

Financial Statements
(Expressed in thousands of dollars)

**FORENSIC PSYCHIATRIC
SERVICES COMMISSION**

Years ended March 31, 2006 and 2005



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AUDITORS' REPORT TO THE BOARD OF COMMISSIONERS OF FORENSIC PSYCHIATRIC SERVICES COMMISSION

We have audited the statement of financial position of Forensic Psychiatric Services Commission as at March 31, 2006 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 Commission'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 Commission as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

May 5, 2006

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 220	\$ 87
Restricted cash	88	62
Accounts receivable (note 3)	12,753	11,312
Inventory	74	69
Prepaid expenses	-	1
	<u>13,135</u>	<u>11,531</u>
Capital assets, net (notes 4 and 10)	1,858	1,769
	<u>\$ 14,993</u>	<u>\$ 13,300</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 6,024	\$ 5,992
Accrued sick and severance liabilities (note 6(a))	1,453	1,384
Other long-term liabilities (note 10)	246	-
Deferred capital contributions (note 7)	1,246	1,313
	<u>8,969</u>	<u>8,689</u>
Net assets:		
Invested in capital assets (note 8(a))	612	456
Unrestricted	5,412	4,155
	<u>6,024</u>	<u>4,611</u>
	<u>\$ 14,993</u>	<u>\$ 13,300</u>

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Commission:


Commissioner


Commissioner

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Operations
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

	2006	2005
Revenue:		
Provincial Health Services Authority operating grants	\$ 49,557	\$ 48,521
Patient/client revenue	3	-
Medical Services Commission	4,038	4,207
Other	108	137
	<u>53,706</u>	<u>52,865</u>
Expenses:		
Compensation and benefits	35,342	34,459
Supplies	2,150	2,172
Sundry	1,764	1,521
Equipment and building services	8,325	8,153
Referred out/contracted services	4,623	5,427
	<u>52,204</u>	<u>51,732</u>
Excess of revenue over expenses before amounts related to capital assets	1,502	1,133
Amounts related to capital assets:		
Amortization of deferred capital contributions	168	137
Amortization of capital assets	(257)	(176)
	<u>(89)</u>	<u>(39)</u>
Excess of revenue over expenses	<u>\$ 1,413</u>	<u>\$ 1,094</u>

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Changes in Net Assets
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

	Invested in capital assets	Unrestricted	Total	
			2006	2005
Balance, beginning of year	\$ 456	\$ 4,155	\$ 4,611	\$ 3,517
Excess (deficiency) of revenue over expenses	(89)	1,502	1,413	1,094
Net change in capital assets (note (8(c)))	245	(245)	-	-
Balance, end of year	\$ 612	\$ 5,412	\$ 6,024	\$ 4,611

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Cash Flows
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,413	\$ 1,094
Items not involving cash:		
Amortization of capital assets	257	176
Amortization of deferred capital contributions	(168)	(137)
	1,502	1,133
Changes in non-cash operating items (note 13)	(1,370)	(1,820)
	132	(687)
Investments:		
Additions to capital assets (notes 8(c) and 10)	(346)	(181)
Net book value of capital assets transferred to PHSA	-	215
	(346)	34
Financing:		
Additions to deferred capital contributions	101	181
Additions to other long-term liabilities (note 10)	246	-
Unamortized deferred capital contributions relating to assets transferred to PHSA	-	(176)
	347	5
Increase (decrease) in cash	133	(648)
Cash, beginning of year	87	735
Cash, end of year	\$ 220	\$ 87

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

1. Operations:

The Forensic Psychiatric Services Commission (the "Commission") was established as a Crown Corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health Services on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority ("PHSA") which was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province-wide health care programs and services. The following members are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Drug and Poison Information Centre;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Children's & Women's Health Centre of British Columbia Branch;
- Women's Health and Research Institute; and
- Red Cross Outpost Hospitals (until December 15, 2005)

Effective December 31, 2001, the above noted branch societies except for the Women's Health and Research Institute were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Commission is considered a continuation of the former Commission for financial reporting purposes.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder. The Commission is dependent on the Ministry of Health Services, through the PHSA, to provide sufficient funding to continue operations, replace equipment and complete capital projects.

The Commission is exempt from federal and provincial income and capital taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives of capital assets, the fair value of the asset retirement obligations and the estimation of amounts which may become payable to retiring employees.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

2. Significant accounting policies (continued):

(b) Revenue recognition:

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

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not yet received at the end of the year are accrued. Where a portion of a grant relates to future years, it is deferred and recognized in the subsequent year.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted investment income is recognized as revenue when earned.

(c) Inventory:

Inventory is recorded at the lower of weighted average cost and market value.

(d) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the assets' estimated useful lives at the following rates:

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 - 10 years

(e) Employee future benefits:

Liabilities are recorded for employee sick and severance benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations for employee sick and severance benefits 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). 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 is 10 years (2005 – 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 multiemployer defined benefit plans and, accordingly, contributions are expensed.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

2. Significant accounting policies (continued):

(f) Asset retirement obligations:

The Commission recognizes an asset retirement obligation liability 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 at the end of each period to reflect the passage of time and changes in the initial fair value assessment of the retirement obligation.

