

**PEACE RIVER REGIONAL
HOSPITAL DISTRICT**

**Consolidated Financial Statements
Year Ended December 31, 2007
and Auditors' Report**

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1.

AUDITORS' REPORT

To the Board Members of Peace River Regional Hospital District

We have audited the consolidated statement of financial position of Peace River Regional Hospital District as at December 31, 2007 and the consolidated statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of Peace River Regional Hospital District's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Peace River Regional Hospital District as at December 31, 2007 and the results of its operations and the changes in financial position for the year ended in accordance with Canadian generally accepted accounting principles.

Dawson Creek, BC
April 10, 2008

Sander Rose Trobak LLP
Chartered Accountants



Member, Chartered Accountants of British Columbia

* Denotes Professional Corporations

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2007

	2007		2006
FINANCIAL ASSETS			
Cash	\$ 53,566	\$	41,585
Investments (Note 3)	12,059,867		1,265,506
Receivables	3,225		180
Municipal Finance Authority reserve deposits (Note 4)	1,677,814		1,139,752
	13,794,472		2,447,023
LIABILITIES			
Temporary borrowing (Note 5)	-		456,400
Payables and accruals	10,667,463		91,097
Accrued interest on long term debt	328,734		254,048
Municipal Finance Authority debt reserve (Note 4)	1,677,814		1,139,752
Long term debt (Note 6)	16,873,534		7,854,695
	29,547,545		9,795,992
NET FINANCIAL LIABILITIES	(15,753,073)		(7,348,969)
Unamortized grants to health care facilities (Page 8)	16,873,534		8,311,096
NET ASSETS	\$ 1,120,461	\$	962,127
REGIONAL HOSPITAL DISTRICT POSITION			
Fund balances:			
Operating Fund (Page 9)	\$ 839,673	\$	1,114,846
Capital Reserve Fund (Page 10)	609,522		101,329
	1,449,195		1,216,175
Unfunded debenture debt interest accrual	(328,734)		(254,048)
REGIONAL HOSPITAL DISTRICT POSITION	\$ 1,120,461	\$	962,127

See accompanying notes to consolidated financial statements

Approved by



K. Frech, Chief Financial Officer

PEACE RIVER REGIONAL HOSPITAL DISTRICT

3.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES

DECEMBER 31, 2007

	2007 Actual	2007 Budget (unaudited)	2006 Actual
REVENUE			
Tax requisition	\$ 3,945,278	\$ 3,945,278	\$ 4,004,021
Grants-in-lieu of taxes	4,049	2,500	4,961
Debt reserve refund	18,591	54,000	-
Interest	141,808	20,000	50,728
	4,109,726	4,021,778	4,059,710
EXPENDITURES			
Administrative	7,556	10,000	6,250
Health Liaison - Stage 1 and 2	58,312	94,500	42,122
Debenture interest	1,569,661	1,240,928	1,532,641
Temporary borrowing interest	12,485	22,000	20,704
Grants to health care facilities	11,397,628	1,183,412	1,990,523
	13,045,642	2,550,840	3,592,240
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(8,935,916)	1,470,938	467,470
ADD/(DEDUCT):			
Debt principal repayment	(917,613)	(917,613)	(917,613)
Loan proceeds	10,214,216	-	-
Temporary borrowing principal repayment	(456,400)	(228,200)	-
Unfunded debt interest accrual	328,733	-	254,048
	9,168,936	(1,145,813)	(663,565)
CHANGES IN FUND BALANCES	233,020	325,125	(196,095)
FUND BALANCES,			
beginning of year	1,216,175	1,216,175	1,412,270
FUND BALANCES,			
end of year	\$ 1,449,195	\$ 1,541,300	\$ 1,216,175

See accompanying notes to consolidated financial statements

PEACE RIVER REGIONAL HOSPITAL DISTRICT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

4.

1. PURPOSE OF THE ORGANIZATION

The Peace River Regional Hospital District is incorporated under the Hospital District Act, a Statute of the Province of British Columbia. Its principal activities are to fund capital equipment purchases and finance capital construction projects for Health Care Facilities within the Regional District, through debenture debt. These activities are recovered through property tax requisitions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements of the Peace River Regional Hospital District are the representations of management and have been prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Standards Board (PSAAB) of the Canadian Institute of Chartered Accountants. A statement of change in financial position has not been prepared as it would offer no additional information.

Use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principals which require management estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Financial instruments

The Regional Hospital District's financial instruments consist of cash and investments, receivables, Municipal Finance Authority reserve deposits, temporary borrowing, payables and accruals, long term debt and Municipal Finance Authority demand notes. 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. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Revenue and expenditure recognition

Accounting for all funds is done on the full accrual basis.

3. INVESTMENTS

Investments of the Regional Hospital District are held on deposit with the Municipal Finance Authority of British Columbia. Investments are recorded at cost, which equals fair market value.

