



Financial Statements of

# **NORTHERN HEALTH AUTHORITY**

Year ended March 31, 2018

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the year ended March 31, 2018 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, PricewaterhouseCoopers LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. 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



Cathy Ulrich  
President and Chief Executive Officer  
June 11, 2018



Mark De Croos  
Vice President, Financial & Corporate Services/Chief Financial Officer  
June 11, 2018



June 11, 2018

## **Independent Auditor's Report**

### **To the Board of Directors of Northern Health Authority and the Minister of Health, Province of British Columbia**

We have audited the accompanying financial statements of Northern Health Authority, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation the financial statements in accordance with 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 the auditor's 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, the auditor considers 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.

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*PricewaterhouseCoopers LLP*

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the financial statements, which comprise the statement of financial position of Northern Health Authority as at March 31, 2018 and the statement of operations and accumulated surplus, changes in net debt and cash flow for the year then ended, and the related notes, are prepared in all material respects in accordance with 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 your attention to note 1 of the financial statements, which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

**Other matter**

The financial statements of Northern Health Authority for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 12, 2017.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

# NORTHERN HEALTH AUTHORITY

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

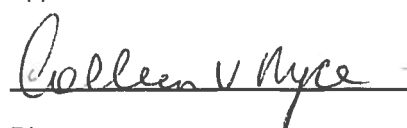
Year ended March 31, 2018


	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 79,807	\$ 72,353
Portfolio investments (note 2)	905	881
Accounts receivable (note 3)	30,404	32,649
Long-term disability benefits and health and welfare (note 8(b))	4,153	-
	<u>115,269</u>	<u>105,883</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	75,966	73,457
Deferred operating contributions (note 5)	10,508	9,467
Obligations under public-private partnership (note 6)	30,903	30,915
Debt (note 7)	5,428	6,135
Retirement allowance (note 8(a))	39,659	39,117
Long-term disability benefits and health and welfare (note 8(b))	-	3,100
Replacement reserves (note 9)	1,391	1,315
Deferred capital contributions (note 10)	631,049	649,705
	<u>794,904</u>	<u>813,211</u>
<b>Net debt</b>	<b>(679,635)</b>	<b>(707,328)</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 11)	671,186	693,190
Inventories held for use (note 12)	5,716	5,341
Prepaid expenses	3,399	6,104
	<u>680,301</u>	<u>704,635</u>
<b>Accumulated surplus (deficit)</b>	<b>\$ 666</b>	<b>\$ (2,693)</b>

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
Director

  
Director

# NORTHERN HEALTH AUTHORITY

Statement of Operations and Accumulated Surplus  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

	2018 Budget (note 1(k),18)	2018	2017
<b>Revenues:</b>			
Ministry of Health contributions	\$ 612,924	\$ 618,380	\$ 588,116
Medical Services Plan	90,897	93,920	92,208
Amortization of deferred capital contributions	48,383	47,716	52,560
Patients, clients and residents (note 14(a))	40,340	42,279	40,359
Other contributions (note 14(b))	17,182	15,984	16,403
Recoveries from other health authorities and BC government reporting entities	12,123	11,984	12,761
Investment income	900	902	952
Other revenues (note 14(c))	10,387	11,833	13,050
	<u>833,136</u>	<u>842,998</u>	<u>816,409</u>
<b>Expenses (note 14(d)):</b>			
Acute	449,174	463,263	457,873
Community care	127,951	120,353	107,301
Long term care	111,263	114,167	106,245
Mental health and substance use	46,158	43,957	45,164
Population health and wellness	28,476	27,273	29,779
Corporate	70,114	66,231	65,127
Cariboo wildfires (note 14(e))	-	4,395	-
	<u>833,136</u>	<u>839,639</u>	<u>811,489</u>
Annual operating surplus (note 20)	-	3,359	4,920
Accumulated (deficit), beginning of year	(7,613)	(2,693)	(7,613)
Accumulated surplus (deficit), end of year	<u>\$ (7,613)</u>	<u>\$ 666</u>	<u>\$ (2,693)</u>

See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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	2018 Budget (note 1(k))	2018	2017
Annual operating surplus	\$ -	\$ 3,359	\$ 4,920
Acquisition of tangible capital assets	(49,415)	(29,892)	(36,020)
Amortization of tangible capital assets	52,780	51,641	56,242
Loss on disposal of tangible capital assets	-	193	110
Proceeds from the disposal of tangible capital assets	-	62	60
	3,365	25,363	25,312
Consumption of inventories held for use	-	(375)	641
Change in prepaid expenses	-	2,705	(4,370)
	-	2,330	(3,729)
Decrease in net debt	3,365	27,693	21,583
Net debt, beginning of year	(707,328)	(707,328)	(728,911)
Net debt, end of year	\$ (703,963)	\$ (679,635)	\$ (707,328)

See accompanying notes to financial statements.