3. Accounts receivable:

	2006	2005
Provincial Health Services Authority	\$ 11,519	\$ 10,226
Medical Services Commission	1,141	1,064
Other	93	22
	\$ 12,753	\$ 11,312

4. Capital assets:

2006	Cost	Accumulated amortization	Net book value
Leased buildings (note 10)	\$ 2,105	\$ 603	\$ 1,502
Equipment	2,303	1,990	313
Construction in Progress	43	-	43
	\$ 4,451	\$ 2,593	\$ 1,858

2005	Cost	Accumulated amortization	Net book value
Leased buildings	\$ 1,887	\$ 430	\$ 1,457
Equipment	2,241	1,929	312
	\$ 4,128	\$ 2,359	\$ 1,769

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

5. Accounts payable and accrued liabilities:

	2006	2005
Trade accounts payable and accrued liabilities	\$ 1,877	\$ 2,408
Accrued salaries and benefits payable	2,522	1,970
Accrued vacation payable	1,370	1,376
Patient trust funds	88	62
Current portion of accrued sick and severance liabilities (note 6(a))	167	176
	\$ 6,024	\$ 5,992

6. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with twenty years of service who have 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 Commission's liabilities are based on an actuarial valuation as at December 31, 2003, updated to March 31, 2006. The next required valuation will be as of December 31, 2006.

Information about the employee sick and severance benefits is as follows:

	2006	2005
Accrued benefit obligation:		
Sick leave benefits	\$ 25	\$ 25
Severance benefits	1,471	1,426
Total unfunded obligation	1,496	1,451
Balance of unamortized amounts	124	109
Accrued sick and severance liabilities	1,620	1,560
Current portion of sick and severance liabilities	167	176
Long-term portion of sick and severance liabilities	\$ 1,453	\$ 1,384
Sick and severance plan expense	\$ 168	\$ 172
Benefit paid	108	70

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
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Years ended March 31, 2006 and 2005

6. Employee benefits (continued):

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

The significant actuarial assumptions adopted in measuring the Commission's accrued sick and severance liabilities are as follows:

	2006	2005
Accrued benefit obligation as at March 31:		
Discount rate	5.00%	5.50%
Rate of compensation increase	3.25%	3.25%
Benefit costs for the years ended March 31:		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%

(b) Employee pension benefits:

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

Employer contributions to the Public Service Pension Plan of \$1,465 (2005 - \$1,510) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767,000. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 51,000 active employees of which approximately 408 are employees of the Commission. The next required valuation will be as of March 31, 2008.

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts of grants and donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2006	2005
Deferred capital contributions, beginning of year	\$ 1,313	\$ 1,445
Additional contributions received:		
Ministry of Health Services	101	181
	1,414	1,626
Less:		
Unamortized deferred capital contribution relating to assets transferred to PHSA	-	176
Amount amortized to revenue	168	137
	168	313
Deferred capital contributions, end of year	\$ 1,246	\$ 1,313

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
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Years ended March 31, 2006 and 2005

8. Invested in capital assets:

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

	2006	2005
Capital assets	\$ 1,858	\$ 1,769
Amount financed by deferred capital contributions	(1,246)	(1,313)
	\$ 612	\$ 456

(b) The deficiency of revenue over expenses related to capital assets is calculated as follows:

	2006	2005
Amortization of deferred capital contributions	\$ 168	\$ 137
Amortization of capital assets	(257)	(176)
	\$ (89)	\$ (39)

(c) The net change in the amount invested in capital assets for the year is calculated as follows:

	2006	2005
Purchase of capital assets	\$ 100	\$ 181
Asset retirement obligations (note 10)	246	-
Net book value of capital assets transferred to PHSA	-	(215)
	346	(34)
Amount funded by deferred capital contributions	(101)	(181)
Unamortized deferred capital contributions relating to assets transferred to PHSA	-	176
	(101)	(5)
	\$ 245	\$ (39)

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

9. Commitments and contingencies:

(a) Operating Lease commitments:

The Commission leases premises and equipment under operating leases. Minimum lease payments for each of the next five years and in total are as follows:

Year ending March 31,	
2007	\$ 7,772
2008	477
2009	368
2010	254
2011	104
	<hr/>
	\$ 8,975

The Commission leases land and buildings under an operating lease with the British Columbia Buildings Corporation ("BCBC"). Lease payments are for base rent, operating expenses and maintenance costs. The terms and conditions are negotiated annually. Included in the above amounts is \$7,704 for lease payments to BCBC for the year ending March 31, 2007.

(b) Legal contingencies:

In the ordinary course of the Commission's activities and the nature these activities, there is potential or pending litigation at any given time. As at March 31, 2006, management believes the Commission has valid defenses and appropriate insurance coverage in place for all unsettled claims. Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Commission's financial position.

10. Asset retirement obligations:

The Commission has accrued asset retirement obligations of \$246 representing the fair value of the legal obligations related to leased premises. The settlement of these obligations will occur at the expiry of the leases. The fair value of the legal obligations was determined by discounting the estimated cash outflows of \$294 over the respective lease terms at a risk free rate of 4.06%. The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
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Years ended March 31, 2006 and 2005

11. Financial instruments:

The Commission's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance liabilities, and other long-term liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of accrued sick and severance liabilities which is disclosed in note 6(a).

12. Related party transactions:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by the PHSA without charge. The costs of these services have not been recorded in the financial statements of the Commission.

During the year, the Commission was involved in the following related party transactions with the other PHSA members listed in note 1:

For the year ended March 31, 2006, revenue include \$167 (2005 - \$282) and expenses include \$1,429 (2005 - \$2,328) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

13. Cash flow supplementary information:

	2006	2005
Changes in non-cash operating items:		
Restricted cash	\$ (26)	\$ (8)
Accounts receivable	(1,441)	(2,012)
Inventory	(5)	11
Prepaid expenses	1	47
Accounts payable and accrued liabilities	32	126
Accrued sick and severance liabilities	69	16
	\$ (1,370)	\$ (1,820)