



Financial Statements of

# **NORTHERN HEALTH AUTHORITY**

Years ended March 31, 2013 and 2012

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the years ended March 31, 2013 and 2012 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. 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.

The Authority's 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 and the option to meet with it on a regular basis.

On behalf of Northern Health Authority



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Cathy Ulrich  
President and Chief Executive Officer  
June 17, 2013



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Mark De Croos  
Vice President, Financial & Corporate Services/Chief Financial Officer  
June 17, 2013



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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, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and accumulated deficit, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 of Northern Health Authority as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provision of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.



### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Accountants  
Prince George, Canada  
June 17, 2013

# NORTHERN HEALTH AUTHORITY

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

As at March 31, 2013, March 31, 2012 and April 1, 2011


	March 31, 2013	March 31, 2012	April 1, 2011
		(note 2)	(note 2)
<b>Financial assets</b>			
Cash and cash equivalents (note 3)	\$ 46,660	\$ 61,561	\$ 53,940
Portfolio investments (note 3)	15,811	15,437	15,167
Accounts receivable (note 4)	44,261	46,600	42,412
	106,732	123,598	111,519
<b>Liabilities</b>			
Accounts payable and accrued liabilities (note 5)	82,699	99,639	91,883
Deferred operating contributions (note 6)	15,131	10,231	11,331
Obligations under public-private partnership (note 8(a))	31,507	22,905	-
Debt (note 8(b))	9,398	11,112	12,012
Retirement allowance (note 9(a))	32,675	31,539	30,734
Long-term disability benefits (note 9(b)(i))	4,439	8,984	19,443
Replacement reserves (note 10)	2,332	2,443	2,580
Deferred capital contributions (note 11)	656,478	681,252	621,177
	834,659	868,105	789,160
<b>Net debt</b>	\$ (727,927)	\$ (744,507)	\$ (677,641)
<b>Non-financial assets</b>			
Tangible capital assets (note 12)	704,847	712,558	636,165
Inventories held for use (note 13)	6,044	6,195	5,984
Prepaid expenses	2,376	2,309	1,401
	713,267	721,062	643,550
<b>Accumulated deficit</b> (note 2(b))	\$ (14,660)	\$ (23,445)	\$ (34,091)

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# NORTHERN HEALTH AUTHORITY

Statement of Operations and Accumulated Deficit  
(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

	Budget	2013	2012
	(note 1(l), 19)		(note 2)
Revenues:			
Ministry of Health contributions	\$ 526,806	\$ 530,009	\$ 494,013
Medical Services Plan	75,493	71,494	74,151
Amortization of deferred capital contributions (note 11)	51,753	55,999	46,387
Patients, clients and residents (note 15(a))	29,133	33,056	31,525
Other contributions (note 15(b))	14,246	13,279	15,174
Investment income	800	820	1,161
Other (note 15(c))	25,767	29,166	28,631
	<u>723,998</u>	<u>733,823</u>	<u>691,042</u>
Expenses (note 15(d)):			
Acute	424,318	430,842	397,355
Residential care	94,368	95,852	91,671
Mental health & substance use	54,255	50,574	48,002
Community care	52,564	49,201	44,770
Population health & wellness	37,836	37,205	36,464
Corporate	60,657	61,364	62,134
	<u>723,998</u>	<u>725,038</u>	<u>680,396</u>
Annual operating surplus	\$ -	\$ 8,785	\$ 10,646
Accumulated deficit, beginning of year		(23,445)	(34,091)
Accumulated deficit, end of year		<u>\$ (14,660)</u>	<u>\$ (23,445)</u>

See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

Statement of Change in Net Debt  
(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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	Budget	2013	2012
	(note 1(l))		
Annual operating surplus	\$ -	\$ 8,785	\$ 10,646
Acquisition of tangible capital assets (note 12)	(70,460)	(50,304)	(131,519)
Proceeds from disposal of tangible capital assets	-	-	7,686
Amortization of tangible capital assets (note 12)	50,183	58,015	47,700
Gain on disposal of tangible capital assets	-	-	(260)
	(20,277)	16,496	(65,747)
Acquisition of inventories held for use	-	151	(211)
Acquisition of prepaid expenses	-	(67)	(908)
	-	84	(1,119)
Decrease (increase) in net debt	(20,277)	16,580	(66,866)
Net debt, beginning of year	(744,507)	(744,507)	(677,641)
Net debt, end of year	\$ (764,784)	\$ (727,927)	\$ (744,507)

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See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