	2007	2006
Money market funds	\$ 12,059,867	\$ 1,265,506

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2007

4. MUNICIPAL FINANCE AUTHORITY DEBT RESERVE

With respect to amounts financed through the Authority, the Regional Hospital District is required to pay into a Debt Reserve Fund administered by the Authority, an amount equal to one-half the average annual instalment of principal and interest relative to any borrowing for its own purposes. This amount may be paid either in full or in an amount of cash equal to 1% of the principal amount borrowed together with a non-interest bearing demand note for the balance. If, at any time, the Hospital District does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund. The demand notes payable to the Authority are callable only if there are additional requirements to be met to maintain the level of the Debt Reserve Fund.

5. TEMPORARY BORROWING

The temporary borrowing represents short-term borrowing arranged for capital project completion and bears interest at a variable rate.

	2007	2006
Chetwynd/Dawson Creek renovations Bylaw 172	\$ -	\$ 456,400

6. LONG TERM DEBT

Issue Number	Interest Rate (%)	Maturity Date	2007 Debentured Amount	2006 Debentured Amount
MFA# 71	5.84	December 1, 2004	\$ 242,703	\$ 242,703
MFA# 77	6.06	June 1, 2007	878,965	878,965
MFA# 625	6.68	June 11, 2007	37,800	37,800
MFA# 597	9.62	April 8, 2008	670,400	670,400
MFA# 600	10.15	July 8, 2008	271,600	271,600
MFA# 602	10.23	September 9, 2008	264,000	264,000
MFA# 604	10.10	November 10, 2008	219,200	219,200
MFA# 522	9.61	July 10, 2009	152,799	152,799
MFA# 525	9.62	October 10, 2009	220,000	220,000
MFA# 527	10.36	April 10, 2010	439,134	439,134
MFA# 519	10.75	February 21, 2011	151,148	151,148
MFA# 77	6.06	June 11, 2011	376,289	376,289
MFA# 615	9.50	January 9, 2012	97,036	97,036
Carried forward			4,021,074	4,021,074

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2007

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6. LONG TERM DEBT (continued)

Issue Number	Interest Rate (%)	Maturity Date	2007 Debentured Amount	2006 Debentured Amount
Balance forward			4,021,074	4,021,074
MFA# 537	9.41	May 8, 2012	74,083	74,083
MFA# 77	6.06	June 1, 2012	65,407	65,407
MFA# 77	6.06	June 1, 2012	247,808	247,808
MFA# 539	9.17	July 10, 2012	47,987	47,987
MFA# 514	8.50	August 23, 2013	555,086	555,086
MFA# 611	8.50	August 23, 2013	626,479	626,479
MFA# 613	8.50	August 23, 2013	2,205,616	2,205,616
MFA# 619	8.50	August 23, 2013	213,679	213,679
MFA# 621	8.50	August 23, 2013	122,985	122,985
MFA# 628	9.25	August 23, 2013	397,000	397,000
MFA# 610	9.60	June 9, 2014	207,668	207,668
MFA# 622	7.50	June 9, 2014	187,391	187,391
MFA# 626	9.63	June 9, 2014	2,295,304	2,295,304
MFA# 71	5.99	December 1, 2014	1,132,286	1,132,286
MFA# 517	7.88	November 30, 2016	26,836	26,836
MFA# 624	7.88	November 30, 2016	239,684	239,684
MFA# 623	6.00	June 9, 2017	47,716	47,716
MFA# 77	6.06	June 1, 2022	462,531	462,531
MFA# 77	6.06	June 1, 2022	2,349,995	2,349,995
MFA# 81	4.86	April 22, 2024	1,266,032	1,266,032
MFA# 102	4.52	November 30, 2017	10,396,149	-
			27,188,796	16,792,647
Deduct: sinking funds accumulated to retire long term debt			(10,315,262)	(8,937,952)
			\$ 16,873,534	\$ 7,854,695

Sinking fund principal payment commitments for the next five years, assuming no change in the terms or interest rates are as follows:

2008	\$ 1,553,285
2009	1,509,299
2010	1,321,125
2011	1,321,125
2012	1,321,125

PEACE RIVER REGIONAL HOSPITAL DISTRICT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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7. APPROPRIATED FUND BALANCE

The appropriated fund balance represents unused operating funds that were budgeted for specific capital projects. These funds are segregated into minor and major capital projects, (previously referred to as Pot 1 (Minor) and Pot 2 (Major) capital projects). The balance at year end is comprised of the following:

		Minor Capital Projects	Major Capital Projects		Total
2003	\$	274,855	\$ -	\$	274,855
2002		46,391	-		46,391
	\$	321,246	\$ -	\$	321,246