# NORTHERN HEALTH AUTHORITY

## Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,359	\$ 4,920
Items not involving cash:		
Amortization of deferred capital contributions	(47,716)	(52,560)
Amortization of tangible capital assets	51,641	56,242
Loss on disposal of tangible capital assets	193	110
Retirement allowance expense	3,394	3,966
Retirement allowance benefits paid	(2,852)	(2,109)
Long-term disability benefits expense	8,217	14,488
Long-term disability benefits contributions	(15,470)	(27,173)
	766	(2,116)
Net change in non-cash operating items (note 15(a))	8,125	(13,814)
Net change in cash from operating activities	8,891	(15,930)
Capital activities:		
Acquisition of tangible capital assets (note 15(b))	(29,892)	(36,020)
Proceeds from the disposal of tangible capital assets	62	60
Net change in cash used in capital activities	(29,830)	(35,960)
Investing activities:		
Change in portfolio investments	(24)	1,986
Net change in cash used in investing activities	(24)	1,986
Financing activities:		
Capital contributions	29,060	37,341
Repayment of obligations under public-private partnership	(12)	(126)
Repayment of debt	(707)	(804)
Change in replacement reserves	76	47
Net change in cash from financing activities	28,417	36,458
Increase (decrease) in cash and cash equivalents	7,454	(13,446)
Cash and cash equivalents, beginning of year	72,353	85,799
Cash and cash equivalents, end of year	\$ 79,807	\$ 72,353

Supplementary cash flow information (note 15(c))

See accompanying notes to financial statements.



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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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 role of the Authority is to promote and provide for the physical, mental and social well-being of people who live in the north region and those referred from outside the region.

## 1. Significant accounting policies:

### (a) 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 BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC 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 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.

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 Public Sector Accounting Board ("PSAB") without any PS 4200 series.

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, in each case for use in providing services, 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 periods during which the tangible capital asset is used to provide services.

If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Authority.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

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

For BC 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 PSAS 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 PS 3410 Government Transfers; 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 PS 3100, Restricted Assets and Revenues.

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

### (b) Cash and cash equivalents and portfolio investments:

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.

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.

### (c) 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.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (c) Asset retirement obligations (continued):

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.

### (d) 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 and health and welfare 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.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2016 – 11 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

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 cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan is implemented.

#### (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 they become payable.

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

Benefits that accrue to employees, which 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.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (d) Employee benefits (continued):

#### (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.

### (e) 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 and 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.

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:

Asset	Basis
Land improvements	5 - 25 years
Buildings	10 - 50 years
Equipment and vehicles	4 - 25 years
Information systems	3 - 10 years
Assets under capital lease and leasehold improvements	Lease term

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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. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

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

#### (ii) Inventories held for use:

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

#### (iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period when the service benefits are received.

### (f) Revenue recognition:

Under the Hospital Insurance Act and Regulation thereto, the Authority is funded primarily by the Province of BC 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.

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.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

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(a).

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.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (g) 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 valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, 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.

### (h) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the statement of operations.

### (i) Financial instruments:

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.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, 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 cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at 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.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (i) Financial instruments (continued):

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 when incurred.

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

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks 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.

### (j) 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 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 contribution 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 40 years.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in debt.

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

### (k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2017/2018 Budget conditionally approved by the Board of Directors on April 23, 2017. Note 18 reconciles the approved budget to the budget reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (l) Newly adopted accounting standards:

Effective April 1, 2017, the Authority adopted the following new accounting standards:

- (i) PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements.
- (ii) PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.
- (iii) PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.
- (iv) PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.
- (v) PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

Except for disclosure changes resulting from the adoption of PS 2200, there was no impact to the financial statements upon transition to the new standards.

