



Financial Statements of

NORTHERN HEALTH AUTHORITY

Year ended March 31, 2016

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the year ended March 31, 2016 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.

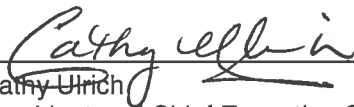
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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 considers internal control relevant to management's preparation and fair presentation 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 19, 2016



Mark De Croos
Vice President, Financial & Corporate Services/Chief Financial Officer
June 19, 2016



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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, 2016, and the statements of operations and accumulated surplus (deficit), changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 Authority'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 Authority'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, 2016, and for the year then ended March 31, 2016 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 statement, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants
Prince George, Canada
June 19, 2016

NORTHERN HEALTH AUTHORITY

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

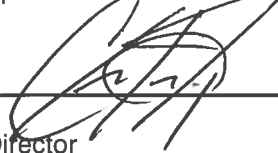
As at March 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents (note 2)	85,799	52,579
Portfolio investments (note 2)	2,867	7,406
Accounts receivable (note 3)	35,283	38,865
Long-term disability benefits (note 8(b))	-	3,538
	<u>123,949</u>	<u>102,388</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	83,756	66,670
Deferred operating contributions (note 5)	11,887	12,377
Obligations under public-private partnership (note 6)	31,041	31,243
Debt (note 7)	6,939	7,724
Retirement allowance (note 8(a))	37,260	36,472
Long-term disability benefits and health and welfare (note 8(b))	15,785	-
Replacement reserves (note 9)	1,268	1,373
Deferred capital contributions (note 10)	664,924	667,796
	<u>852,860</u>	<u>823,655</u>
Net debt	<u>(728,911)</u>	<u>(721,267)</u>
Non-financial assets		
Tangible capital assets (note 11)	713,582	714,924
Inventories held for use (note 12)	5,982	6,005
Prepaid expenses	1,734	2,388
	<u>721,298</u>	<u>723,317</u>
Accumulated (deficit) surplus	<u>\$ (7,613)</u>	<u>\$ 2,050</u>

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 (Deficit) Surplus
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(k),18)	2016	2015
Revenues:			
Ministry of Health contributions	\$ 571,348	\$ 570,680	\$ 550,502
Medical Services Plan	79,918	82,189	80,592
Amortization of deferred capital contributions	49,007	49,798	54,548
Patients, clients and residents (note 14(a))	37,940	38,189	37,858
Other contributions (note 14(b))	22,391	16,643	18,634
Recoveries from other health authorities and BC government reporting entities	10,786	11,970	12,134
Investment income	830	985	817
Other revenues (note 14(c))	8,415	10,526	9,334
	<u>780,635</u>	<u>780,980</u>	<u>764,419</u>
Expenses (note 14(d)):			
Acute	434,589	447,750	435,760
Residential care	103,582	106,919	99,153
Community care	84,444	82,867	75,878
Mental health and substance use	56,262	51,622	49,677
Population health and wellness	36,766	36,362	37,330
Corporate	64,992	65,123	63,711
	<u>780,635</u>	<u>790,643</u>	<u>761,509</u>
Annual operating (deficit) surplus (note 20)	-	(9,663)	2,910
Accumulated (deficit) surplus, beginning of year	2,050	2,050	(860)
Accumulated (deficit) surplus, end of year	\$ 2,050	\$ (7,613)	\$ 2,050

