



Financial Statements of

NORTHERN HEALTH AUTHORITY

Year ended March 31, 2012

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the year ended March 31, 2012 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 at least two times a year.


The internal audit function independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee.

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 of the Board and meet with it on a regular basis.

On behalf of Northern Health Authority



Cathy Ulrich
President and Chief Executive Officer
June 18, 2012



Mark De Croos
Vice President, Finance and Chief Financial Officer
June 18, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Health Authority and the Minister of Health

We have audited the accompanying financial statements of Northern Health Authority (the "Authority") which comprise the statement of financial position as at March 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Prince George, Canada

June 18, 2012

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

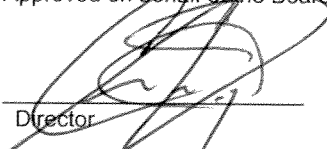
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 61,561	\$ 53,940
Short-term investments (note 2)	15,437	15,167
Accounts receivable (note 3)	46,600	42,412
Inventories of materials and supplies (note 4)	6,195	5,984
Prepaid expenses	2,309	1,401
	132,102	118,904
Capital assets (note 5)	712,558	636,165
	\$ 844,660	\$ 755,069

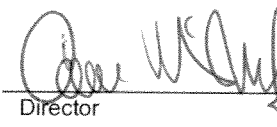
Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 99,639	\$ 91,883
Deferred operating contributions (note 7)	10,231	11,331
Current portion of long-term debt (note 8)	935	900
Current portion public-private partnership (note 9)	1,545	-
Current portion of accrued retirement allowance (note 10 (a))	2,975	2,781
	115,325	106,895
Long-term debt (note 8)	10,177	11,112
Long-term public-private partnership obligations (note 9)	21,360	-
Retirement allowance (note 10 (a))	29,189	29,060
Long-term disability benefits (note 10 (b))	562	611
Replacement reserves (note 11)	2,443	2,580
Deferred capital contributions (note 12)	681,252	621,177
	860,308	771,435
Net assets (deficiency):		
Invested in capital assets (note 13)	14,674	11,093
Unrestricted	(30,322)	(27,459)
	(15,648)	(16,366)
Commitments and contingencies (note 14)		
	\$ 844,660	\$ 755,069

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, 2012, with comparative information for 2011

	2012	2011
Revenues:		
Ministry of Health contributions	\$ 494,013	\$ 475,288
Medical Services Plan	74,151	68,708
Amortization of deferred capital contributions	46,387	38,547
Patients, clients and residents (note 16 (a))	31,525	28,486
Other contributions (note 16 (b))	15,174	14,865
Investment income	1,161	521
Other (note 16 (c))	28,631	26,954
	691,042	653,369
Expenses:		
Compensation and benefits	458,768	438,054
Supplies (note 16 (d))	67,845	68,112
Depreciation of capital assets	47,700	39,886
Referred-out and contracted services (note 16 (e))	43,899	34,562
Equipment and building services (note 16 (f))	41,983	38,298
Sundry (note 16 (g))	24,833	23,634
Distributions to affiliated organizations	4,855	4,713
Interest on long-term debt	441	464
	690,324	647,723
Excess of revenues over expenses	\$ 718	\$ 5,646

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

	Invested in capital assets	Unrestricted	2012	2011
Balance, beginning of year	\$ 11,093	\$ (27,459)	\$ (16,366)	\$ (22,012)
Excess of revenues over expenses	-	718	718	5,646
Amortization of internally funded capital assets (note 13 (b))	(1,313)	1,313	-	-
Disposal of capital assets	(7,425)	7,425	-	-
Transfer to invested in capital assets (note 13 (c))	11,419	(11,419)	-	-
Principal repayment of long-term debt	900	(900)	-	-
Balance, end of year	\$ 14,674	\$ (30,322)	\$ (15,648)	\$ (16,366)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