### (m) Future accounting standards:

- (i) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

(m) Future accounting standards (continued):

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be presented as a separate revenue or an expense item in the statement of operations;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Management is in the process of assessing the impact of adoption PS 3430 on the financial statements of the Authority.

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

	2018	2017
Cash and cash equivalents	\$ 79,807	\$ 72,353
Portfolio investments	905	881
	<u>\$ 80,712</u>	<u>\$ 73,234</u>
Cash restricted for the following:		
Unspent capital contributions	23,239	23,369
Deferred operating contributions	10,508	9,467
P3 project	6,842	6,414
Replacement reserves	1,391	1,315
Patient comfort funds	230	228
	<u>42,210</u>	<u>40,793</u>
Unrestricted cash and cash equivalents and portfolio investments	<u>38,502</u>	<u>32,441</u>
	<u>\$ 80,712</u>	<u>\$ 73,234</u>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

### 3. Accounts receivable:

	2018	2017
Medical Services Plan	\$ 13,096	\$ 12,164
Other health authorities and BC government reporting entities	7,632	7,401
Patients, clients and residents	4,376	3,950
Foundations and auxiliaries	1,196	1,329
WorkSafe BC	1,018	931
Federal government	767	791
Regional Hospital Districts	606	1,803
Ministry of Health	493	1,609
Other	2,156	3,550
	31,340	33,528
Allowance for doubtful accounts (note 17 (a))	(936)	(879)
	\$ 30,404	\$ 32,649

### 4. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable and accrued liabilities	\$ 26,134	\$ 27,002
Salaries and benefits payable	25,223	22,724
Accrued vacation pay	24,609	23,731
	\$ 75,966	\$ 73,457

### 5. Deferred operating contributions:

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

	2018	2017
Deferred operating contributions, beginning of year	\$ 9,467	\$ 11,887
Contributions received during the year	5,624	2,726
Amounts recognized as revenue in the year	(4,583)	(5,146)
Deferred operating contributions, end of year	\$ 10,508	\$ 9,467

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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## 6. Obligations under public-private partnership:

	2018	2017
Fort St. John Hospital and Peace Villa, 30 year contract to May 2042 with ISL Health (FSJ) General Partnership, payable in monthly payments including annual interest of 14.76%, in accordance with the project agreement terms	\$ 30,903	\$ 30,915
	\$ 30,903	\$ 30,915
2019	\$	84
2020		(31)
2021		288
2022		462
2023		253
Thereafter		29,847
		\$ 30,903

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 7. Debt:

Mortgages:

	2018	2017
Mortgages payable to Canada Mortgage and Housing Corporation ("CMHC"), at an interest rate of 2.11% payable in blended payments of \$46,106 per month, with maturity dates ranging to March 2028, secured by first charges on properties. Renewal dates range from January 2019 to June 2019.	\$ 1,843	\$ 2,414
Mortgages payable to TD Canada Trust not renewed replaced with MCAP Financial Corp and Peoples Trust as noted below:	-	3,721
Mortgages payable to MCAP Financial Corporation, at an interest rate of 2.62%, payable in payments of \$11,417 per month, with a maturity date of May 2037, secured by building and first charge on properties. Renewal date is May 1, 2027.	2,065	-
Mortgages payable to People's Trust, at an interest rate of 2.965%, payable in payments of \$8,549 per month, with a maturity date of September 2037, secured by building and first charge on properties. Renewal date is Sept. 1, 2027.	1,520	-
	\$ 5,428	\$ 6,135

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

2019	\$ 661
2020	360
2021	280
2022	287
2023	295
Thereafter	3,545
	\$ 5,428

# NORTHERN HEALTH AUTHORITY

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Year ended March 31, 2018

## 8. Employee benefits:

### (a) Retirement allowance:

Certain employees with 10 or 20 years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2017 and extrapolated to March 31, 2018 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2018 are derived.