## Statements of Cash Flows

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

	2013	2012
		(note 2)
Cash flows from (used in) operating activities:		
Annual operating surplus	\$ 8,785	\$ 10,646
Items not involving cash:		
Amortization of deferred capital contributions (note 11)	(55,999)	(46,387)
Amortization of tangible capital assets (note 12)	58,015	47,700
Gain on disposal of tangible capital assets	-	(260)
Retirement allowance expense (note 9(a))	4,054	3,262
Long-term disability benefits expense (note 9(b))	20,974	13,947
	35,829	28,908
Net change in non-cash operating items (note 16(a))	(9,617)	1,349
Net change in cash from operating activities	26,212	30,257
Capital activities:		
Proceeds from disposal of tangible capital assets	-	7,686
Acquisition of tangible capital assets (note 16(b))	(50,304)	(131,519)
Net change in cash from capital activities	(50,304)	(123,833)
Investing activities:		
Purchase of portfolio investments	(374)	(270)
Net change in cash from investing activities	(374)	(270)
Financing activities:		
Retirement allowance benefits paid (note 9(a))	(2,918)	(2,457)
Long-term disability benefits contributions (note 9(b))	(25,519)	(24,406)
Change in replacement reserves	(111)	(137)
Change in obligations under public-private partnership	8,602	22,905
Repayment of debt	(1,714)	(900)
Capital contributions (note 11)	31,225	106,462
Net change in cash from financing activities	9,565	101,467
(Decrease) increase in cash and cash equivalents	(14,901)	7,621
Cash and cash equivalents, beginning of year	61,561	53,940
Cash and cash equivalents, end of year	\$ 46,660	\$ 61,561

Supplementary cash flow information (note 16 (c))

See accompanying notes to financial statements.



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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

## 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.

### (b) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board, referred to as the financial reporting framework ("the framework").

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting (continued):

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Institute of Chartered Accountants ("CICA") Public Sector Accounting Board ("PSAB"), without any CICA Handbook – PSAS ("PS") 4200 series, from their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

### (d) Portfolio investments:

Portfolio investments include guaranteed income certificates and bonds and are recorded at fair value, which approximates cost, adjusted for any write-downs. Transaction costs are recorded using the effective interest rate method.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

### (e) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

Obligations which can be reasonably estimated are measured at the best estimate of the future cash flows required to settle the liabilities, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Authority reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

### (f) Employee benefits:

#### (i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits 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). Plan assets are measured at fair value.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (f) Employee benefits (continued):

The discount rate used to measure obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented. Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

### (ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

### (iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees that accumulate but do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

### (iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Authority to pay benefits occurs.

### (g) Non-financial assets:

#### (i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (g) Non-financial assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Land improvements	5 - 25 years
Buildings	10 - 50 years
Buildings service equipment	5 - 25 years
Equipment and information systems	3 - 20 years
Leasehold improvements	5 - 40 years
Software license fees	3 - 10 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

### (ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

### (iii) Prepaid expenses

Prepays are recorded at cost and amortized over the period where the service benefits are received.

### (h) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* 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.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (h) Revenue recognition (continued):

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(b).

Volunteers contribute a significant amount of their 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.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

### (i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, fair value of designated financial instruments, including derivatives and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

### (j) Financial instruments:

The Authority has implemented PS section 3450 *Financial Instruments* as at April 1, 2012 and the section has been applied on a prospective basis. For the year ended March 31, 2012, the Authority applied the financial instrument disclosure and presentation standards in accordance with CICA Handbook Section 3861.

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Upon inception and subsequent to initial recognition, equity instruments quoted in an active market and any designated financial instruments are measured at fair value.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (j) Financial instruments (continued):

All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligation for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measures the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risk of the contract itself. Contracts to buy or sell non-financial items for the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

### (k) Capitalization of public-private partnership projects:

The Authority's public-private partnership ("P3") project was delivered by the private sector partner (ISL Health (FSJ) General Partnership) who designed, built, financed and will maintain and perform life cycle rehabilitation of the asset, which includes the new Fort St. John Hospital and Peace Villa.

The asset cost included development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. The completed facility is being amortized over the next 40 years.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 1. Significant accounting policies (continued):

### (k) Capitalization of public-private partnership projects (continued):

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in debt. The obligation will be met via the monthly payments over the term of the project agreement.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners' operating costs, financing costs and a return of their capital.

### (l) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2012/2013 Budget approved by the Board of Directors on April 16, 2013. Note 19 reconciles the approved budget to the budget reflected in the statement of operations and accumulated operating deficit and the statement of changes in net debt.

### (m) Future accounting standards:

In June 2010, PSAB issued PS 3260, *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage.
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

Management is assessing the impact of PS 3260, which will be adopted for the fiscal year ending March 31, 2015.



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 2. Adoption of new accounting framework:

Effective April 1, 2012, the Authority has adopted the framework described in note 1(b). These financial statements are the first financial statements for which the Authority has applied the framework. Previously, the Authority's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Part V Canadian GAAP").

Subject to certain transitional elections disclosed below and the adoption of PS 3450 (note 1(j)), *Financial Instruments*, the Authority has consistently applied the same accounting policies in its statement of financial position as at April 1, 2011, the date of transition to the framework, and throughout as if these policies had always been in effect.

