



Fraser-Fort George  
**REGIONAL HOSPITAL  
DISTRICT**

FRASER-FORT GEORGE REGIONAL HOSPITAL DISTRICT  
**FINANCIAL STATEMENTS**

2018

*Front cover pictures is Berman Lake  
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## **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.

***"Chris Calder"***

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Chris Calder, CPA, CA  
*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

### ***Opinion***

We have audited the financial statements of Fraser-Fort George Regional Hospital District (the "Regional Hospital District"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional Hospital District as at December 31, 2018 and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Regional Hospital District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the Regional Hospital District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Hospital District's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Regional Hospital District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Hospital District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Regional Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants

Prince George, Canada

April 18, 2019

**Statement of Financial Position**  
December 31, 2018, with comparative information for 2017

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 308,199	\$ 105,715
Portfolio investments (Note 3)	25,266,477	20,430,167
Accounts receivable (Note 4)	83,911	47,552
Restricted cash - MFA debt reserve fund (Note 5)	<u>337,022</u>	<u>329,846</u>
	<u>25,995,609</u>	<u>20,913,280</u>
<b>LIABILITIES</b>		
Accounts payable and accrued interest (Note 6)	\$ 1,217,982	\$ 57,079
Long-term debt (Note 7)	<u>6,003,883</u>	<u>7,203,035</u>
	<u>7,221,865</u>	<u>7,260,114</u>
<b>NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Note 8)</b>	<b><u>\$ 18,773,744</u></b>	<b><u>\$ 13,653,166</u></b>

Commitments (Note 9)

The accompanying notes are an integral part of these financial statements.

*"Chris Calder"*

Chris Calder, CPA, CA, General Manager of Financial Services

*"Murry Krause"*

Murry Krause, Chair of the Board



**Statement of Operations and Accumulated Surplus**  
**For the year ended December 31, 2018, with comparative information for 2017**

	2018 Budget (Note 10)	2018 Actual	2017 Actual
<b>REVENUE</b>			
Tax requisition			
City of Prince George	\$ 6,877,378	\$ 6,877,378	\$ 6,098,389
District of Mackenzie	339,517	339,517	325,112
Village of McBride	36,876	36,876	36,319
Village of Valemount	101,497	101,497	83,239
Electoral areas A, C, D, E, F, G and H	<u>2,217,962</u>	<u>2,217,962</u>	<u>2,163,171</u>
	9,573,230	9,573,230	8,706,230
Payments in lieu of taxes	30,000	49,535	48,952
Investment income	25,000	400,781	149,953
Miscellaneous	-	411	-
Actuarial adjustment on long-term debt (Note 7)	<u>-</u>	<u>609,990</u>	<u>553,473</u>
<b>TOTAL REVENUE</b>	<u>9,628,230</u>	<u>10,633,947</u>	<u>9,458,608</u>
<b>EXPENSES</b>			
Directors' remuneration and benefits	\$ 8,550	\$ 7,240	\$ 7,998
Administrative overheads (Note 13)	259,470	259,470	254,380
Audit, legal and miscellaneous	12,510	5,460	5,356
Interest on long-term debt (Note 7)	414,490	416,602	405,071
Grants to Northern Health Authority	<u>9,554,301</u>	<u>4,824,597</u>	<u>4,033,689</u>
<b>TOTAL EXPENSES</b>	<u>10,249,321</u>	<u>5,513,369</u>	<u>4,706,494</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ (621,091)</u>	<u>\$ 5,120,578</u>	<u>\$ 4,752,114</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>\$ 13,653,166</u>	<u>\$ 13,653,166</u>	<u>\$ 8,901,052</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>\$ 13,032,075</u></u>	<u><u>\$ 18,773,744</u></u>	<u><u>\$ 13,653,166</u></u>

The accompanying notes are an integral part of these financial statements.