March 31, 2012, with comparative information for 2011

	2012	2011
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 718	\$ 5,646
Items not involving cash:		
Depreciation of capital assets	47,700	39,886
Amortization of deferred capital contributions	(46,387)	(38,547)
Retirement allowance expense (note 10 (a))	2,780	2,674
Long-term disability expense (note 10 (b))	24,357	23,028
Gain on disposal of capital assets	(260)	(14)
Net change in non-cash operating items (note 17 (a))	1,349	6,742
	30,257	39,415
Cash flows from investing activities:		
Net change in short-term investments	(270)	(15,167)
Purchase of capital assets (note 17 (b))	(108,613)	(140,669)
Proceeds from disposal of capital assets	7,685	416
	(101,198)	(155,420)
Cash flows from financing activities:		
Capital contributions	106,462	141,934
Retirement allowance contributions (note 10 (a))	(2,457)	(2,267)
Long-term disability contributions (note 10 (b))	(24,406)	(21,153)
Change in replacement reserves	(137)	(296)
Repayment of long-term debt	(900)	(1,694)
	78,562	116,524
Increase in cash and cash equivalents	7,621	519
Cash and cash equivalents, beginning of year	53,940	53,421
Cash and cash equivalents, end of year	\$ 61,561	\$ 53,940

Supplemental information (note 17)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

March 31, 2012, with comparative information for 2011

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 (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). 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 provides an extensive range of health services including:

- Inpatient hospital care
- Emergency services
- Outpatient diagnostics and treatments
- Residential care
- Community care
- Rehabilitation care
- Homecare and home support services
- Environmental health
- Public health including health promotion and protection
- Communicable diseases control
- Mental health and addiction services

1. Significant accounting policies

(a) Affiliated organizations:

Within the Authority area is one denominational health care organization – Wrinch Memorial Hospital ("Wrinch"), which was established under the *Hospital Act* to manage the delivery of health care services within the Hazelton region 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 grant revenues and funds transferred to Wrinch are recorded as expenses in the statement of operations, as distributions to affiliated organizations.

(b) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations ("NPO").

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 19) that support the activities of the Authority or other organizations that provide services under contracts with the Authority.

(c) Revenue recognition:

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

Under the *Hospital 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.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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 revenue 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.

(d) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(e) 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.

(f) Short-term investments:

Short-term investments with a term to maturity of more than three months at the date of purchase include Guaranteed Income Certificates and Bonds and are classified as cashable and recorded at fair value.

(g) Inventories of materials and supplies:

Inventories of materials and supplies are measured at the lower of average cost and replacement cost.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

1. Significant accounting policies (continued):

(h) 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:

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	3 – 10 years

(i) Capitalization of public-private partnership project:

The Authority's public-private partnership project (P3) is delivered by the private sector partner (ISL Health (FSJ) General Partnership) selected to design, build, finance, maintain and perform life cycle rehabilitation of the asset, which includes the new Fort St. John Hospital and Residential Care Facility. The cost of the asset is estimated at fair value, based on progress billings verified by an independent certifier, and also includes other costs incurred by the Authority. Included in the asset costs are development and financing fees estimated at fair value.

Upon substantial completion, the private sector partner will receive periodic payments to cover operating costs, financing costs and a return on capital costs.

(j) 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 (2011 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined disability benefit plan is 10 years (2011 - 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 pension plans and, accordingly, contributions are expensed.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

1. Significant accounting policies (continued):

(k) 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.

(l) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of 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 assumptions with respect to accrued employee benefits. Actual results could differ from these estimates.

(m) Financial instruments:

The Authority has designated all non-derivative financial assets and liabilities as available-for-sale 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 available-for-sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets or deferred capital contributions until the financial instruments are re-recognized or other than temporarily impaired, at which time the amounts are recorded in the statement of operations.
- Held to maturity investments, 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, accrued retirement allowance liabilities and long-term debt are recorded at amortized cost.
- All transaction costs incurred on held to maturity investments, loans, receivables, and other liabilities are incorporated in the initial fair value of the instrument and are amortized to operations using the effective interest rate method.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

1. Significant accounting policies (continued):

(m) Financial instruments (continued):

Derivative instruments to be recorded as either assets or liabilities are 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.

The Authority's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, long-term disability liabilities and assets, accounts payable and accrued liabilities, long-term debt, accrued retirement allowance liabilities and asset retirement obligations. The fair values of these instruments approximate their carrying values, except for the fair values of accrued retirement allowance liabilities and accrued long-term disability liabilities and assets, which are disclosed in note 10.

