
| Thereafter |    | 9,459  |
|            | \$ | 22,101 |

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(b) Litigation and claims:

The nature of the Authority's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2009, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(c) Risk management:

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

(d) Resident trust:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The total amount is not significant.

(e) Asset retirement obligation:

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 the asset retirement obligations where 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 obligation will be recognized as a liability in the period when the fair value can be reasonably estimated.

# NORTHERN HEALTH AUTHORITY

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

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

## 13. Statement of Operations:

(a) Patients, clients and residents:

|  | 2009 |        | 2008 |        |
|--|------|--------|------|--------|
| Residents of British Columbia-self pay | \$   | 12,320 | \$   | 12,074 |
| Non-residents of British Columbia      |      | 5,353  |      | 4,221  |
| Worksafe British Columbia              |      | 3,089  |      | 2,719  |
| Federal government                     |      | 923    |      | 719    |
| Non-residents of Canada                |      | 879    |      | 998    |
| Fees and licenses                      |      | 926    |      | 805    |
|  | \$   | 23,490 | \$   | 21,536 |

(b) Other revenue:

|  | 2009 |        | 2008 |        |
|--|------|--------|------|--------|
| Sales to non-related entities          | \$   | 13,528 | \$   | 16,158 |
| Sales to government reporting entities |      | 9,373  |      | 8,653  |
| Pharmacare                             |      | 315    |      | 318    |
|  | \$   | 23,216 | \$   | 25,129 |

(c) Other contributions:

|   | 2009 |        | 2008 |        |
|---|------|--------|------|--------|
| Provincial Health Services Authority          | \$   | 5,166  | \$   | 4,454  |
| Other ministries                              |      | 6,714  |      | 4,861  |
| Non-related entities                          |      | 3,486  |      | 2,896  |
| Other health authorities and related entities |      | 1,326  |      | 1,010  |
|   | \$   | 16,692 | \$   | 13,221 |

# NORTHERN HEALTH AUTHORITY

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

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

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## 13. Statement of Operations (continued):

(d) Supplies:

|                                 | 2009 |        | 2008 |        |
|---------------------------------|------|--------|------|--------|
| Medical and surgical            | \$   | 19,893 | \$   | 18,486 |
| Drugs and medical gases         |      | 17,940 |      | 17,422 |
| Plant operation                 |      | 8,264  |      | 7,239  |
| All other supplies              |      | 7,659  |      | 7,530  |
| Diagnostic                      |      | 7,651  |      | 7,774  |
| Food and dietary                |      | 5,575  |      | 5,378  |
| Printing, stationery and office |      | 1,861  |      | 1,842  |
| Laundry and linen               |      | 1,233  |      | 1,363  |
| Housekeeping                    |      | 865    |      | 886    |
|                                 | \$   | 70,941 | \$   | 67,920 |

(e) Referred out and contracted services:

|                              | 2009 |        | 2008 |        |
|------------------------------|------|--------|------|--------|
| Residential care             | \$   | 9,661  | \$   | 8,902  |
| Mental health                |      | 8,276  |      | 8,171  |
| Public and preventive health |      | 6,414  |      | 6,522  |
| Other                        |      | 4,632  |      | 3,884  |
| Community care               |      | 3,373  |      | 2,917  |
|                              | \$   | 32,356 | \$   | 30,396 |

(f) Sundry:

|                                   | 2009 |        | 2008 |        |
|-----------------------------------|------|--------|------|--------|
| Travel and accommodation          | \$   | 9,683  | \$   | 7,285  |
| Other                             |      | 7,710  |      | 6,328  |
| Communication and data processing |      | 4,165  |      | 3,428  |
| Professional fees                 |      | 2,655  |      | 2,430  |
|                                   | \$   | 24,213 | \$   | 19,471 |

# NORTHERN HEALTH AUTHORITY

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

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

## 14. Supplementary information to statement of cash flows:

(a) Interest paid:

During the year the Authority paid interest of \$692 (2008 - \$970).

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

|  | 2009       | 2008      |
|--|------------|-----------|
| Accounts receivable                      | \$ (9,057) | \$ (822)  |
| Inventories of materials and supplies    | (27)       | (166)     |
| Prepays                                  | 179        | (711)     |
| Accounts payable and accrued liabilities | 10,271     | 10,273    |
| Deferred operating contributions         | 1,900      | 788       |
| Retirement allowance                     | 1,189      | 1,080     |
| Replacement reserves                     | 124        | (265)     |
| Restricted cash                          | (124)      | 265       |
|  | \$ 4,455   | \$ 10,442 |

## 15. Related party transactions:

(a) The Authority is supported by numerous foundations and auxiliaries incorporated under the Society Act (British Columbia) and registered as charities under the Income Tax Act. The Authority has an economic interest in these foundations and auxiliaries, as their purpose is to raise funds in the communities to further the interests and objectives of the facilities they support within the Authority. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations and auxiliaries are related to the Authority by virtue of holding resources, which are to be used to produce revenue or provide services for the Authority. The net assets and results from operations of the foundations and auxiliaries are not included in the statements of the Authority due to the large number of organizations, and a lack of readily available financial information from these organizations. During the year, the foundations and auxiliaries granted \$2,523 (2008 – \$2,115) to various facilities within the Authority.

(b) The financial statements of Wrinch Memorial Hospital, an affiliated organization, are not consolidated with the Authority. The excess (deficiency) of revenues over expenses and net equity of Wrinch are as follows:

|                                      | 2009     | 2008     |
|--------------------------------------|----------|----------|
| Deficiency of revenues over expenses | \$ (263) | \$ (365) |
| Net assets (deficiency)              | \$ (391) | \$ (128) |

(c) The British Columbia Health Authorities Shared Services Organization is an initiative that was 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 Service Organization is governed by a Board of Directors consisting of the Chief Executive Officers of the six Health Authorities, the Chief Operating Officer of the Ministry of Health, and two external members.



# NORTHERN HEALTH AUTHORITY

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

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

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## 16. Financial instruments:

The Authority's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, long-term disability benefits, retirement allowance 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 the Authority's long-term debt approximates carrying value as the fixed rates of interest approximate interest rates for similar instruments at the financial statement date. The fair value of the accrued retirement allowance liability and long-term disability benefits are disclosed in note 8. 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 risk arising from these financial instruments.

As described in note 7, the Authority's long-term debt bears interest at fixed rates. Fluctuations in interest rates will not impact the cost of financing incurred for the duration of each mortgage agreement.

The Authority faces credit risk with respect to the collection of its accounts receivable. There is a concentration of credit risk from the collection of receivables from the Ministry of Health. Management does not perceive this concentration of credit risk to be significant based on the nature of the debtor and historical collection experience.

## 17. Capital management:

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

The Authority's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. 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. The Authority has complied with the external restrictions on the funding provided.