**Statement of Cash Flows**  
For the year ended December 31, 2018, with comparative information for 2017

	2018	2017
<b>OPERATING</b>		
Annual surplus	\$ 5,120,578	\$ 4,752,114
<i>Items not involving cash:</i>		
Actuarial adjustment on long-term debt	(609,990)	(553,473)
<i>Change in non-cash assets and liabilities:</i>		
Increase in accounts receivable	(36,359)	(7,287)
Increase in accounts payable and accrued interest	1,160,903	587
Increase in restricted cash- MFA debt reserve fund	<u>(7,176)</u>	<u>(6,310)</u>
<b>Net change in cash from operating activities</b>	<u><b>5,627,956</b></u>	<u><b>4,185,631</b></u>
<b>INVESTING</b>		
Increase in portfolio investments	<u>(4,836,310)</u>	<u>(4,033,077)</u>
<b>FINANCING</b>		
Repayment of long-term debt	<u>(589,162)</u>	<u>(589,162)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 202,484</b>	<b>\$ (436,608)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>\$ 105,715</b></u>	<u><b>\$ 542,323</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>\$ 308,199</b></u></u>	<u><u><b>\$ 105,715</b></u></u>

The accompanying notes are an integral part of these financial statements.

**Notes to the Financial Statements  
 For the year ended December 31, 2018**

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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 and operates under the authority of the *Hospital District Act* of British Columbia. Its principal activities are to provide funding to the Northern Health Authority ("NHA") for capital construction projects and equipment purchases for hospital and health care facilities in Valemount, McBride, Mackenzie and Prince George, British Columbia.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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 Chartered Professional Accountants of Canada.

- a) **Basis of accounting**      The Regional Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.
- b) **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. Payments in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.
- c) **Cash and cash equivalents**      Cash and cash equivalents include short-term highly liquid investments with a term to maturity of thirty (30) days or less at acquisition.
- d) **Capital project expenses**      The Regional Hospital District has no claim on the assets purchased as part of capital project expenses and, as such, has adopted the policy of expensing these amounts. The debenture debt interest expense associated with these capital projects is considered to be a normal operating cost.
- e) **Debt, net of sinking funds**      Debt is presented net of sinking funds and actuarial adjustments to debt. Debt charges, including interest and debt issuance charges, are recognized as an expense in the periods in which they are accrued.
- f) **Reserved surplus funds**      Funds raised for future operating and capital purposes, as approved by the Board of Directors and in accordance with Section 20(4) of the *Hospital District Act*, are set aside in reserves within accumulated surplus.
- g) **Government transfers**      Government transfers including grants to the NHA are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.
- h) **Portfolio investments**      Portfolio investments include investments with a term to maturity greater than thirty (30) days and are recorded at market value. Investment income is reported in the period earned.

**Notes to the Financial Statements  
For the year ended December 31, 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

- i) **Financial instruments** The Regional Hospital District's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, 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.
- j) **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 on the Statement of Operations and Accumulated Surplus in the period of settlement.

**3. PORTFOLIO INVESTMENTS**

Portfolio investments are comprised of investments held with the Municipal Finance Authority ("MFA") in money market and intermediate pooled investment funds and with CIBC in a pooled high interest savings account. These investments are carried at market value.

	<b>2018</b>	<b>2017</b>
MFA Money Market Fund	\$ 2,804,901	\$ 921,723
MFA Intermediate Fund	12,442,031	19,508,444
CIBC Pooled High Interest Savings Account	<u>10,019,545</u>	-
<b>Balance, End of Year</b>	<b><u>\$ 25,266,477</u></b>	<b><u>\$ 20,430,167</u></b>

**4. ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of the following amounts:

	<b>2018</b>	<b>2017</b>
Province of BC	\$ 1,436	\$ -
City of Prince George	43,580	43,305
District of Mackenzie	1,617	1,764
Village of McBride	1,571	1,460
Village of Valemount	1,332	-
Regional District of Fraser-Fort George	<u>34,376</u>	<u>1,023</u>
<b>Total accounts receivable</b>	<b><u>\$ 83,911</u></b>	<b><u>\$ 47,552</u></b>

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

**5. RESTRICTED CASH - MUNICIPAL FINANCE AUTHORITY DEBT RESERVE FUND**

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 earnings are attributed to these funds while they are held in trust by the 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, 2018 are as follows:

	<u>2018</u>	<u>2017</u>
Cash deposits	\$ 337,022	\$ 329,846
Contingent demand notes	<u>620,154</u>	<u>620,154</u>
	<u>\$ 957,176</u>	<u>\$ 950,000</u>

**6. ACCOUNTS PAYABLE AND ACCRUED INTEREST**

Accounts payable and accrued interest is comprised of the following amounts:

	<u>2018</u>	<u>2017</u>
Trade payables	\$ 1,156,437	\$ -
Accrued interest	<u>61,545</u>	<u>57,079</u>
<b>Total accounts payable and accrued interest</b>	<u>\$ 1,217,982</u>	<u>\$ 57,079</u>