As described in note 8, 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 and from other government related entities. Management does not perceive this concentration of credit risk to be significant based on the nature of the debtor and historical collection experience.

It is management's opinion that the Authority is not exposed to significant currency risk.

The Authority has elected to defer applying Sections 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Authority has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(n) Future accounting framework:

Effective April 1, 2012, the Authority will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Authority is reviewing the impact of this change on the financial statements.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

2. Cash and cash equivalents and short-term investments:

Cash and cash equivalents and short-term investments are comprised of the following:

	2012	2011
Cash and cash equivalents	\$ 61,561	\$ 53,940
Short-term investments	15,437	15,167
	76,998	69,107
External cash restrictions:		
Deferred for future operating purposes (note 7)	\$ 10,231	\$ 11,331
Restricted for capital purposes	17,385	8,117
Restricted for replacement reserves	2,443	2,580
Restricted for patient comfort funds	154	141
Restricted for affiliate	20	40
	30,233	22,209
Unrestricted cash	46,765	46,898
Total cash and investments	\$ 76,998	\$ 69,107

The fair market value of cash equivalents and short-term investments approximates cost.

3. Accounts receivable:

	2012	2011
Medical Services Plan	\$ 9,528	\$ 7,699
Regional hospital districts	8,311	15,467
Patients, clients and residents	8,245	6,308
Ministry of Health	6,361	2,104
Other health authorities and BC government reporting entities	1,854	1,892
Federal and provincial commodity taxes	2,427	3,895
Foundations and auxiliaries	1,327	1,595
Other	9,018	3,958
	47,071	42,918
Allowance for doubtful accounts	(471)	(506)
	\$ 46,600	\$ 42,412

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

4. Inventories of materials and supplies:

Inventories of materials and supplies are comprised of:

	2012	2011
Pharmaceuticals	\$ 3,571	\$ 3,316
Supplies	2,624	2,668
	\$ 6,195	\$ 5,984

5. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Land	\$ 3,893	\$ -	\$ 3,893
Land improvements	5,113	4,453	660
Buildings	534,428	241,369	293,059
Building service equipment	25,729	12,520	13,209
Leasehold improvements	6,345	1,731	4,614
Equipment	357,278	251,133	106,145
Software license fees	9,403	2,102	7,301
Projects in progress	283,677	-	283,677
	\$ 1,225,866	\$ 513,308	\$ 712,558

2011	Cost	Accumulated amortization	Net book value
Land	\$ 3,894	\$ -	\$ 3,894
Land improvements	5,381	4,645	736
Buildings	534,731	220,958	313,773
Building service equipment	24,235	11,070	13,165
Leasehold improvements	5,558	1,525	4,033
Equipment	338,838	230,143	108,695
Software license fees	5,218	2,041	3,177
Projects in progress	188,692	-	188,692
	\$ 1,106,547	\$ 470,382	\$ 636,165

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

6. Accounts payable and accrued liabilities:

		2012		2011
Trade accounts payable and accrued liabilities	\$	55,863	\$	49,383
Accrued vacation payable		21,066		20,683
Salaries and benefits payable		20,830		20,776
Asset retirement obligation (note 14 (e))		1,880		1,041
	\$	99,639	\$	91,883

7. Deferred operating contributions:

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

		2012		2011
Deferred operating contributions, beginning of year	\$	11,331	\$	11,187
Add amounts received for specific purposes		5,146		3,934
Less amounts recognized as revenue in the year		(6,246)		(3,790)
Deferred operating contributions, end of year	\$	10,231	\$	11,331

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

8. Long-term debt:

	2012	2011
Mortgages payable to Canada Mortgage and Housing Corporation ("CMHC"), at interest rates varying from 1.020% to 10.375% payable in blended payments of \$ 86 per month, with maturity dates ranging to March 2029, secured by first charges on properties.	\$ 6,714	\$ 7,532
Mortgages payable to TD Canada Trust, at interest 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.	4,398	4,480
Long-term debt balance at year end	11,112	12,012
Current portion of long-term debt	(935)	(900)
Long-term portion of long-term debt	\$ 10,177	\$ 11,112

