



Fraser-Fort George  
**REGIONAL HOSPITAL  
DISTRICT**

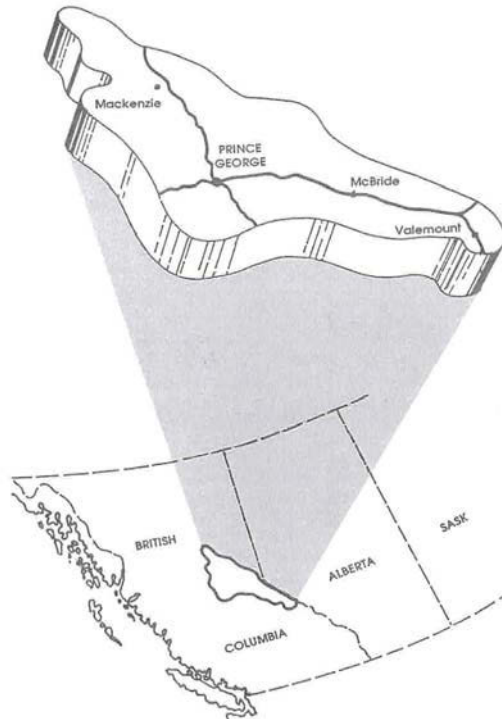
# *2016 FINANCIAL STATEMENTS*



SaniPak



Mass Spectrometer -  
Microbiology



c501 Chemical Analyzer



Immunohistochemistry  
Analyzer - Histology



Mackenzie Primary Care

## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The accompanying financial statements of the Fraser-Fort George Regional Hospital District (the "Regional Hospital District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Regional Hospital District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Regional Hospital District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Regional Hospital District's financial statements.

*"Natalie Wehner"*

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Natalie Wehner, CPA, CMA  
*General Manager of Financial Services*



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## **INDEPENDENT AUDITORS' REPORT**

To the Chairperson and Directors of the Fraser-Fort George Regional Hospital District

### *Report on Financial Statements*

We have audited the accompanying financial statements of the Fraser-Fort George Regional Hospital District, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and accumulated surplus and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

### *Auditors' 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Fraser-Fort George Regional Hospital District as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 12 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2015 has been restated.

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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

April 20, 2017

Prince George, Canada



**Statement of Financial Position  
as at December 31, 2016**

**Exhibit A**

	<b>2016</b>	<b>2015</b>
		<small>(restated Note 12)</small>
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 3)	<b>\$ 16,939,413</b>	<b>\$ 12,469,570</b>
Receivables		
- Accrued Interest	-	-
- City of Prince George	<b>38,176</b>	<b>29,920</b>
- District of Mackenzie	-	<b>1,142</b>
- Village of McBride	<b>1,022</b>	-
- Village of Valemount	<b>1,071</b>	-
- Regional District of Fraser-Fort George	<b>(5)</b>	<b>5,865</b>
Municipal Finance Authority Debt Reserve Funds (Note 4)	<b>323,536</b>	<b>314,739</b>
	<b><u>17,303,213</u></b>	<b><u>12,821,235</u></b>
<b>FINANCIAL LIABILITIES</b>		
Accounts Payable and Accrued Interest	<b>\$ 56,491</b>	<b>\$ 223,282</b>
Debenture Debt - Municipal Finance Authority (Note 5)	<b><u>8,345,670</u></b>	<b><u>9,434,899</u></b>
	<b><u>8,402,161</u></b>	<b><u>9,658,181</u></b>
<b>ACCUMULATED SURPLUS (Note 7)</b>	<b><u>\$ 8,901,052</u></b>	<b><u>\$ 3,163,054</u></b>

*"Natalie Wehner"*

Natalie Wehner, CPA, CMA, General Manager of Financial Services

**Statement of Operations and Accumulated Surplus  
for the year ended December 31, 2016**

**Exhibit B**

	2016 Budget (Note 8)	2016 (Actual)	2015 (Actual) <small>(restated Note 12)</small>
<b>REVENUES</b>			
Tax Levy			
City of Prince George	\$ 5,456,425	\$ 5,456,425	\$ 4,027,835
District of Mackenzie	295,232	295,232	228,000
Villages of McBride and Valemount	106,170	106,170	77,422
Electoral areas A, C, D, E, F, G and H	<u>1,981,403</u>	<u>1,981,403</u>	<u>1,470,373</u>
	7,839,230	7,839,230	5,803,630
Grants - in lieu of taxes	15,000	42,697	31,082
Interest and miscellaneous	10,000	152,408	160,789
Debenture surplus refunds	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,864,230</u>	<u>8,034,335</u>	<u>5,995,501</u>
<b>EXPENSES</b>			
Directors' remuneration and benefits	\$ 8,230	\$ 7,931	\$ 7,204
Administrative overheads	249,880	249,880	247,160
Audit, legal and miscellaneous	12,050	3,161	7,100
Debt servicing costs - Interest	1,120,020	(61,947)	42,700
Section 20(2) Hospital District Equipment Grants Northern Health Authority	<u>4,488,980</u>	<u>2,097,310</u>	<u>2,804,326</u>
	<u>5,879,160</u>	<u>2,296,336</u>	<u>3,108,490</u>
<b>ANNUAL SURPLUS</b>	<b>\$ 1,985,070</b>	<b>\$ 5,737,999</b>	<b>\$ 2,887,010</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
As previously reported	12,597,953	12,597,953	10,747,977
Restatement (Note 12)	<u>-</u>	<u>(9,434,900)</u>	<u>(10,471,935)</u>
Restated	12,597,953	3,163,053	276,042
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ <u>14,583,023</u></b>	<b>\$ <u>8,901,052</u></b>	<b>\$ <u>3,163,053</u></b>