The impact of the conversion to the framework on the accumulated operating deficit at the date on transition and the comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the exemptions from retroactive application described below.

(a) The Authority has elected to use the following exemptions allowed upon first-time adoption:

(i) Retirement and post-employment benefits – change in discount rate applied:

The Authority has elected to defer application of PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011.

(ii) Retirement and post-employment benefits – amortization of actuarial gains and losses:

Under Part V Canadian GAAP, the Authority used the "corridor" method of amortization of actuarial gains and losses, under which such gains or losses in excess of 10% of greater of net plan assets or liabilities at the beginning of the period were deferred and amortized over the expected average remaining service lifetime of active employees. Under PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*, the Authority defers and amortizes any amount of actuarial gains and losses on retirement benefits plans, as such benefits are not event-driven. On event-driven employee benefits (long-term disability benefits), the Authority elected to recognize the actuarial gains and losses when they arise.

(iii) Tangible capital asset impairment:

The Authority has elected to apply the exemption and consider the conditions for write-down on tangible capital assets on a prospective basis from the date of transition. As a result, no previously recognized write-downs of tangible capital assets were reversed.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 2. Adoption of new accounting framework (continued):

The impact of the conversion to the framework is presented below.

### (b) Statements of financial position:

	March 31, 2012			
	Part V Canadian GAAP	Prior year adjustments	Current year adjustments	New accounting framework
<b>Financial liabilities</b>				
Retirement allowance	\$ 32,164	\$ (1,107)	\$ 482	\$ 31,539
Long-term disability benefits	562	18,832	(10,410)	8,984
<b>Accumulated operating deficit</b>	<b>\$ (15,648)</b>	<b>\$ (17,725)</b>	<b>\$ 9,928</b>	<b>\$ (23,445)</b>

	April 1, 2011		
	Part V Canadian GAAP	Adjustments	New accounting framework
<b>Financial liabilities</b>			
Retirement allowance	\$ 31,841	\$ (1,107)	\$ 30,734
Long-term disability benefits	611	18,832	19,443
<b>Accumulated operating deficit</b>	<b>\$ (16,366)</b>	<b>\$ (17,725)</b>	<b>\$ (34,091)</b>

### (c) Statement of operations:

	March 31, 2012			
	Part V Canadian GAAP	Adjustments	Reclassified	New accounting framework
Expenses:				
Compensation and benefits	\$ 458,768	\$ -	\$ (458,768)	\$ -
Referred out and contracted services	43,899	-	(43,899)	-
Supplies	67,845	-	(67,845)	-
Depreciation of capital assets	47,700	-	(47,700)	-
Sundry	24,833	-	(24,833)	-
Equipment and building services	41,983	-	(41,983)	-
Distributions to affiliated organizations	4,855	-	(4,855)	-
Interest on long-term debt	441	-	(441)	-
Acute	-	(5,798)	403,153	397,355
Residential care	-	(1,338)	93,009	91,671
Mental health & substance use	-	(700)	48,702	48,002
Community care	-	(653)	45,423	44,770
Population health & wellness	-	(532)	36,996	36,464
Corporate	-	(907)	63,041	62,134
<b>Total</b>	<b>\$ 690,324</b>	<b>\$ (9,928)</b>	<b>\$ -</b>	<b>\$ 680,396</b>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 2. Adoption of new accounting framework (continued):

(d) Statement of cash flows:

	March 31, 2012		
	Part V Canadian GAAP	Adjustments	New Accounting Framework
Retirement allowance expense	\$ 2,780	\$ 482	\$ 3,262
Long-term disability benefits expense	24,357	(10,410)	13,947

The adoption of the new financial reporting framework has had no impact on the net cash flows of the Authority. Interest income and interest expense are now separately presented as part of cash flows from operations. The framework requires separate presentation of cash flows from tangible capital assets, which were previously presented as part of investing activities.

(e) Transitional adjustments to new accounting framework:

Key adjustments on the Authority's financial statements resulting from the adoption of the framework are as follows:

- (i) Previously, the Authority was not required to record an accrued benefit obligation related to sick leave benefits that do not vest. The new financial reporting framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Authority in return for the benefits.
- (ii) As noted in note 2(a)(ii), the Authority has recalculated all employee benefit provisions in accordance with PS 3250, Retirement benefits, and PS 3255, Post-Employment Benefits, Compensated Absences and Termination Benefits. Accordingly, cumulative actuarial losses of \$17,725 were recognized directly into accumulated operating deficit at April 1, 2011.