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

2013	\$	935
2014		967
2015		974
2016		922
2017		949
Thereafter		6,365
	\$	11,112

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

9. Public-private partnership obligations:

Project	Construction Completion Date	Interest Rate	Contract Term	Capital Obligations 2012	Capital Obligations 2011
Fort St. John Hospital and Residential Care Facility	2012/13	14.81%	30 years	\$ 21,360	\$ -
Less current portion				1,545	-
Long-term portion of public-private partnership				\$ 22,905	\$ -

10. Employee benefits:

(a) Retirement allowance:

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

The Authority's liabilities are based on an independent actuarial valuation performed as at the early measurement date December 31, 2009 and extrapolated to December 31, 2010 from which the service and interest cost components of expense for next fiscal year ended March 31, 2012 are derived; and an extrapolation of the valuation performed as at December 31, 2009 and extrapolated to December 21, 2011, from which March 31, 2012 accrued benefit obligations are derived. The next valuation will be as of December 31, 2012.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

10. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2012	2011
Accrued benefit obligation:		
Sick leave benefits	\$ 10,043	\$ 9,541
Severance benefits	16,217	15,355
Total unfunded obligation	26,260	24,896
Balance of unamortized amounts	5,904	6,945
Accrued retirement allowance benefits	32,164	31,841
Current portion of retirement allowance	(2,975)	(2,781)
Long-term portion	\$ 29,189	\$ 29,060
Retirement allowance expense	\$ 2,780	\$ 2,674
Retirement allowance contributions	\$ (2,457)	\$ (2,267)

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

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	5.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs of years ended March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

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

The Authority and all other participating employers are responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(i) Long-term disability benefits:

The Trust is a multi-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, 2011. The next required valuation will be as of December 31, 2012.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Information about long-term disability benefits is as follows:

	2012	2011
Accrued benefit obligation	\$ 55,012	\$ 58,861
Fair value of plan assets	40,609	35,320
Net unfunded obligation, December 31	14,403	23,541
Balance of unamortized amounts	(6,514)	(17,705)
Contributions to plan (January - March)	(7,327)	(5,225)
Accrued long-term disability benefits obligation	\$ 562	\$ 611
Long-term disability expense	\$ 24,357	\$ 23,028
Long-term disability plan contributions	\$ (24,406)	\$ (21,153)
Benefits paid	\$ (17,753)	\$ (18,554)

Plan assets consist of:

	2012	2011
Debt securities	55%	54%
Foreign equities	25%	25%
Canadian equities	20%	20%
Other	0%	1%
Total	100%	100%

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	3.70%	4.30%
Rate of benefit increase	2.00%	2.50%
Benefit cost for years ended March 31:		
Discount rate	4.30%	4.90%
Expected long-term rate of return on plan assets	5.50%	6.00%
Rate of benefit increase	2.50%	2.50%

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of \$24.3 million (2011 - \$23.0 million) were expensed during the year. The most recent actuarial valuation at December 31, 2011 indicated a surplus of \$30.8 million (2010 - \$17.3 million). The multi-employee plan covers approximately 86,000 active employees, of which approximately 5,000 are employees of the Authority. The next required valuation will be as of December 31, 2012.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

10. Employee benefits (continued):

(c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

The Authority's contributions to the Municipal Pension Plan of \$19.9 million (2011 - \$19.9 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 as at December 31, 2009 indicated an unfunded liability of \$1,024 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 173,000 active employees of which 5,899 are employees of the Authority. The next required valuation will be as of December 31, 2012.

The Authority's contributions to the Public Service Pension Plan of \$0.63 million (2011 - \$0.58 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, 2011 indicated a liability of \$275 million. The actuary does not attribute portions of the liability to individual employers. The plan covers approximately 52,000 active employees of which 106 are employees of the Authority. The next required valuation will be as of March 31, 2014.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

11. Replacement reserves:

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

The change in the replacement reserves is calculated as follows:

		2012		2011
Balance, beginning of the year	\$	2,580	\$	2,876
Provision for replacement reserves funding		126		120
Interest on replacement reserves		32		27
Expenditures		(152)		(141)
Discontinuation of reserves		(143)		(302)
Balance, end of the year	\$	2,443	\$	2,580

The replacement reserves by facility are as follows:

		2012		2011
Alward Place - Phase 1 - Prince George	\$	484	\$	500
Rainbow Intermediate Care Home - Prince George		430		425
Peace River Haven - Pouce Coupe		292		274
Laurier Manor - Prince George		290		261
Alward Place - Phase 2 - Prince George		226		219
McConnell Estates - Terrace		221		201
Parkside Intermediate Care Home - Prince George		160		154
Bulkley Lodge - Smithers		146		172
Terraceview Lodge - Terrace		142		197
Summit Residences - Prince Rupert		33		21
Heritage Manor - Fort St. John		12		10
Nick Grosse - Masset		7		3
North Peace Care Centre - Fort St. John		-		143
	\$	2,443	\$	2,580

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

12. 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 revenue in the Statement of Operations.