Information about retirement allowance benefits is as follows:

	2018	2017
Accrued benefit liability:		
Severance benefits	\$ 20,701	\$ 19,965
Sick leave benefits	14,393	13,847
	35,094	33,812
Unamortized actuarial gain	4,565	5,305
Accrued benefit liability	\$ 39,659	\$ 39,117

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

	2018	2017
Accrued benefit liability, beginning of year	\$ 39,117	\$ 37,260
Net benefit expense:		
Current service cost	2,653	2,708
Interest expense	1,345	1,328
Amortization of actuarial gain	(604)	(461)
Accrued benefit liability transferred from Affiliate	-	391
Net Benefit Expense	3,394	3,966
Benefits paid	(2,852)	(2,109)
Accrued benefit liability, end of year	\$ 39,659	\$ 39,117

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 8. Employee benefits (continued):

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

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

	2018	2017
Accrued benefit liability as at March 31:		
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.86%	3.93%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

### (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 ("health and welfare benefits") 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 and health and welfare benefits:

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with regard to long-term disability benefits after September 30, 1997 and health and welfare benefits after March 31, 2004. Accordingly, the Authority's net trust assets (liabilities) are reflected in these financial statements.

The Authority's assets (liabilities) as of March 31, 2018 are based on the actuarial valuation at December 31, 2017, extrapolated to March 31, 2018. The Authority's assets (liabilities) as of March 31, 2017 were based on the actuarial valuation at December 31, 2016. The next expected valuation will be as of December 31, 2018.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 8. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits (continued):

#### (i) Long-term disability and health and welfare benefits (continued):

The long-term disability and health and welfare benefits asset (liability) reported on the statement of financial position is as follows:

	2018	2017
Fair value of plan assets	\$ 60,511	\$ 58,653
Accrued benefit obligation	56,358	61,753
<b>Net asset (liability)</b>	<b>\$ 4,153</b>	<b>\$ (3,100)</b>
	2018	2017
Net liability, beginning of year	\$ (3,100)	\$ (15,785)
Net benefit expense:		
Long-term disability expense	(11,827)	(22,052)
Interest expense	(3,146)	(3,634)
Return on assets	3,035	3,003
Employee payments	289	655
Contribution adjustment	192	-
Actuarial gain	3,183	7,921
	(8,274)	(14,107)
Transfer of affiliate pool surplus (deficit)	57	(381)
<b>Net benefit expense:</b>	<b>(8,217)</b>	<b>(14,488)</b>
Contributions to the plan	15,470	27,173
<b>Net asset (liability), end of year</b>	<b>\$ 4,153</b>	<b>\$ (3,100)</b>
<b>Benefits paid to claimants</b>	<b>\$ 17,361</b>	<b>\$ 22,336</b>

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

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## 8. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits (continued):

#### (i) Long-term disability and health and welfare benefits (continued):

Plan assets consist of:

	2018	2017
Debt securities	42.2%	40.4%
Foreign equities	34.4%	34.4%
Equity securities and other	23.4%	25.2%
Total	100.0%	100.0%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability and health and welfare benefits asset (liability) are as follows:

	2018	2017
Accrued benefit obligation as at March 31:		
Discount rate	5.80%	5.30%
Rate of benefit increase	1.50%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.30%	5.30%
Rate of compensation increase	1.50%	1.50%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.30%

Actual long-term rate of return on plan assets was 7.58% for the year ended December 31, 2017 (December 31, 2016 – 3.98%).

### (c) Joint Benefit Trust

The 2014-2019 Health Science Professionals Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts ("JBTs") to provide long-term disability and health and welfare benefits to the employees covered by these agreements. Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Healthcare Benefit Trust transitioned to the JBTs. Employer contributions to the JBTs are based on a specified percentage of payroll costs.



# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 8. Employee benefits (continued):

(c) Joint Benefit Trust (continued):

During the year ended March 31, 2018, the Authority made the following contributions to each JBT:

	2018	2017
Joint Facilities Benefits Trust	\$ 8,686	\$ -
Joint Health Science Benefits Trust	4,054	-
Joint Community Benefits Trust	1,691	-
	\$ 14,431	\$ -

(d) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$30.6 million (2017 - \$29.3 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 the plan funding. The most recent actuarial valuation for the plan at December 31, 2015, indicated a surplus of approximately \$2,224 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 193,000 active members, of which approximately 7,200 are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2018 with results available in 2019.

Employer contributions to the Public Service Pension Plan of \$0.327 (2017 - \$0.367 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 the plan funding. The most recent actuarial valuation for the plan at March 31, 2017, indicated a surplus of approximately \$1,896 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 59,000 active members, of which approximately 41 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2020 with results available in early 2021.