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, 2016

	2016 Budget (note 1(k))	2016	2015
Annual operating (deficit) surplus	\$ 2,050	\$ (9,663)	\$ 2,910
Acquisition of tangible capital assets	(64,736)	(52,244)	(65,203)
Amortization of tangible capital assets	51,690	52,128	55,449
Loss on disposal of tangible capital assets	-	1,407	227
Proceeds from the disposal of tangible capital assets	-	51	-
	(10,996)	(8,321)	(6,617)
Consumption of inventories held for use	-	23	73
Use of prepaid expenses	-	654	2,882
	-	677	2,955
Increase in net debt	(10,996)	(7,644)	(3,662)
Net debt, beginning of year	(721,267)	(721,267)	(717,605)
Net debt, end of year	\$ (732,263)	\$ (728,911)	\$ (721,267)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016	2015
Cash flows from (used in) operating activities:		
Annual (deficit) surplus	\$ (9,663)	\$ 2,910
Items not involving cash:		
Amortization of deferred capital contributions	(49,798)	(54,548)
Amortization of tangible capital assets	52,128	55,449
Loss on disposal of tangible capital assets	1,407	227
Retirement allowance expense	3,487	4,031
Long term disability benefits expense	29,937	15,601
	27,498	23,670
Net change in non-cash operating items (note 15(a))	20,855	(11,415)
Net change in cash from operating activities	48,353	12,255
Capital activities:		
Acquisition of tangible capital assets (note 15(b))	(52,244)	(65,203)
Proceeds from the disposal of tangible capital assets	51	-
Net change in cash from capital activities	(52,193)	(65,203)
Investing activities:		
Change in portfolio investments	4,539	8,701
Net change in cash from investing activities	4,539	8,701
Financing activities:		
Retirement allowance benefits paid	(2,699)	(2,074)
Long-term disability benefits contributions	(10,614)	(10,033)
Repayment of obligations under public-private partnership	(202)	(223)
Repayment of debt	(785)	(843)
Change in replacement reserves	(105)	(153)
Capital contributions	46,926	66,500
Net change in cash from financing activities	32,521	53,174
Increase in cash and cash equivalents	33,220	8,927
Cash and cash equivalents, beginning of year	52,579	43,652
Cash and cash equivalents, end of year	\$ 85,799	\$ 52,579

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, 2016

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 consolidated 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.

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, 2016

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;
- 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; and

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

(b) Affiliated organizations:

Within the Authority area is one denominational health care organization – Wrinch Memorial Hospital (the “Affiliate”), which has the responsibility to manage the administration of the Wrinch Memorial Hospital under an affiliation agreement with the Authority. This Affiliate 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 the Affiliate are recorded as Ministry of Health contributions and funds transferred to the Affiliate are recorded as expenses in the statement of operations. As the Authority’s performance agreement with the Ministry includes the performance of the Affiliate, information on the equity and results of operations of the Affiliate is provided in note 16(c) of these financial statements.

(c) 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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(d) 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.

(e) 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 (2015 – 10 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.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

(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.

(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.

(f) 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

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

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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.

(ii) Inventories held for use:

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

(g) 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, 2016

1. Significant accounting policies (continued):

(h) 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, 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.

(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.

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.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

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. 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.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2015/2016 Budget approved by the Board of Directors on April 20, 2015. Note 18 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.

(l) Future accounting standards:

(i) In March 2015, PSAB issued 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. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Authority.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(l) Future accounting standards (continued):

(ii) In March 2015, PSAB issued 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. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Authority.

(iii) In June 2015, PSAB issued 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. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3210 on the financial statements of the Authority.

(iv) In June 2015, PSAB issued 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. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the financial statements of the Authority.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(l) Future accounting standards (continued):

- (v) In June 2015, 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. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the financial statements of the Authority.
- (vi) 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:
- 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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

2. Cash and cash equivalents and portfolio investments:

	2016	2015
Cash and cash equivalents	\$ 85,799	\$ 52,579
Portfolio investments	2,867	7,406
	<u>\$ 88,666</u>	<u>\$ 59,985</u>
Amounts restricted for unspent capital contributions	19,591	18,511
Amounts restricted for deferred operating contributions	11,887	12,377
Amounts restricted for P3 project	5,597	4,632
Amounts restricted for replacement reserves	1,268	1,373
Amounts restricted for patient comfort funds	186	171
Amounts restricted for Affiliate	88	840
	<u>38,617</u>	<u>37,904</u>
Unrestricted cash and cash equivalents and portfolio investments	50,049	22,081
	<u>\$ 88,666</u>	<u>\$ 59,985</u>

3. Accounts receivable:

	2016	2015
Medical Services Plan	\$ 7,386	\$ 14,419
Ministry of Health	7,655	6,479
Other health authorities and BC government reporting entities	5,634	6,578
Regional Hospital Districts	5,069	3,240
Patients, clients and residents	3,194	2,981
Other grantors	3,141	2,124
Foundations and auxiliaries	1,664	1,019
Federal government	1,059	1,343
WorkSafe BC	957	1,173
	<u>35,759</u>	<u>39,356</u>
Allowance for doubtful accounts (note 17 (a))	(476)	(491)
	<u>\$ 35,283</u>	<u>\$ 38,865</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

4. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accrued liabilities	\$ 28,838	\$ 28,538
Salaries and benefits payable	32,695	16,288
Accrued vacation pay	22,223	21,844
	\$ 83,756	\$ 66,670

5. Deferred operating contributions:

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

	2016	2015
Deferred operating contributions, beginning of year	\$ 12,377	\$ 12,205
Contributions received during the year	4,985	10,323
Amounts recognized as revenue in the year	(5,475)	(10,151)
Deferred operating contributions, end of year	\$ 11,887	\$ 12,377

6. Obligations under public-private partnership:

	2016	2015
Fort St. John Hospital and Peace Villa, 30 year contract to May 2042 with ISL Health (FSJ) Ltd., payable in monthly payments including annual interest of 14.76%, in accordance with the project agreement terms	\$ 31,041	\$ 31,243
	\$ 31,041	\$ 31,243
2017		\$ 126
2018		11
2019		84
2020		(31)
2021		288
Thereafter		30,563
		\$ 31,041

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

7. Debt:

Mortgages:

	2016	2015
Mortgages payable to Canada Mortgage and Housing Corporation ("CMHC"), at interest rates varying from 1.98% to 4.67% payable in blended payments of \$71,000 per month, with maturity dates ranging to March 2028, secured by first charges on properties.	\$ 3,097	\$ 3,766
Mortgages payable to TD Canada Trust, at interest rates varying from 2.649% to 4.673%, payable in blended payments of \$22,000 per month, with maturity dates of May and August 2037, secured by building and first charge on property.	3,842	3,958
	\$ 6,939	\$ 7,724

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

2017	\$ 802
2018	695
2019	648
2020	348
2021	269
Thereafter	4,177
	\$ 6,939

8. 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 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, 2015 and extrapolated to March 31, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

8. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2016	2015
Accrued benefit liability:		
Severance benefits	\$ 19,164	\$ 18,789
Sick leave benefits	13,840	14,237
	<u>33,004</u>	<u>33,026</u>
Unamortized actuarial gain	<u>4,256</u>	<u>3,446</u>
Accrued benefit liability	<u>\$ 37,260</u>	<u>\$ 36,472</u>

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

	2016	2015
Accrued benefit liability, beginning of year	\$ 36,472	\$ 34,515
Net benefit expense:		
Current service cost	2,497	2,608
Interest expense	1,350	1,486
Amortization of actuarial gain	(360)	(63)
Net Benefit Expense	<u>3,487</u>	<u>4,031</u>
Benefits paid	<u>(2,699)</u>	<u>(2,074)</u>
Accrued benefit liability, end of year	<u>\$ 37,260</u>	<u>\$ 36,472</u>

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

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

8. Employee benefits (continued):

(a) Retirement allowance (continued):

	2016	2015
Accrued benefit liability as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
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 Authorities assets and liabilities being segregated with regards 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, 2016 are based on the actuarial valuation at December 31, 2015, extrapolated to March 31, 2016. The Authorities assets (liabilities) as of March 31, 2015 are based on the actuarial valuation at December 31, 2015. The next expected valuation will be as of December 31, 2016.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

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:

	2016	2015
Fair value of plan assets	\$ 53,037	\$ 65,506
Accrued benefit obligation	68,822	61,968
Net funded asset (obligation)	\$ (15,785)	\$ 3,538
	2016	2015
Net funded asset, beginning of year	\$ 3,538	\$ 9,106
Net benefit expense:		
Long-term disability expense	(18,114)	(18,349)
Interest expense	(2,960)	(3,074)
Return on assets	3,158	3,553
Employee payments	124	180
Actuarial (loss) gain	(12,020)	43
	(29,812)	(17,647)
Transfer of pool surplus	(125)	325
Effect of change in plan valuation date	-	1,721
Net benefit expense:	(29,937)	(15,601)
Contributions to the plan	10,614	10,033
Net funded asset (obligation), end of year	\$ (15,785)	\$ 3,538
Benefits paid to claimants	\$ 20,881	\$ 19,432