**Statement of Cash Flows  
for the year ended December 31, 2016**

**Exhibit C**

	<b>2016</b>	<b>2015</b>
<b>OPERATING</b>		
Annual surplus	\$ 5,737,999	\$ 2,887,010
Decrease/(increase) in receivables	(9,207)	(9,173)
Decrease/(increase) in accounts payable and accrued interest	(166,791)	157,384
Increase/(decrease) in due to Regional District of Fraser-Fort George	5,869	
Increase/(decrease) in Municipal Finance Authority Debt Reserve Funds	(8,797)	(7,857)
	<u>5,559,073</u>	<u>3,027,364</u>
<b>FINANCING</b>		
Repayment of debenture debt	\$ (1,089,230)	\$ (1,037,035)
	<u>(1,089,230)</u>	<u>(1,037,035)</u>
<b>INVESTING</b>		
Increase in temporary investments	\$ (4,337,976)	\$ (2,000,149)
Net Increase/(decrease) in cash	\$ 131,867	\$ (9,820)
Cash, beginning of year	<u>410,456</u>	<u>420,276</u>
Cash, end of year	<u>\$ 542,323</u>	<u>\$ 410,456</u>

**Notes to the Financial Statements  
for the year ended December 31, 2016**

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**1. DESCRIPTION OF BUSINESS**

The Fraser-Fort George Regional Hospital District ("Regional Hospital District") was incorporated by Letters Patent of the Province of British Columbia on July 11, 1967. It provides financing and shares in the funding of hospital and health care facilities for Valemount, McBride, Mackenzie and Prince George, British Columbia.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statements** The Regional Hospital District prepares its financial statements in accordance with Canadian public sector accounting standards as developed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants.

**Financial Instruments** The Regional Hospital District's financial instruments consist of cash and temporary investments, receivables, debenture debt and accounts payable and accrued interest. Unless otherwise noted, it is management's opinion that the Regional Hospital District is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Revenue Recognition** Taxation revenues in the form of local government requisitions are recognized when received from the Province of British Columbia and member Municipalities in August of each year. Interest revenue is recorded when earned. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

**Debenture Interest** Debenture interest expense is recorded on the accrual basis.

**Use of Estimates** The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenditures during the reporting period. The items requiring the use of significant estimates include the collectability of accounts receivable. Actual results could differ from the estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

**3. CASH AND TEMPORARY INVESTMENTS**

Cash and temporary investments are comprised of cash balances plus temporary investments held with the Municipal Finance Authority in money market and intermediate pooled investment funds. These investments are carried at market value which approximates cost.

	<b>2016</b>	<b>2015</b>
Cash	\$ 542,323	\$ 410,456
Short-Term Investments	<u>16,397,090</u>	<u>12,373,853</u>
Balance, End of Year	<u>\$ 16,939,413</u>	<u>\$ 12,784,309</u>



**Notes to the Financial Statements  
for the year ended December 31, 2016**

**4. MUNICIPAL FINANCE AUTHORITY DEBT RESERVE FUNDS**

The Regional Hospital District issues debt instruments through MFA. As a condition of these borrowings, the MFA has established a debt reserve fund as security held in trust by the MFA against loan default that is equal to one half the annual instalment of principal and interest on debenture issued. The cash portion is equal to 1% of the total principal value of debt when issued and is withheld from the proceeds at the time of issue. Interest earning are attributed to these funds while they are held in trust by MFA over the term of the loan. The remainder of the fund consists of demand notes in connection with each debenture which are contingent in nature and therefore are not recorded as liability in the financial statements.

Details of the cash deposits and contingent demand notes as at December 31, 2016 are as follows:

	<b>2016</b>	<b>2015</b>
Cash deposits	\$ 323,536	\$ 314,739
Contingent demand notes	<u>620,154</u>	<u>620,154</u>
Total debt reserve fund	<u>\$ 943,690</u>	<u>\$ 934,893</u>

**5. LONG-TERM DEBT**

<b>MFA Issue No.</b>	<b>Maturity Date</b>	<b>2016 Debentured Amount</b>	<b>2015 Debentured Amount</b>
97	April 19, 2026	\$ 398,156	\$ 431,590
85	December 2, 2024	525,916	578,777
81	April 22, 2024	1,277,205	1,413,486
80	October 3, 2023	1,863,746	2,087,622
78	December 3, 2022	2,065,568	2,357,549
77	June 1, 2022	1,988,961	2,288,501
73	December 1, 2020	<u>226,118</u>	<u>277,374</u>
		<u>\$ 8,345,670</u>	<u>\$ 9,434,899</u>