# NORTHERN HEALTH AUTHORITY

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### 3. Cash and cash equivalents and portfolio investments:

	2013	2012	2011
Cash and cash equivalents	\$ 46,660	\$ 61,561	\$ 53,940
Portfolio investments	15,811	15,437	15,167
	62,471	76,998	69,107
Amounts restricted for future operating purposes (note 6)	15,131	10,231	11,331
Amounts restricted for capital purposes (note 11)	12,278	17,385	8,117
Amounts restricted for replacement reserves (note 10)	2,332	2,443	2,580
Amounts restricted for Affiliate	215	38	40
Amounts restricted for patient comfort funds	177	154	141
	30,133	30,251	22,209
Unrestricted cash and cash equivalents and portfolio investments	32,338	46,747	46,898
Total cash and investments	\$ 62,471	\$ 76,998	\$ 69,107

### 4. Accounts receivable:

	2013	2012	2011
Medical Services Plan	\$ 9,611	\$ 9,528	\$ 7,699
Federal government	7,180	1,305	2,002
Ministry of Health	6,874	6,361	2,104
Patient fees	6,829	8,245	6,308
Regional Hospital Districts	4,910	8,311	15,467
Other health authorities and BC government reporting entities	3,984	1,854	1,892
Trade and other	3,080	9,018	3,958
Hospital foundations and auxiliaries	2,503	1,327	1,595
Provincial government	-	1,122	1,893
	44,971	47,071	42,918
Allowance for doubtful accounts (note 18(a))	(710)	(471)	(506)
	\$ 44,261	\$ 46,600	\$ 42,412

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

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Years ended March 31, 2013, and 2012

## 5. Accounts payable and accrued liabilities:

	2013	2012	2011
Trade accounts payable and accrued liabilities	\$ 38,106	\$ 53,350	\$ 49,383
Accrued vacation pay	20,259	21,935	20,776
Salaries and benefits payable	23,190	22,474	20,683
Asset retirement obligation (note 7)	1,144	1,880	1,041
	\$ 82,699	\$ 99,639	\$ 91,883

## 6. Deferred operating contributions:

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

	2013	2012	2011
Deferred operating contributions, beginning of year	\$ 10,231	\$ 11,331	\$ 11,187
Contributions received during the year	8,836	5,146	3,934
Amounts recognized as revenue in the year	(3,936)	(6,246)	(3,790)
Deferred operating contributions, end of year	\$ 15,131	\$ 10,231	\$ 11,331

## 7. Asset retirement obligations:

The Authority has recorded asset retirement obligation of \$1,144 (2012 - \$1,880, 2011 - \$1,041) representing the fair value of the cost of asbestos removal from buildings at its sites. This amount is included in accounts payable and accrued liabilities.

The Authority has not accrued asset retirement obligations for buildings that were previously acquired and may contain asbestos that require special handling procedures when there are no current plans for significant renovation. As such, the value of the retirement obligations cannot be reasonably estimated until there is a determinate settlement date for the major renovation or demolition of the buildings. These asset retirement obligations will be recognized as a liability in the period when their value can be estimated.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

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## 8. Debt:

(a) Public-private partnership obligations:

Project	Construction Completion Date	Interest Rate	Contract Term	Capital Obligations 2013	Capital Obligations 2012	Capital Obligations 2011
Fort St. John Hospital and Peace Villa	2012/13	14.81%	30 years	\$ 31,507	\$ 22,905	\$ -
Public-private partnership obligation				\$ 31,507	\$ 22,905	\$ -

Required principal payments on the public-private partnership obligation are as follows:

2014	41
2015	190
2016	188
2017	110
2018	-
Thereafter	30,978
	<u>31,507</u>

# NORTHERN HEALTH AUTHORITY

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

Years ended March 31, 2013, and 2012

## 8. Debt (continued):

### (b) Mortgages payable:

Debt is measured at amortized cost determined using the effective interest rate method.

	2013	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.	\$ 5,220	\$ 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.	4,178	4,398	4,480
	\$ 9,398	\$ 11,112	\$ 12,012

Required principal repayments on these mortgages for the years ending March 31 are as follows:

2014	\$ 827
2015	832
2016	777
2017	801
2018	697
Thereafter	5,464
	\$ 9,398

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 9. 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 expected average remaining service period of active covered employees entitled to retirement allowance benefits is 10 years (2012 – 10 years).

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2013.

Information about retirement allowance benefits is as follows:

	2013	2012	2011
		(note 2)	(note 2)
Accrued benefit obligation:			
Sick leave benefits	\$ 13,391	\$ 13,114	\$ 12,596
Severance benefits	18,226	18,515	18,138
	<u>\$ 31,617</u>	<u>\$ 31,629</u>	<u>\$ 30,734</u>
Balance of unamortized amounts	1,058	(90)	-
Accrued retirement allowance benefits	<u>\$ 32,675</u>	<u>\$ 31,539</u>	<u>\$ 30,734</u>

The accrued benefit obligation for retirement allowance reported on the statement of financial position is as follows:



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

	2013	2012
		(note 2)
Accrued benefit obligation:		
Balance, beginning of year	\$ 31,539	\$ 30,734
Net benefit expense:		
Current service cost	2,638	1,706
Amortization of actuarial gain (loss)	10	-
Interest expense	1,406	1,556
	4,054	3,262
Benefits paid	(2,918)	(2,437)
Retirement allowance liability transferred to other Health Organizations	-	(20)
Accrued benefit obligation, end of year	\$ 32,675	\$ 31,539

## 9. Employee benefits (continued):

### (a) Retirement allowance (continued):

During the years ended March 31, 2013 and 2012 under the Health Shared Services BC initiative, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authority.