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2016	2015
Debt securities	42%	43%
Foreign equities	36%	34%
Equity securities and other	22%	23%
Total	100%	100%

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

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	5.30%	5.30%
Rate of benefit increase	1.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.30%	5.80%
Rate of compensation increase	1.50%	2.50%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.30%	5.80%

Actual long-term rate of return on plan assets was 7.7% for the year ended December 31, 2015 (December 31, 2014 – 10.8%).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment and pre-October 1, 1997 long-term disability claims administered by the Trust on behalf of the Authority were part of a multi-employee pool within the Trust prior to December 31, 2014. Effective January 1, 2015 the Authority no longer participates in this pool. The benefits are now provided through the long-term disability and health and welfare benefit pools.

(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 to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016-2017 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Healthcare Benefit Trust will transition to the joint benefit trusts.

(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 \$27.0 million (2015 - \$25.8 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, 2012, indicated an unfunded liability of approximately \$1,370 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 184,000 active members, of which approximately 6,300 are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2015 with results available in 2016.

Employer contributions to the Public Service Pension Plan of \$0.412 million (2015 - \$0.475 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, 2014, indicated a surplus of approximately \$194 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 56,000 active members, of which approximately 60 are employees of the Authority. The Authority's next actuarial valuation date will be as of March 31, 2017 with results available in early 2018.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

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.

The change in the replacement reserves is calculated as follows:

	2016	2015
Balance, beginning of year	\$ 1,373	\$ 1,526
Expenditures	(200)	(166)
Provision for replacement reserve funding	81	110
Interest on replacement reserves	14	19
Discontinuation of reserves	-	(116)
Balance, end of year	\$ 1,268	\$ 1,373

The replacement reserves by facility are as follows:

	2016	2015
Laurier Manor - Prince George	\$ 386	\$ 395
McConnell Estates - Terrace	194	200
Alward Place - Phase 1 - Prince George	192	231
Alward Place - Phase 2 - Prince George	173	213
Terraceview Lodge - Terrace	160	141
Parkside Intermediate Care Home - Prince George	144	177
Nick Grosse - Masset	19	16
	\$ 1,268	\$ 1,373

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

10. Deferred capital contributions:

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

	2016	2015
Deferred capital contributions, beginning of year	\$ 667,796	\$ 655,844
Capital contributions received:		
Ministry of Health	25,284	46,785
Regional Hospital District	18,354	16,135
Foundations and Auxiliaries	3,288	3,580
	46,926	66,500
Amortization for the year	(49,798)	(54,548)
Deferred capital contributions, end of year	\$ 664,924	\$ 667,796

Deferred capital contributions are comprised of the following:

	2016	2015
Contributions used to purchase tangible capital assets	\$ 645,333	\$ 649,285
Unspent contributions	19,591	18,511
	\$ 664,924	\$ 667,796

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

11. Tangible capital assets:

Cost	2015	Additions	Disposals	Transfers	2016
Land	\$ 3,743	\$ -	\$ -	\$ 976	\$ 4,719
Land improvements	6,429	-	(670)	173	5,932
Buildings	882,100	-	(12,231)	19,541	889,410
Equipment and vehicles	204,618	-	(21,287)	12,134	195,465
Information systems	66,781	-	(4,380)	2,810	65,211
Leasehold improvements	6,344	-	(1,082)	-	5,262
Construction in progress	41,985	52,244	-	(35,634)	58,595
Total	\$ 1,212,000	\$ 52,244	\$ (39,650)	\$ -	\$ 1,224,594

Accumulated amortization	2015	Amortization	Disposals	2016
Land improvements	\$ 4,585	\$ 232	\$ (670)	\$ 4,147
Buildings	310,665	27,081	(12,231)	325,515
Equipment and vehicles	123,462	14,094	(19,829)	117,727
Information systems	54,353	9,594	(4,380)	59,567
Leasehold improvements	4,011	1,127	(1,082)	4,056
Total	\$ 497,076	\$ 52,128	\$ (38,192)	\$ 511,012