Principal payment commitments for the next five years, assuming no change in the terms or interest rate are as follows:

2017	\$ 589,162
2018	589,162
2019	589,162
2020	589,162
2021	562,170
2022 & Thereafter	<u>5,426,852</u>
	<u>\$ 8,345,670</u>

**Notes to the Financial Statements  
for the year ended December 31, 2016**

**6. CREDIT FACILITY**

The Regional Hospital District has available an authorized operating line of credit to a maximum of \$750,000. This facility bears interest at prime rate (December 31, 2016 – 2.7%) and is secured by the current borrowing resolution.

**7. ACCUMULATED SURPLUS**

	<u>2016</u>	<u>2015</u>
Capital Reserve	\$ 17,246,722	\$ 12,597,953
Operating Deficit	<u>(8,345,670)</u>	<u>(9,434,900)</u>
	<u>\$ 8,901,052</u>	<u>\$ 3,163,053</u>

The Capital Reserve Fund balance is comprised of:

Balance, Beginning of Year	\$ 12,597,953	\$ 10,747,977
Transfer from General Operating	<u>4,648,769</u>	<u>1,849,976</u>
Balance, End of Year	<u>\$ 17,246,722</u>	<u>\$ 12,597,953</u>

The Operating Surplus balance is comprised of:

Balance, Beginning of Year	\$ (9,434,900)	\$ (10,471,934)
Transfer to Capital Reserve Fund	<u>(4,648,769)</u>	<u>(1,849,976)</u>
Annual Surplus	<u>5,737,999</u>	<u>2,887,010</u>
Balance, End of Year	<u>\$ (8,345,670)</u>	<u>\$ (9,434,900)</u>

**8. BUDGET DATA**

The budget amounts presented throughout these financial statements represent the budget bylaw approved by the Regional Hospital District Board on March 17, 2016. The budget anticipated use of capital reserve funds to balance against current year expenditures in excess of current year revenues.

The summary below reconciles the 2016 adopted budget to the Statement of Operations.

Budget bylaw, surplus for the year	\$ -
Add:	
Transfer to reserve:	3,801,940
Less:	
Transfer from previous year's surplus	<u>(1,816,870)</u>
<b>Budgeted Annual Surplus, as per Statement of Operations</b>	<u><b>\$ 1,985,070</b></u>



**Notes to the Financial Statements  
for the year ended December 31, 2016**

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**9. STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**

A statement of changes in net financial assets has not been prepared as the Regional Hospital District does not have any non-financial assets, therefore, a reconciliation of annual surplus to net financial assets does not provide any further meaningful information.

**10. RELATED PARTY TRANSACTIONS**

The Regional District of Fraser-Fort George is related to the Regional Hospital District since the same individuals are members of the Board of Directors of both organizations. As legislated by the *Hospital District Act*, the officers and employees of the Regional Hospital District are corresponding officers and employees of the Regional District. Each of the Regional Hospital District and Regional District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year, the Hospital District purchased, at a cost of \$249,880 (2015 - \$247,160), administrative support services from the Regional District.

**11. COMMITMENTS**

As at December 31, 2016 commitments in connection with various capital grants amounted to \$3,136,848. This represents the Regional Hospital District portion, which is 40% of the total capital cost and includes a remaining commitment of \$2,407,262.

**Notes to the Financial Statements  
for the year ended December 31, 2016**

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**12. RESTATEMENT**

During the year, management determined that the following adjustments needed to be made to correct errors reported in prior periods.

- a) Capital debt recoverable was included as a financial asset on the statement of financial position comprised of future requisition amounts from member municipalities. The Regional Hospital District determined that this amount was not receivable until the year in which the requisitions were obtained from member municipalities and therefore future requisitions should not be set up as a receivable at year end.
- b) Debt servicing costs included both the principal and interest portion of debt repayments as an expense on the statement of operations. Only the interest portion of debt servicing costs less any actuarial amounts recognized is considered as an expense.

	<b>As Previously Reported</b>	<b>Increase (Decrease)</b>	<b>As restated</b>
<b><i>Statement of Financial Position as at December 31, 2015</i></b>			
Capital debt recoverable	\$ 9,434,900	\$ (9,434,900)	\$ -
<b><i>Statement of Operations for the year ended December 31, 2015</i></b>			
Debt servicing costs	\$ 1,079,735	\$	\$
Interest on debenture debt		(1,037,035)	<u>42,700</u>
<b><i>Accumulated surplus for the year ended December 31, 2015</i></b>			
Annual surplus	\$ 1,849,976	\$ 1,037,035	\$ 2,887,011
Accumulated surplus, beginning	10,747,977	(10,471,935)	276,042
Accumulated surplus, ending	<u>\$ 12,597,953</u>	<u>\$ (9,434,900)</u>	<u>\$ 3,163,053</u>