## 9. 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.

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 9. Replacement reserves (continued):

The change in the replacement reserves is calculated as follows:

	2018	2017
Balance, beginning of year	\$ 1,315	\$ 1,268
Expenditures	(65)	(47)
Provision for replacement reserve funding	120	81
Interest on replacement reserves	21	13
Balance, end of year	\$ 1,391	\$ 1,315

The replacement reserves by facility are as follows:

	2018	2017
Laurier Manor - Prince George	\$ 395	\$ 390
McConnell Estates - Terrace	236	206
Parkside Intermediate Care Home - Prince George	229	211
Alward Place - Phase 1 - Prince George	186	189
Alward Place - Phase 2 - Prince George	165	161
Terraceview Lodge - Terrace	155	136
Nick Grosse - Masset	25	22
	\$ 1,391	\$ 1,315

## 10. Deferred capital contributions:

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

	2018	2017
Deferred capital contributions, beginning of year	\$ 649,705	\$ 664,924
Capital contributions received:		
Ministry of Health	14,343	21,845
Regional Hospital District	11,417	9,125
Foundations and Auxiliaries	1,804	2,621
Other	1,496	3,750
	29,060	37,341
Amortization for the year	(47,716)	(52,560)
Deferred capital contributions, end of year	\$ 631,049	\$ 649,705

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 10. Deferred capital contributions (continued):

Deferred capital contributions comprise of the following:

	2018	2017
Contributions used to purchase tangible capital assets	\$ 607,810	\$ 626,336
Unspent contributions	23,239	23,369
	<u>\$ 631,049</u>	<u>\$ 649,705</u>

## 11. Tangible capital assets:

Cost	2017	Additions	Disposals	Transfers	2018
Land	\$ 4,780	\$ -	\$ -	\$ -	\$ 4,780
Land improvements	5,835	-	(60)	-	5,775
Buildings	944,051	-	(1,258)	6,925	949,718
Equipment and vehicles	172,281	-	(11,163)	22,968	184,086
Information systems	90,573	-	(341)	5,758	95,990
Leasehold improvements	7,326	-	-	-	7,326
Construction in progress	4,995	5,816	-	(6,925)	3,886
Equipment and Information systems in progress	18,144	24,076	-	(28,726)	13,494
Total	<u>\$ 1,247,985</u>	<u>\$ 29,892</u>	<u>\$ (12,822)</u>	<u>\$ -</u>	<u>\$ 1,265,055</u>

Accumulated amortization	2017	Amortization	Disposals	Transfers	2018
Land improvements	\$ 4,429	\$ 255	\$ (60)	\$ -	\$ 4,624
Buildings	361,165	24,094	(1,188)	-	384,071
Equipment and vehicles	116,042	18,325	(10,991)	-	123,376
Information systems	67,414	8,748	(328)	-	75,834
Leasehold improvements	5,745	219	-	-	5,964
Total	<u>\$ 554,795</u>	<u>\$ 51,641</u>	<u>\$ (12,567)</u>	<u>\$ -</u>	<u>\$ 593,869</u>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 11. Tangible capital assets (continued):

Cost	2016	Additions	Disposals	Transfers	2017
Land	\$ 4,719	\$ 61	\$ -	\$ -	\$ 4,780
Land improvements	5,835	-	-	-	5,835
Buildings	894,068	-	(3,686)	53,669	944,051
Equipment and vehicles	168,389	-	(6,604)	10,496	172,281
Information systems	86,623	-	(2,339)	6,289	90,573
Leasehold improvements	6,365	-	-	961	7,326
Construction in progress	43,689	13,417	-	(52,111)	4,995
Equipment and Information systems in progress	14,906	19,740	-	(16,502)	18,144
<b>Total</b>	<b>\$ 1,224,594</b>	<b>\$ 33,218</b>	<b>\$ (12,629)</b>	<b>\$ 2,802</b>	<b>\$ 1,247,985</b>