		2012		2011
Deferred capital contributions, beginning of year	\$	621,177	\$	517,790
Ministry of Health Services		68,577		79,128
Regional hospital districts		34,187		57,732
Foundations & auxiliaries		972		1,846
Other		2,726		3,228
		106,462		141,934
Amortization for the year		(46,387)		(38,547)
Deferred capital contributions, end of year	\$	681,252	\$	621,177

Deferred capital contributions are comprised of the following:

		2012		2011
Contributions used to purchase capital assets	\$	663,867	\$	613,060
Unspent contributions		17,385		8,117
	\$	681,252	\$	621,177

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

13. Invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2012	2011
Capital assets	\$ 712,558	\$ 636,165
Amounts financed by:		
Deferred capital contributions	(663,867)	(613,060)
Public-private partnership	(22,905)	-
Long-term debt	(11,112)	(12,012)
	\$ 14,674	\$ 11,093

(b) Amortization of internally funded capital:

	2012	2011
Amortization of deferred capital contributions	\$ 46,387	\$ 38,547
Depreciation of capital assets	(47,700)	(39,886)
	\$ (1,313)	\$ (1,339)

(c) Transfer to invested in capital assets:

	2012	2011
Purchase of capital assets	\$ 131,518	\$ 140,669
Amounts funded by deferred capital contributions	(97,194)	(137,064)
Amounts funded by public-private partnership	(22,905)	-
	\$ 11,419	\$ 3,605

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

14. Commitments and contingencies:

(a) Operating leases:

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

Year ended March 31	Total Future Obligations
2013	\$ 5,836
2014	5,535
2015	4,172
2016	2,523
2017	1,129
Thereafter	6,848
	\$ 26,043

(b) Public-private partnership commitments:

The Authority has entered into a multiple-year public-private partnership contract with ISL Health (FSJ) General Partnership ("P3 Partner") to design, build, finance and maintain the Fort St. John Hospital and Residential Care Project, expiring May 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 life cycle capital maintenance, hard facility maintenance costs and P3 costs. As construction proceeds, the asset value is recorded as projects in progress and reported in the Authority's Statement of Financial Position and disclosed in note 5. Payments to the P3 partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

Payments to the P3 partner are as follows :

Year ended March 31	Total Future Obligations
2013	\$ 9,083
2014	9,019
2015	9,372
2016	9,717
2017	10,102
Thereafter	356,907
	\$ 404,200

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

14. Commitments and contingencies (continued):

(c) 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, 2012, 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.

(d) 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.

(e) Asset retirement obligation:

The Authority has recorded asset retirement obligations of \$1,880 (2011 - \$1,041) representing the fair value of the cost of asbestos removal from buildings at its sites.

The Authority has also identified significant asset retirement obligations relating to asbestos removal in several of its other 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.

(f) Resident trust:

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

15. Capital management:

The Authority defines capital as net assets, long-term debt and deferred capital contributions. The Authority receives the majority of these operating and capital funds from the Ministry.

The Authority's objective when managing capital is to meet its current Service Plan initiatives with the current funding available from the Ministry and other sources. The Service Plan outlines the current and long-term operating and capital initiatives of the Authority. The Authority manages its capital structure in conjunction with the Ministry and makes adjustments to its Service Plan and related budgets based on available government funding. Currently, the Authority's strategy is to monitor expenditures to obtain efficiencies and to advance standardization and integration.

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.