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

	2013	2012	2011
Accrued benefit obligation as at March 31:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Benefit costs for years ended March 31:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Expected future inflationary increases	3.00%	2.50%	2.50%

### (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.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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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 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 the actuarial valuation at December 31, 2012. The next expected valuation will be as of December 31, 2013.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 9. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits:

Information about long-term disability benefits is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(note 2)	(note 2)
Accrued benefit obligation	\$ 54,879	\$ 50,036	\$ 53,728
Fair value of plan assets	50,440	41,052	34,285
Net unfunded obligation, December 31	4,439	8,984	19,443

Accrued long-term disability benefits obligation reported on the statement of financial position is as follows:

	March 31, 2013	March 31, 2012
		(note 2)
Accrued long-term disability benefits obligation, beginning of year	\$ 8,984	\$ 19,443
Net benefit expense:		
Long-term disability expense	21,291	22,817
Employees payments	(506)	(253)
Interest expense	2,807	(9,694)
Expected return on assets	(2,430)	3,314
Actuarial gain (loss)	(188)	(2,237)
Net benefit expense:	20,974	13,947
Contributions to the plan	(25,519)	(24,406)
Accrued long-term disability benefits obligation, end of year	\$ 4,439	\$ 8,984

During the year benefits paid to claimants totaled \$17,927 (2012 - \$17,753).

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 9. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits:

Plan assets consist of:

	2013	2012	2011
Debt securities	53%	55%	54%
Foreign equities	26%	25%	25%
Equity securities and other	21%	20%	21%
Total	100%	100%	100%

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

	2013	2012	2011
Accrued benefit obligation as at March 31:			
Discount rate	5.60%	5.50%	6.00%
Benefit costs for years ended March 31:			
Discount rate	5.50%	6.00%	6.25%
Expected long-term rate of return on plan assets	5.50%	6.00%	6.25%
Expected future inflationary increases (per annum)			
Indexing to wage rate increases	2.50%	2.00%	2.50%
Indexing to CPI increases	2.00%	2.00%	2.00%

Actual long-term rate of return on plan assets was 6.4% for the year ended December 31, 2012 (3.3% for the year ended December 31, 2011).

### (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 \$25.7 (2012 - \$24.3) million were expensed during the year. The most recent actuarial valuation at December 31, 2012 indicated a surplus of \$62.5 (2011 - \$30.8) million. The plan covers approximately 90,000 active members, of which approximately 5,000 are employees of the Authority. The Authority's next expected actuarial valuation will be as of December 31, 2013.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 9. Employee benefits (continued):

### (c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$22.5 (2012 - \$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 at December 31, 2009 indicated an unfunded liability of approximately \$1.024 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 173,000 active members, of which approximately 5,899 are employees of the Authority. The next required actuarial valuation will be as of December 31, 2012, the results of which are not yet available.

Employer contributions to the Public Service Pension Plan of \$.524 (2012 - \$.63 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 approximately \$275 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 52,000 active members, of which approximately 106 are employees of the Authority. The Authority's next actuarial valuation will be as of December 31, 2014.

## 10. Replacement reserves:

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

The change in the replacement reserves is calculated as follows:

	2013	2012	2011
Balance, beginning of year	\$ 2,443	\$ 2,580	\$ 2,876
Provision for replacement reserve funding	134	126	120
Interest on replacement reserves	30	32	27
Expenses	(275)	(152)	(141)
Discontinuation of reserves	-	(143)	(302)
Balance, end of year	\$ 2,332	\$ 2,443	\$ 2,580

# NORTHERN HEALTH AUTHORITY

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Years ended March 31, 2013, and 2012

## 10. Replacement reserves (continued):

The replacement reserves by facility are as follows:

	2013	2012	2011
Rainbow Intermediate Care Home - Prince George	\$ 383	\$ 430	\$ 425
Alward Place - Phase 1 - Prince George	352	484	500
Laurier Manor - Prince George	319	290	261
Peace River Haven - Pouce Coupe	309	292	274
McConnell Estates - Terrace	244	221	201
Alward Place - Phase 2 - Prince George	195	226	219
Parkside Intermediate Care Home - Prince George	177	160	154
Bulkley Lodge - Smithers	143	146	172
Terraceview Lodge - Terrace	142	142	197
Summit Residences - Prince Rupert	44	33	21
Heritage Manor - Fort St. John	15	12	10
Nick Grosse - Masset	9	7	3
	\$ 2,332	\$ 2,443	\$ 2,580