Accumulated amortization	2016	Amortization	Disposals	Transfers	2017
Land improvements	\$ 4,168	\$ 261	\$ -	\$ -	\$ 4,429
Buildings	341,654	23,160	(3,649)	-	361,165
Equipment and vehicles	99,812	22,701	(6,471)	-	116,042
Information systems	60,597	9,156	(2,339)	-	67,414
Leasehold improvements	4,781	964	-	-	5,745
<b>Total</b>	<b>\$ 511,012</b>	<b>\$ 56,242</b>	<b>\$ (12,459)</b>	<b>\$ -</b>	<b>\$ 554,795</b>

Net book value	2018	2017
Land	\$ 4,780	\$ 4,780
Land improvements	1,151	1,406
Buildings	565,647	582,886
Equipment and vehicles	60,710	56,239
Information systems	20,156	23,159
Leasehold improvements	1,362	1,581
Construction in progress	3,886	4,995
Equipment and Information systems in progress	13,494	18,144
<b>Total</b>	<b>\$ 671,186</b>	<b>\$ 693,190</b>

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 11. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2018	2017
Deferred capital contributions	\$ 607,810	\$ 626,336
Public-private partnership	30,903	30,915
Internally funded	27,045	29,804
Debt	5,428	6,135
<b>Tangible capital assets</b>	<b>\$ 671,186</b>	<b>\$ 693,190</b>

## 12. Inventories held for use:

	2018	2017
Pharmaceuticals	\$ 3,176	\$ 3,026
Medical supplies	2,540	2,315
	<b>\$ 5,716</b>	<b>\$ 5,341</b>

## 13. Commitments and contingencies:

### (a) Construction, equipment and information systems in progress:

As at March 31, 2018, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$7.4 million (2017 – \$11.3 million).

### (b) Contractual obligations:

The Authority has entered into various contracts for services within normal course of operations. The estimated contractual obligations under these contracts are as follows:

2019	\$	19,228
2020		16,822
2021		2,006
2022		247
2023		48
Thereafter		-
	<b>\$</b>	<b>38,351</b>

# NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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## 13. Commitments and contingencies (continued):

(c) Long term care contracts:

The Authority has entered into contracts with a service provider to provide long term care services. The aggregate annual commitments for these contracts for the years ending March 31 are as follows:

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2019	\$	10,968
2020		10,197
2021		10,401
2022		10,609
2023		10,821
Thereafter		204,006
	\$	257,002

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(d) Operating leases:

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

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2019	\$	8,453
2020		6,994
2021		4,848
2022		2,270
2023		692
Thereafter		4,250
	\$	27,507

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(e) Public-private partnership (P3) commitments:

The Authority has entered into a multiple-year P3 contract to design, build, finance, and maintain the Fort St. John Hospital and Residential Care Project. The information presented below shows the anticipated cash outflow for all future obligations under this contract for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. Construction costs are recorded as a capital asset and the corresponding liabilities are recorded as debt and disclosed in note 6. FM and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

# NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 13. Commitments and contingencies (continued):

(e) Public-private partnership (P3) commitments (continued):

	Interest on Debt	FM and lifecycle	Debt Repayment	Total payments
2019	\$ 4,561	\$ 5,869	\$ 84	\$ 10,514
2020	4,549	6,170	(31)	10,688
2021	4,553	6,027	288	10,868
2022	4,511	6,121	462	11,094
2023	4,443	6,513	253	11,209
Thereafter	70,699	131,665	29,847	232,211
	\$ 93,316	\$ 162,365	\$ 30,903	\$ 286,584

(f) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2018, 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 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.

(g) Resident trust:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The total amount for all trusts is \$230,305 (2017 - \$228,340).

(h) Asset retirement obligations:

The Authority has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. At this time, the Authority has not recognized these asset retirement obligations as there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of the future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

# NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 14. Statement of operations:

### (a) Patients, clients and residents revenue:

	2018	2017
Long-term and extended care	\$ 19,785	\$ 19,517
Non-residents of BC	8,355	7,094
WorkSafe BC	5,863	5,972
Residents of BC-self pay	4,460	4,299
Non-residents of Canada	1,972	1,559
Uninsured residents	713	762
Federal government	56	118
Other	1,075	1,038
	\$ 42,279	\$ 40,359

### (b) Other contributions:

	2018	2017
Provincial Health Services Authority	\$ 6,518	\$ 6,435
Other BC government reporting entities	6,572	7,873
Other	2,894	2,095
	\$ 15,984	\$ 16,403