Cost	2014	Additions	Disposals	Transfers	2015
Land	\$ 3,970	\$ -	\$ (227)	\$ -	\$ 3,743
Land improvements	5,164	915	(243)	593	6,429
Buildings	845,955	41,174	(29,480)	24,451	882,100
Equipment and vehicles	315,478	3,679	(130,548)	16,009	204,618
Information systems	65,355	1,555	(129)	-	66,781
Leasehold improvements	6,349	22	(27)	-	6,344
Construction in progress	65,180	17,858	-	(41,053)	41,985
Total	\$ 1,307,451	\$ 65,203	\$ (160,654)	\$ -	\$ 1,212,000

Accumulated amortization	2014	Amortization	Disposals	2015
Land improvements	\$ 4,650	\$ 181	\$ (246)	\$ 4,585
Buildings	311,726	28,658	(29,719)	310,665
Equipment and vehicles	238,345	15,445	(130,328)	123,462
Information systems	44,180	10,302	(129)	54,353
Leasehold improvements	3,153	863	(5)	4,011
Total	\$ 602,054	\$ 55,449	\$ (160,427)	\$ 497,076

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

11. Tangible capital assets (continued):

Net book value	2016	2015
Land	\$ 4,719	\$ 3,743
Land improvements	1,785	1,844
Buildings	563,895	571,435
Equipment and vehicles	77,738	81,156
Information systems	5,644	12,428
Leasehold improvements	1,206	2,333
Construction in progress	58,595	41,985
Total	\$ 713,582	\$ 714,924

Tangible capital assets are funded as follows:

	2016	2015
Deferred capital contributions	\$ 645,333	\$ 649,285
Public-private partnership	31,041	31,243
Internally funded	30,269	26,672
Debt	6,939	7,724
Tangible capital assets	\$ 713,582	\$ 714,924

12. Inventories held for use:

	2016	2015
Pharmaceuticals	\$ 3,427	\$ 3,660
Medical supplies	2,555	2,345
	\$ 5,982	\$ 6,005

13. Commitments and contingencies:

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

As at March 31, 2016, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$6.45 million (2015 - \$27.0 million).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

13. Commitments and contingencies (continued):

(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:

2017	\$	18,027
2018		18,596
2019		16,366
2020		14,598
2021		3,262
	\$	70,849

(c) Long-term residential care contracts:

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

2017	\$	8,439
2018		8,523
2019		8,608
2020		8,694
2021		8,781
Thereafter		184,572
	\$	227,617

(d) Operating leases:

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

2017	\$	7,955
2018		6,433
2019		5,817
2020		4,375
2021		2,330
Thereafter		4,932
	\$	31,842

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

13. Commitments and contingencies (continued):

(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.

	Capital and financing	FM and lifecycle	Total payments
2017	4,708	5,359	10,067
2018	4,574	5,394	9,968
2019	4,645	5,510	10,155
2020	4,518	5,678	10,196
2021	4,841	5,545	10,386
Thereafter	110,215	132,893	243,108
	\$ 133,501	\$ 160,379	\$ 293,880

(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, 2016, 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 \$186,390 (2015 - \$171,597).

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

14. Statement of operations:

(a) Patients, clients and residents revenue:

	2016		2015	
Residents of BC-self pay	\$	23,165	\$	21,823
Non-residents of BC		6,950		7,803
WorkSafe BC		4,912		5,131
Non-residents of Canada		1,211		1,436
Other		1,022		995
Uninsured residents		826		627
Federal government		103		43
	\$	38,189	\$	37,858

(b) Other contributions:

	2016		2015	
Other BC government reporting entities	\$	8,419	\$	9,667
Provincial Health Services Authority		6,266		6,850
Other		1,958		2,117
	\$	16,643	\$	18,634

(c) Other revenues:

	2016		2015	
Recoveries from the sale of goods and services	\$	6,331	\$	5,872
Compensation recoveries		2,401		2,140
Parking		633		600
Other		1,161		722
	\$	10,526	\$	9,334