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 11. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2013	2012	2011
Deferred capital contributions, beginning of year	\$ 681,252	\$ 621,177	\$ 517,790
Capital contributions received:			
Ministry of Health	22,594	68,577	79,128
Regional Hospital District	5,469	34,187	57,732
Foundations and auxiliaries	1,395	972	1,846
Other	1,767	2,726	3,228
	31,225	106,462	141,934
Amortization for the year	(55,999)	(46,387)	(38,547)
Deferred capital contributions, end of year	\$ 656,478	\$ 681,252	\$ 621,177

Deferred capital contributions are comprised of the following:

	2013	2012	2011
Contributions used to purchase tangible capital assets	\$ 644,200	\$ 663,867	\$ 613,060
Unspent contributions	12,278	17,385	8,117
	\$ 656,478	\$ 681,252	\$ 621,177

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 12. Tangible capital assets:

Cost	Balance at March 31, 2012	Additions	Disposals	Transfers	Balance at March 31, 2013
Land	\$ 3,894	\$ -	\$ -	\$ -	\$ 3,894
Land improvements	5,113	-	-	78	5,191
Buildings	534,427	5,216	-	274,388	814,031
Building service equipment	25,730	2,630	-	68	28,428
Leasehold improvements	6,345	4	-	-	6,349
Equipment	357,277	4,423	(11)	8,541	370,230
Software license fees	9,403	219	(335)	2,860	12,147
Projects in progress	283,677	37,812	-	(285,935)	35,554
	\$ 1,225,866	\$ 50,304	\$ (346)	\$ -	\$ 1,275,824

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	4,454	-	92	4,546
Buildings	241,369	-	29,059	270,428
Building service equipment	12,520	-	1,887	14,407
Leasehold improvements	1,731	-	623	2,354
Equipment	251,132	(11)	19,053	270,174
Software license fees	2,102	(335)	7,301	9,068
	\$ 513,308	\$ (346)	\$ 58,015	\$ 570,977

	Net book value March 31, 2012	Net book value March 31, 2013
Land	\$ 3,894	\$ 3,894
Land improvements	659	645
Buildings	293,058	543,603
Building service equipment	13,210	14,021
Leasehold improvements	4,614	3,995
Equipment	106,145	100,056
Software license fees	7,301	3,079
Projects in progress	283,677	35,554
	\$ 712,558	\$ 704,847



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

## 12. Tangible capital assets (continued):

Cost	Balance at March 31, 2011	Additions	Disposals	Transfer	Balance at March 31, 2012
Land	\$ 3,894	\$ -	\$ -	\$ -	\$ 3,894
Land improvements	5,381	42	(310)	-	5,113
Buildings	534,731	5,134	(11,451)	6,013	534,427
Building service equipment	24,235	529	(46)	1,012	25,730
Leasehold improvements	5,558	70	-	717	6,345
Equipment	338,838	13,028	(393)	5,804	357,277
Software license fees	5,218	15	-	4,170	9,403
Projects in progress	188,692	112,701	-	(17,716)	283,677
	\$ 1,106,547	\$ 131,519	\$ (12,200)	\$ -	\$ 1,225,866

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	4,645	(310)	119	4,454
Buildings	220,958	(4,025)	24,436	241,369
Building service equipment	11,070	(46)	1,496	12,520
Leasehold improvements	1,525	-	206	1,731
Equipment	230,143	(393)	21,382	251,132
Software license fees	2,041	-	61	2,102
	\$ 470,382	\$ (4,774)	\$ 47,700	\$ 513,308

	Net book value March 31, 2011	Net book value March 31, 2012
Land	\$ 3,894	\$ 3,894
Land improvements	736	659
Buildings	313,773	293,058
Building service equipment	13,165	13,210
Leasehold improvements	4,033	4,614
Equipment	108,695	106,145
Software license fees	3,177	7,301
Projects in progress	188,692	283,677
	\$ 636,165	\$ 712,558

# NORTHERN HEALTH AUTHORITY

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## 12. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2013	2012	2011
Deferred capital contributions	\$ 644,200	\$ 663,867	\$ 613,060
Public-private partnership	31,507	22,905	-
Internally funded	19,742	14,674	11,093
Long-term debt	9,398	11,112	12,012
<b>Tangible capital assets</b>	<b>\$ 704,847</b>	<b>\$ 712,558</b>	<b>\$ 636,165</b>

## 13. Inventories held for use:

	2013	2012	2011
Pharmaceuticals	\$ 3,092	\$ 3,571	\$ 3,316
Medical supplies	2,952	2,624	2,668
	\$ 6,044	\$ 6,195	\$ 5,984

## 14. Commitments and contingencies:

(a) Projects in process:

As at March 31, 2013, the Authority had outstanding commitments for projects in progress of \$4.5 million (2012 - \$22).