### (c) Other revenues:

	2018	2017
Recoveries from the sale of goods and services	\$ 6,615	\$ 7,536
Compensation recoveries	3,532	2,961
Parking	713	661
Other	973	1,892
	\$ 11,833	\$ 13,050



# NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 14. Statement of operations (continued):

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

	2018	2017
Compensation:		
Compensation	\$ 403,934	\$ 387,026
Employee benefits	90,609	81,614
Purchased services - physicians	86,444	83,556
	<u>580,987</u>	<u>552,196</u>
Supplies		
Medical and surgical	23,209	21,226
Drugs and medical gases	18,747	18,851
Diagnostic	10,593	10,350
Food and dietary	9,037	8,435
Laundry and linen	3,741	3,406
Housekeeping	2,401	2,200
Printing, stationery and office	1,697	1,733
Other	5,649	5,668
	<u>75,074</u>	<u>71,869</u>
Referred-out and contracted services:		
Health and support service providers	52,648	52,105
Other health authorities and BC government reporting entities	8,182	7,645
	<u>60,830</u>	<u>59,750</u>
Amortization of tangible capital assets	51,641	56,242
Equipment and building services:		
Equipment expenses	20,046	19,927
Utilities	9,981	10,012
Rent	9,335	9,267
Service contracts	4,534	4,107
Other	1,695	1,707
	<u>45,591</u>	<u>45,020</u>
Sundry:		
Patient transport	3,845	3,763
Communication and data processing	2,838	2,688
Travel and accommodation	2,652	2,987
Professional fees	2,582	3,532
Other	8,697	8,551
	<u>20,614</u>	<u>21,521</u>
Interest on debt	4,709	4,781
Loss on disposal of tangible capital assets	193	110
	<u>\$ 839,639</u>	<u>\$ 811,489</u>

# NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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## 14. Statement of operations (continued):

### (e) Cariboo Wildfires

The Authority experienced extraordinary expenses during the summer of 2017 due to the Cariboo wildfires. In order to have comparative figures between years these expenses have been presented separately.

## 15. Supplementary cash flow information:

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

	2018	2017
Accounts receivable	\$ 2,245	\$ 2,634
Accounts payable and accrued liabilities	2,509	(10,299)
Deferred operating contributions	1,041	(2,420)
Inventories held for use	(375)	641
Prepaid expenses	2,705	(4,370)
	<u>\$ 8,125</u>	<u>\$ (13,814)</u>

### (b) Acquisition of tangible capital assets:

	2018	2017
Externally funded acquisitions	\$ 29,190	\$ 33,563
Internally funded acquisitions	702	2,457
	<u>\$ 29,892</u>	<u>\$ 36,020</u>

### (c) Supplementary cash flow information:

	2018	2017
Interest paid	\$ 4,709	\$ 4,781
Interest received	\$ 902	\$ 952

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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## 16. Related party and other agency operations:

The following are types of related parties. Disclosure of values for related party transactions is only required if the values are different from that which would have been arrived at if the parties were unrelated.

(a) BC government reporting entities:

The Authority is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. The health authorities, and BC Clinical Support Services Society provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the statement of operations and are recorded on a cost recovery basis, as the entities would have otherwise delivered the services themselves. As a result, the values recorded in the financial statements approximate fair value.

(b) Key management personnel

The Authority has deemed the Board of Directors and Senior Executive Team, and their close family members to be key management personnel for the purpose of PS 2200 Related Party Disclosure.

(c) Foundations and auxiliaries:

Within the Authority area, there are 28 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations. The foundations and auxiliaries are separate legal entities incorporated under the *Societies Act (British Columbia)* with separate governance structures. The foundations and the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations and auxiliaries granted \$2.184 million (2017 - \$2.621 million) to various facilities within the Authority.

# NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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

### (c) Foundations and auxiliaries (continued):

Auxiliary to GR Baker Memorial Hospital	Kitimat Hospital Foundation
Bulkley Valley & District Hospital Auxiliary	Mackenzie Hospital Auxiliary
Bulkley Valley Health Care & Hospital Foundation	Max Lang Estate
Burns Lake & District Health Care Auxiliary	McBride & District Hospital Auxiliary
Chetwynd Hospital Foundation	Mills Memorial Hospital Auxiliary
Dawson Creek & District Auxiliary Society	North Coast Health Improvement Society
Dawson Creek Hospital Foundation	Prince Rupert Regional Hospital Auxiliary
Dr. REM Lee Foundation	QCI Hospital Days Foundation
Fort Nelson Hospital & Healthcare Foundation	Spirit of the North Health Care Foundation
Fort Nelson Hospital Auxiliary	St. John Hospital Auxiliary Society
Fort St. John Hospital Foundation	Stuart Lake Hospital Auxiliary Society
Fort St. John Hospital Ladies Auxiliary	Tumbler Ridge Health Centre Foundation
GR Baker Hospital Auxiliary	Wrinch Memorial Foundation
Kitimat General Hospital Auxiliary	Wrinch Memorial Hospital Auxiliary

## 17. Risk management:

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

### (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 carrying 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, other Health Authorities and BC government reporting entities patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. 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 uncollectable amounts. As at March 31, 2018, the amount of allowance for doubtful accounts was \$0.936 million (2017 - \$0.879 million).

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

## 17. Risk management (continued):

### (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 on hand and future funding from the Ministry. If the current funding and cash on hand were insufficient to satisfy its current obligations, the Authority has the option to sell its portfolio investments, which can be liquidated without additional cost.

The Authority's principal source of funding is from the Ministry. 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 or grant documentation. The Authority has complied with the external restrictions on the funding provided.

All financial assets mature within one year. The table below shows when various financial liabilities mature:

2018 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 75,966	\$ -	\$ -	\$ 75,966
Obligations under public-private partnership	84	972	29,847	30,903
Debt	661	1,222	3,545	5,428
	\$ 76,711	\$ 2,194	\$ 33,392	\$ 112,297

2017 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 73,457	\$ -	\$ -	\$ 73,457
Obligations under public-private partnership	11	803	30,101	30,915
Debt	695	1,542	3,898	6,135
	\$ 74,163	\$ 2,345	\$ 33,999	\$ 110,507

### (c) Foreign exchange risk

The Authority's operating results and financial position are reported in Canadian dollars. As the Authority operates in an international environment, some of the Authority's financial instruments and transactions are denominated in currencies other than Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

# NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2018

## 17. Risk management (continued):

### (c) Foreign exchange risk (continued):

The Authority makes payments denominated in US dollars, and other currencies. Currencies most contributing to the foreign exchange risk are US dollars.

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.

## 18. Budget

The original budget, as approved by the board on April 23, 2017, 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:

	Board approved plan	Additional Ministry contributions	Reallocations	Restated budget
<b>Revenue:</b>				
Ministry of Health contributions	\$ 605,729	\$ 7,195	\$ -	\$ 612,924
Medical Services Plan	89,529	-	1,368	90,897
Amortization of deferred capital contributions	49,356	-	(973)	48,383
Patients, clients and residents	40,098	-	242	40,340
Other contributions	14,621	-	2,561	17,182
Recoveries from other health authorities and BC government reporting entities	11,815	-	308	12,123
Investment income	900	-	-	900
Other revenues	14,552	-	(4,165)	10,387
	\$ 826,600	\$ 7,195	\$ (659)	\$ 833,136
<b>Expenses:</b>				
Acute	\$ 456,625	\$ 656	\$ (8,107)	\$ 449,174
Community care	124,431	1,804	1,716	127,951
Long term care	105,534	1,232	4,497	111,263
Mental health and substance use	45,463	3,381	(2,686)	46,158
Population health and wellness	28,761	74	(359)	28,476
Corporate	65,786	48	4,280	70,114
	\$ 826,600	\$ 7,195	\$ (659)	\$ 833,136
Annual operating surplus	\$ -	\$ -	\$ -	\$ -

## 19. Comparative figures:

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

# NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

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## 20. Annual operating surplus:

The Authority's annual operating surplus of \$3.359 million (2017 – \$4.920 million) can be broken down as follows:

	2018	2017
Annual operating surplus before the following:	\$ 119	\$ 380
Actuarial gain on long-term disability (note 8b(i))	3,183	7,921
Transfer of affiliate pool surplus (deficit) (note 8b(i))	57	(381)
Ministry restriction of global operating funds for future capital	-	(3,000)
Annual operating surplus	\$ 3,359	\$ 4,920