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

16. Statement of operations:

(a) Patients, clients and residents:

		2012		2011
Residents of BC-self pay	\$	17,413	\$	15,406
Non-residents of BC		6,391		6,009
WorkSafe BC		5,139		4,366
Federal government		694		771
Non-residents of Canada		537		624
Uninsured residents		479		350
Other		872		960
	\$	31,525	\$	28,486

(b) Other contributions:

		2012		2011
Provincial Health Services Authority	\$	6,767	\$	5,841
Other ministries		3,898		5,334
Other		4,509		3,690
	\$	15,174	\$	14,865

(c) Other revenue:

		2012		2011
Recoveries from other health authorities and BC government reporting entities	\$	14,998	\$	13,874
Other services		4,893		1,909
Compensation recoveries		2,932		2,964
Material recoveries		1,476		1,512
Other		4,332		6,695
	\$	28,631	\$	26,954

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

16. Statement of operations (continued):

(d) Supplies:

		2012		2011
Drugs and medical gases	\$	22,577	\$	20,314
Medical and surgical		18,590		21,459
Diagnostic		7,939		7,696
Food and dietary		7,069		6,445
Laundry and linen		2,922		2,025
Printing, stationery and office		1,601		1,497
Housekeeping		1,257		868
Other		5,890		7,808
	\$	67,845	\$	68,112

(e) Referred-out and contracted services:

		2012		2011
Residential care	\$	11,880	\$	10,906
Public and preventative health		6,599		5,632
Mental health		6,213		7,049
Community care		5,354		4,381
Procurement and supply chain services		6,850		2,083
Patient transportation services		4,332		3,343
Other		2,671		1,168
	\$	43,899	\$	34,562

(f) Equipment and building services:

		2012		2011
Equipment expenses	\$	18,159	\$	16,970
Rent		9,315		9,755
Plant operation utilities		8,524		8,415
Service contracts		2,796		2,760
Other		3,189		398
	\$	41,983	\$	38,298

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

16. Statement of operations (continued):

(g) Sundry:

	2012	2011
Travel and accommodation	\$ 5,434	\$ 5,641
Professional fees	3,917	3,408
Communication and data processing	3,253	3,056
Patient transport	2,104	1,912
Other	10,125	9,617
	\$ 24,833	\$ 23,634

17. Statement of cash flows:

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

	2012	2011
Accounts receivable	\$ (4,188)	\$ (11,684)
Inventories of materials and supplies	(211)	1,104
Prepaid expenses	(908)	703
Accounts payable and accrued liabilities	7,756	16,475
Deferred operating contributions	(1,100)	144
	\$ 1,349	\$ 6,742

(b) Purchase of capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of capital assets on the statement of cash flows.

	2012	2011
Purchase of capital assets (note 13 (c))	\$ 131,518	\$ 140,669
Assets acquired through public-private partnership	(22,905)	-
	\$ 108,613	\$ 140,669
Supplementary information:		
Interest paid	\$ 441	\$ 464
Interest received	\$ 901	\$ 521

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

18. Related parties:

The Authority is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The financial statements include transactions with the related parties mentioned above in the following amounts:

	2012	2011
Revenue:		
Ministry of Health contributions	\$ 494,012	\$ 475,274
Medical Services Plan	71,675	66,724
Other contributions	12,325	11,985
Patients, clients and residents	17,413	6,009
Pharmacare	164	125
Other	18,521	17,220
	\$ 614,110	\$ 577,337
Expenses:		
Referred-out and contracted services	\$ 11,152	\$ 10,427
Other	29,078	23,693
	\$ 40,230	\$ 34,120
Accounts receivable:		
Medical Services Plan	\$ 10,569	\$ 7,699
Ministry of Health	5,320	2,105
Other health authorities and BC government reporting entities	1,855	1,892
	\$ 17,744	\$ 11,696
Accounts payable and accrued liabilities	\$ 1,594	\$ 6,624
Deferred operating contributions	\$ 3,670	\$ 3,471
Deferred capital contributions	\$ 489,284	\$ 454,116

NORTHERN HEALTH AUTHORITY

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

March 31, 2012, with comparative information for 2011

19. Foundations and auxiliaries:

The Authority is supported by numerous foundations and auxiliaries 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. During the year, the foundations and auxiliaries granted \$3,375 (2011 - \$2,971) to various facilities within the Authority.

20. Comparative figures:

Certain comparative information has been reclassified to conform with the current year's financial statement presentation.