(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 for the annual service payments, for life cycle capital maintenance, hard facility maintenance costs and P3 costs including principal repayments (note 8(a)). The construction is now complete, the asset value has been recorded in the tangible capital asset total (note 12) and reported in the Authority's Statement of Financial Position.

# NORTHERN HEALTH AUTHORITY

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## 14. Commitments and contingencies (continued):

### (b) Public-private partnership commitments (continued):

	Total Future Obligations
2014	8,908
2015	9,484
2016	9,832
2017	10,221
2018	10,513
Thereafter	354,200
	<u>\$ 403,158</u>

### (c) Operating leases:

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

	Total Future Obligations
2014	\$ 7,104
2015	5,697
2016	3,902
2017	2,130
2018	259
Thereafter	6,855
	<u>\$ 25,947</u>

### (d) 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 unsettled claims at March 31, 2013, 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.

### (e) Resident trust:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The total amount for all trusts total \$177 (2012 - \$154).

## 15. Statement of operations:

# NORTHERN HEALTH AUTHORITY

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(a) Patients, clients and residents revenue:

	<b>2013</b>	<b>2012</b>
Residents of BC-self pay	\$ 17,709	\$ 17,413
Non-residents of BC	6,571	6,391
WorkSafe BC	5,261	5,139
Non-residents of Canada	1,401	537
Federal government	636	694
Uninsured residents	544	479
Other	934	872
	<b>\$ 33,056</b>	<b>\$ 31,525</b>

(b) Other contributions:

	<b>2013</b>	<b>2012</b>
Provincial Health Services Authority	\$ 6,498	\$ 6,767
Other ministries	3,389	3,898
Other	3,392	4,509
	<b>\$ 13,279</b>	<b>\$ 15,174</b>

(c) Other revenues:

	<b>2013</b>	<b>2012</b>
Recoveries from other health authorities and BC government reporting entities	\$ 13,844	\$ 14,998
Other services	7,830	4,893
Compensation recoveries	2,318	2,932
Material recoveries	825	1,476
Other	4,349	4,332
	<b>\$ 29,166</b>	<b>\$ 28,631</b>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

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## 15. Statement of operations (continued):

(d) The following is a summary of expenses by object:

	2013	2012
		(note 2)
Compensation and benefits	\$ 468,362	\$ 448,840
Referred-out and contracted services	53,013	43,899
Supplies		
Drugs and medical gases	20,753	22,577
Medical and surgical	17,604	18,590
Diagnostic	8,087	7,939
Food and dietary	7,583	7,069
Laundry and linen	3,251	2,922
Housekeeping	1,874	1,257
Printing, stationery and office	1,570	1,601
Other	5,978	5,890
	<u>66,700</u>	<u>67,845</u>
Equipment and building services		
Equipment expenses	18,156	18,159
Rent	9,020	9,315
Plant operation utilities	9,109	8,524
Service contracts	3,328	2,796
Other	1,971	3,189
	<u>41,584</u>	<u>41,983</u>
Sundry		
Travel and accommodation	4,596	5,434
Professional fees	5,144	3,917
Communication and data processing	3,079	3,253
Patient transport	2,943	2,104
Other	12,197	10,125
	<u>27,959</u>	<u>24,833</u>
Interest on debt	4,309	441
Amortization of tangible capital assets	58,015	47,700
Distributions to affiliated organization	5,096	4,855
	<u>\$ 725,038</u>	<u>\$ 680,396</u>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Years ended March 31, 2013, and 2012

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## 16. Supplementary cash flow information:

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

	2013	2012
Accounts receivable	\$ 2,339	\$ (4,188)
Accounts payable and accrued liabilities	(16,940)	7,756
Deferred operating contributions	4,900	(1,100)
Inventories held for use	151	(211)
Prepaid expenses	(67)	(908)
	<u>\$ (9,617)</u>	<u>\$ 1,349</u>

(b) Purchase of tangible capital assets:

	2013	2012
Purchase of capital assets (note 12)	\$ 50,304	\$ 131,519
Assets acquired through public-private partnership	(10,147)	(22,905)
	<u>\$ 40,157</u>	<u>\$ 108,614</u>

(c) Supplementary Information:

	2013	2012
Interest paid	\$ 4,309	\$ 441
Interest received	\$ 820	\$ 901

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# NORTHERN HEALTH AUTHORITY

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## 17. Related party and other agency operations:

### (a) Related parties:

The Authority is related through common control to all Province of BC ministries, 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 to be 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 and balances with these parties in the following amounts:

	2013	2012
Revenue:		
Ministry of Health contributions	\$ 530,898	\$ 494,012
Medical Services Plan	71,494	71,675
Other contributions	11,915	12,325
Patients, clients and residents	17,709	17,413
Pharmacare	204	164
Other	24,633	18,521
	<u>\$ 656,853</u>	<u>\$ 614,110</u>
Expenses:		
Referred-out and contracted services	\$ 11,645	\$ 11,152
Other	9,772	29,078
	<u>\$ 21,417</u>	<u>\$ 40,230</u>
Accounts receivable:		
Medical Services Plan	\$ 8,370	\$ 10,569
Ministry of Health	8,244	5,320
Other health authorities and BC government reporting entities	3,984	1,855
	<u>\$ 20,598</u>	<u>\$ 17,744</u>
Accounts payable and accrued liabilities	\$ 5,758	\$ 1,594
Deferred operating contributions	\$ 3,238	\$ 3,670
Deferred capital contributions	\$ 472,058	\$ 489,284

# NORTHERN HEALTH AUTHORITY

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## 17. Related party and other agency operations (continued):

### (b) Affiliated organizations:

The financial statements of the Affiliate are not consolidated with the Authority. The excess (deficiency) of revenues over expenses and net equity (deficit) of this affiliate is as follows:

	2013	2012
Excess of revenues over expenses:		
Wrinch Memorial Hospital	\$ 232	\$ (39)
	\$ 232	\$ (39)
Net assets (deficiency):		
Wrinch Memorial Hospital	\$ (154)	\$ (386)
	\$ (154)	\$ (386)

Included in accounts payable is \$215 (2012 - \$38) at year-end.

### (c) Hospital foundations and auxiliaries:

Numerous hospital foundations and auxiliaries raise funds for patient care for various facilities within the Authority. The financial statements of the foundations have not been consolidated with those of the Authority. During the year, the foundations and auxiliaries granted \$3,186 (2012 - \$3,375) to various facilities within the Authority.

## 18. Risk management:

The Authority is exposed to credit risk, liquidity risk and foreign exchange risk from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from the Authority's financial instruments is provided below by type of risk below.

Risk management and insurance services for all Health Authorities in B.C. are provided by the Risk Management and Government Security Branch of the Ministry of Finance.



# NORTHERN HEALTH AUTHORITY

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## 18. Risk management (continued):

### (a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments are in low risk instruments with varying maturities held with top rated financial institutions. The Authority periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

Accounts receivable primarily consist of amounts receivable from the Ministry of Health, other Health Authorities and BC government reporting entities as detailed in note 4. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2013, the amount of allowance for doubtful debts was \$710 (2012 - \$471).

### (b) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. It is the Authority's intention to meet its financial obligations through the collection of current accounts receivable, cash and cash equivalents and future funding from the Ministry of Health. If the current funding and cash and cash equivalents were insufficient to satisfy its current obligations, the Authority has the option to use its portfolio investments.

The table below shows when various financial assets and liabilities mature:

Financial assets	Up to 1 year	1 to 5 years	Over 5 years
Cash and cash equivalents	\$ 46,660	\$ -	\$ -
Portfolio investments	15,811	-	-
Accounts receivable	44,325	-	-
<b>Total financial assets</b>	<b>\$ 106,796</b>	<b>\$ -</b>	<b>\$ -</b>
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 82,885	\$ -	\$ -
Debt	827	3,760	4,811
Obligations under public-private partnership	8,908	40,050	354,200
	<b>\$ 92,620</b>	<b>\$ 43,810</b>	<b>\$ 359,011</b>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

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## 18. Risk management (continued):

### (c) Foreign exchange risk

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

### (d) Interest rate risk

As the Authority's debt is all fixed rate, there is no significant interest rate risk.

## 19. Budget

The original budget, as approved by the board on April 16, 2012, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocations between accounts. The changes are as follows:

	Budget approved plan	Reallocations	Restated budget
Revenue:			
Ministry of Health contributions	\$ 534,316	\$ (7,510)	\$ 526,806
Medical Services Plan	77,456	(1,963)	75,493
Amortization of deferred capital contributions	47,672	4,081	51,753
Patients, clients and residents	29,283	(150)	29,133
Other contributions	14,398	(152)	14,246
Investment income	800	-	800
Other	23,378	2,389	25,767
	\$ 727,303	\$ (3,305)	\$ 723,998
Expenses:			
Acute	\$ 440,834	\$ (16,516)	\$ 424,318
Residential care	86,935	7,433	94,368
Mental health and substance use	52,934	1,321	54,255
Community care	53,292	(728)	52,564
Population health and wellness	39,109	(1,273)	37,836
Corporate	54,199	6,458	60,657
	\$ 727,303	\$ (3,305)	\$ 723,998
Annual operating surplus	\$ -	\$ -	\$ -

# **NORTHERN HEALTH AUTHORITY**

Notes to Financial Statements

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## **20. Comparative figures:**

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