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

14. Statement of operations (continued):

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

	2016	2015
Compensation:		
Compensation	\$ 366,286	\$ 351,271
Employee benefits	93,535	78,514
Purchased services - physicians	74,403	72,408
	<u>534,224</u>	<u>502,193</u>
Supplies		
Medical and surgical	20,405	19,616
Drugs and medical gases	17,716	18,310
Diagnostic	9,834	9,432
Food and dietary	8,143	7,959
Laundry and linen	3,321	3,426
Housekeeping	1,984	1,896
Printing, stationery and office	1,697	1,665
Other	5,409	5,862
	<u>68,509</u>	<u>68,166</u>
Referred-out and contracted services:		
Health and support service providers	48,055	47,944
Other health authorities and BC government reporting entities	7,993	8,873
	<u>56,048</u>	<u>56,817</u>
Equipment and building services:		
Equipment expenses	20,250	17,970
Utilities	9,053	9,839
Rent	8,754	9,232
Service contracts	3,295	3,421
Other	3,767	4,924
	<u>45,119</u>	<u>45,386</u>
Sundry:		
Travel and accommodation	3,380	3,499
Professional fees	3,457	3,824
Communication and data processing	3,263	2,960
Patient transport	3,113	3,398
Other	9,496	9,450
	<u>22,709</u>	<u>23,131</u>
Amortization of tangible capital assets	52,128	55,449
Distributions to affiliated organization	5,669	5,253
Interest on debt	4,830	4,887
Loss on disposal of tangible capital assets	1,407	227
	<u>\$ 790,643</u>	<u>\$ 761,509</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

15. Supplementary cash flow information:

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

	2016	2015
Accounts receivable	\$ 3,582	\$ (3,609)
Accounts payable and accrued liabilities	17,086	(10,933)
Deferred operating contributions	(490)	172
Inventories held for use	23	73
Prepaid expenses	654	2,882
	<u>\$ 20,855</u>	<u>\$ (11,415)</u>

(b) Purchase of tangible capital assets:

	2016	2015
Externally funded acquisitions	\$ 45,846	\$ 62,732
Internally funded acquisitions	6,398	2,471
	<u>\$ 52,244</u>	<u>\$ 65,203</u>

(c) Supplementary Information:

	2016	2015
Interest paid	\$ 4,830	\$ 4,887
Interest received	985	817

16. Related party and other agency operations:

(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. 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.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

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

(a) BC government reporting entities (continued):

The financial statements include transactions and balances with these parties in the following amounts:

	2016	2015
Revenue:		
Ministry of Health contributions	\$ 570,680	\$ 550,502
Medical Services Plan	82,189	80,592
Amortization of deferred capital contributions	31,541	39,079
Recoveries from other health authorities and BC government reporting entities	11,970	20,266
Patients, clients and residents	6,950	7,803
Other contributions	14,685	2,499
	\$ 718,015	\$ 700,741
Expenses:		
Referred-out and contracted services	\$ 7,992	\$ 8,873
Distribution to affiliated organization	5,669	5,253
Sundry	2,865	3,744
Equipment and building services	-	17
	\$ 16,526	\$ 17,887
Accounts receivable:		
Medical Services Plan	\$ 7,386	\$ 14,419
Ministry of Health	7,655	6,479
Other health authorities and BC government reporting entities	5,634	6,578
	\$ 20,675	\$ 27,476
Accounts payable and accrued liabilities	\$ 3,839	\$ 3,663
Deferred operating contributions	8,615	10,012
Deferred capital contributions	477,743	484,000

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

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

(b) Foundations and auxiliaries:

Within the Authority area, there are 29 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 *Society Act of 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 \$2.661 million (2015 - \$3.462 million) to various facilities within the Authority.

Auxilliary to GR Baker Memorial Hospital	Max Lang Estate
Bulkley Valley & District Hospital Auxiliary	McBride & District Hospital Auxiliary
Bulkley Valley Health Care & Hospital Foundation	Mills Memorial Hospital Auxiliary
Burns Lake & District Health Care Auxiliary	North Coast Health Improvement Society
Chetwynd Hospital Foundation	Peace Lutheran Care Center Foundation
Dawson Creek & District Auxilliary Society	Pouce Coupe Community Foundation 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 Auxilliary	St. John Hospital Auxiliary Society
Fort St. John Hospital Foundation	Stuart Lake Hospital Auxiliary Society
Fort St. John Hospital Ladies Auxilliary	Tumbler Ridge Health Centre Foundation
Kitimat General Hospital Auxiliary	Wrinch Memorial Foundation
Kitimat Hospital Foundation	Wrinch Memorial Hospital Auxiliary
Mackenzie Hospital Auxilliary	

(c) Affiliated organizations:

The financial statements of the Affiliate are not consolidated with the Authority. The annual operating deficit and the accumulated deficit of the Affiliate are as follows:

	2016	2015
Annual operating deficit:		
Wrinch Memorial Hospital	\$ (80)	\$ (244)
	\$ (80)	\$ (244)
Accumulated deficit:		
Wrinch Memorial Hospital	\$ (282)	\$ (202)
	\$ (282)	\$ (202)

Included in the Authority's accounts payable is \$0.088 million (2015 - \$0.840 million) payable to the Affiliate at year-end.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

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 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, 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, 2016, the amount of allowance for doubtful accounts was \$0.476 million (2015 - \$0.491 million).

(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.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

17. Risk management (continued):

(b) Liquidity risk (continued)

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

2016	Up to 1	1 to 5	Over 5	Total
Financial assets	year	years	years	
Cash and cash equivalents	\$ 85,799	\$ -	\$ -	\$ 85,799
Portfolio investments	2,021	846	-	2,867
Accounts Receivable	35,283	-	-	35,283
Total financial assets	\$ 123,103	\$ 846	\$ -	\$ 123,949
Financial liabilities	Up to 1	1 to 5	Over 5	Total
	year	years	years	
Accounts payable and accrued liabilities	\$ 83,756	\$ -	\$ -	\$ 83,756
Obligations under public-private partnership	126	352	30,563	31,041
Debt	802	1,960	4,177	6,939
	\$ 84,684	\$ 2,312	\$ 34,740	\$ 121,736
2015	Up to 1	1 to 5	Over 5	Total
Financial assets	year	years	years	
Cash and cash equivalents	\$ 52,579	\$ -	\$ -	\$ 52,579
Portfolio investments	4,551	2,855	-	7,406
Accounts Receivable	38,865	-	-	38,865
Total financial assets	\$ 95,995	\$ 2,855	\$ -	\$ 98,850
Financial liabilities	Up to 1	1 to 5	Over 5	Total
	year	years	years	
Accounts payable and accrued liabilities	\$ 66,670	\$ -	\$ -	\$ 66,670
Obligations under public-private partnership	203	190	30,850	31,243
Debt	785	2,496	4,443	7,724
	\$ 67,658	\$ 2,686	\$ 35,293	\$ 105,637

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2016

17. Risk management (continued):

(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.

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

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 20, 2015, 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	Reallocations	Restated budget
Revenue:			
Ministry of Health contributions	\$ 570,527	\$ 821	\$ 571,348
Medical Services Plan	79,918	-	79,918
Amortization of deferred capital contributions	49,007	-	49,007
Patients, clients and residents	37,940	-	37,940
Other contributions	22,361	30	22,391
Recoveries from other health authorities and BC government reporting entities	10,786		10,786
Investment income	830	-	830
Other revenues	8,415	-	8,415
	\$ 779,784	\$ 851	\$ 780,635
Expenses:			
Acute	\$ 434,417	\$ 172	\$ 434,589
Residential care	102,673	909	103,582
Community care	85,483	(1,039)	84,444
Mental health and substance use	56,200	62	56,262
Population health and wellness	36,775	(9)	36,766
Corporate	64,236	756	64,992
	\$ 779,784	\$ 851	\$ 780,635
Annual operating surplus	\$ -	\$ -	\$ -

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2016

19. Comparative figures:

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

20. Annual operating (deficit) surplus:

The Authority's annual operating deficit of \$9.663 million (2015 – surplus \$2.910 million) can be broken down as follows:

	2016	2015
Annual operating surplus before actuarial (loss) gain on long term disability benefits	\$ 2,357	\$ 2,867
Actuarial (loss) gain on long term disability (note 8b(i))	(12,020)	43
Annual operating (deficit) surplus	\$ (9,663)	\$ 2,910

21. Subsequent event:

The affiliation agreement between the Authority and the United Church Health Services Society (UCHSS) was terminated effective April 1, 2016, on which date, the assets and liabilities of Wrinch Memorial Hospital were transferred to the Authority. Included in the transfer were the assets and liabilities of the medical clinic, dental clinic and staff housing units that were operated by UCHSS. The impact to the Authority is net assets of \$1. Effective April 1, 2016, the operations of these transferred programs are included in the operations of the Authority.