**Notes to the Financial Statements  
For the year ended December 31, 2018**

**7. LONG-TERM DEBT**

<b>MFA Issue No.</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Original Debt Amount</b>	<b>2018 Net Debt</b>	<b>2017 Net Debt</b>
97	1.75%	April 19, 2026	\$ 680,024	\$ 327,262	\$ 363,404
85	2.00%	December 2, 2024	1,017,812	412,145	470,418
81	2.40%	April 22, 2024	2,544,529	984,083	1,134,219
80	2.85%	October 3, 2023	4,071,247	1,381,994	1,628,745
78	2.25%	December 3, 2022	5,100,000	1,437,139	1,759,017
77	1.75%	June 1, 2022	5,100,000	1,344,668	1,674,672
73	2.10%	December 1, 2020	814,249	116,592	172,560
			<u>\$ 19,327,861</u>	<u>\$ 6,003,883</u>	<u>\$ 7,203,035</u>

Principal payment commitments for the next five years and thereafter are as follows:

2019	\$ 589,162
2020	589,162
2021	562,170
2022	562,170
2023	253,696
Thereafter	<u>3,447,523</u>
<b>Total</b>	<b>\$ <u>6,003,883</u></b>

Long-term debt is recorded net of any sinking fund balances. Actuarial sinking fund earnings recognized in 2018 totalled \$609,990 (2017 - \$553,473). Interest on long-term debt recorded on the Statement of Operations and Accumulated Surplus in 2018 is \$416,602 (2017 - \$405,071).

**Notes to the Financial Statements  
For the year ended December 31, 2018**

**8. ACCUMULATED SURPLUS**

	<u>2018</u>	<u>2017</u>
Capital Reserve	\$ 24,777,627	\$ 20,856,201
Operating Deficit	(6,003,883)	(7,203,035)
<b>Total accumulated surplus</b>	<b>\$ 18,773,744</b>	<b>\$ 13,653,166</b>

The Capital Reserve Fund balance is comprised of:

Balance, Beginning of Year	\$ 20,856,201	\$ 17,246,721
Transfer from General Operating	3,921,426	3,609,480
<b>Capital Reserve Fund Balance, End of Year</b>	<b>\$ 24,777,627</b>	<b>\$ 20,856,201</b>

The Operating Deficit balance is comprised of:

Balance, Beginning of Year	\$ (7,203,035)	\$ (8,345,670)
Transfer to Capital Reserve Fund	(3,921,426)	(3,609,480)
Annual Surplus	5,120,578	4,752,114
<b>Operating Deficit Balance, End of Year</b>	<b>\$ (6,003,883)</b>	<b>\$ (7,203,035)</b>

**9. COMMITMENTS**

As at December 31, 2018, the Regional Hospital District has outstanding commitments in connection with various capital grants totaling \$4,331,888 to the NHA. This represents the difference between approved bylaws for various projects and the amounts paid out based on claims submitted by the NHA to December 31, 2018.

**10. BUDGET DATA**

The budget amounts presented throughout these financial statements represent the 2018 Annual Operating Budget Bylaw No. 260, 2018, approved by the Regional Hospital District Board on February 15, 2018. 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 2018 adopted budget to the Statement of Operations and Accumulated Surplus.

Budget bylaw, surplus for the year	\$ -
Add:	
Transfer to reserve	4,861,259
Long-term debt principal	589,170
Less:	
Transfer from previous year's surplus	<u>(6,071,520)</u>
<b>Budgeted Annual Deficit, as per Statement of Operations and Accumulated Surplus</b>	<b>\$ <u>(621,091)</u></b>

**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**11. 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.

**12. 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, 2018 – 3.95%) and is secured by the current borrowing resolution. This facility remained unused at year end.

**13. RELATED PARTY TRANSACTIONS**

The Regional District of Fraser-Fort George ("Regional District") 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 Regional Hospital District purchased, at a cost of \$259,470 (2017 - \$254,380), administrative support services from the Regional District. These transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**14. COMPARATIVE INFORMATION**

Certain 2017 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year. The changes had no impact on prior year surplus.





*UHNBC MRI #2*



*Generator*



Fraser-Fort George  
**REGIONAL HOSPITAL  
DISTRICT**

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