PEACE RIVER REGIONAL HOSPITAL DISTRICT
SCHEDULE OF UNAMORTIZED GRANTS TO HEALTH CARE FACILITIES
DECEMBER 31, 2007

			2007	2006
MFA#	71	Unknown	\$ 242,703	\$ 242,703
MFA#	77	SP and NP Health Council Funding	878,965	878,965
MFA#	625	DC, TR, Chetwynd, FSJ	37,800	37,800
MFA#	597	Peace Lutheran, NP Care Home, DC Roof	670,400	670,400
MFA#	600	Peace Lutheran, NP Care Home	271,600	271,600
MFA#	602	NP Care Home, DC Roof	264,000	264,000
MFA#	604	NP Care Home	219,200	219,200
MFA#	522	Pouce Coupe Renos, Peace Lutheran	152,799	152,799
MFA#	525	Pouce Coupe Renos	220,000	220,000
MFA#	527	PC Renos, NP Care Home, Peace Luth, DC Ext.	439,134	439,134
MFA#	519	PC Renos, DC Expansion	151,148	151,148
MFA#	77	SP and NP Health Council Funding	376,289	376,289
MFA#	615	PC Renos, DC Exp, FSJ Mechanical	97,036	97,036
MFA#	537	PC Renos, DC Exp, Chet Upgrade, FSJ Mech.	74,083	74,083
MFA#	77	Chetwynd Upgrade	65,407	65,407
MFA#	77	DC Surgical Facility Upgrade	247,808	247,808
MFA#	539	DC Exp, FSJ Mech.	47,987	47,987
MFA#	514	DC Phase 1 Upgrade	555,086	555,086
MFA#	611	DC Phase 1 Upgrade	626,479	626,479
MFA#	613	DC Exp, DC Phase 1, Peace Luth, FSJ Roof	2,205,616	2,205,616
MFA#	619	DC Exp, Chet, Peace Luth, FSJ Plan/Mech	213,679	213,679
MFA#	621	DC Exp, Chet, FSJ Plan/Mech	122,985	122,985
MFA#	628	DC Phase 1 Upgrade	397,000	397,000
MFA#	610	DC Exp, DC Phase 1	207,668	207,668
MFA#	622	Chet, DC Upgrade, DC Phase 1	187,391	187,391
MFA#	626	FSJ Health Unit, DC Health Unit, DC Phase 1	2,295,304	2,295,304
MFA#	71	Chet Beds, LDRP Palliative, Chet Sprinkler	1,132,286	1,132,286
MFA#	517	DC Phase 1 Upgrade	26,836	26,836
MFA#	624	DC Phase 1, FSJ Roof, FSJ Heating	239,684	239,684
MFA#	623	DC Phase 1	47,716	47,716
MFA#	77	DC and area Food Services Consolidation	462,531	462,531
MFA#	77	FSJ Hospital Redevelopment	2,349,995	2,349,995
MFA#	81	SP and NP Health Council, DC Food, FSJ Redevelop	1,266,032	1,266,032
Temporary		Chet Reno, DC Reno	-	456,401
MFA#	102	DC Rotary Manor	10,396,149	-
			27,188,796	17,249,048
Deduct: amortized portion			(10,315,262)	(8,937,952)
Unamortized grants, end of year			\$ 16,873,534	\$ 8,311,096

The Peace River Regional Hospital District provides capital financing for Regional Health Care Facility capital projects under the approval of capital project bylaws. The management of the capital projects is the direct responsibility of the Health Care facility's administration.

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 SCHEDULE OF OPERATING FUND ACTIVITIES
 DECEMBER 31, 2007

	2007 Actual	2007 Budget (unaudited)	2006 Actual
REVENUE			
Tax requisition	\$ 3,945,278	\$ 3,945,278	\$ 4,004,021
Grants-in-lieu of taxes	4,049	2,500	4,961
Debt reserve refund	18,591	54,000	-
Interest on investments	133,615	20,000	46,630
	4,101,533	4,021,778	4,055,612
EXPENDITURES			
Administrative	7,556	10,000	6,250
Health Liaison - Stage 1 & 2	58,312	94,500	42,122
Debenture interest	1,569,661	1,240,928	1,532,641
Temporary borrowing interest	12,485	22,000	20,704
Grants to health care facilities	11,397,628	1,183,412	1,990,523
	13,045,642	2,550,840	3,592,240
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(8,944,109)	1,470,938	463,372
DEDUCT:			
Debenture debt principal repayment	(917,614)	(917,613)	(917,613)
Loan proceeds	10,214,216	-	-
Temporary borrowing principal repayment	(456,400)	(228,200)	-
Transfer to capital reserve fund	(500,000)	(500,000)	-
Unfunded debt interest accrual	328,734	-	254,048
	8,668,936	(1,645,813)	(663,565)
CHANGE IN OPERATING FUND BALANCE	(275,173)	(174,875)	(200,193)
OPERATING FUND BALANCE, beginning of year	1,114,846	1,114,846	1,315,039
OPERATING FUND BALANCE, end of year	\$ 839,673	\$ 939,971	\$ 1,114,846
Unappropriated Fund Balance	\$ 518,427		\$ 793,600
Appropriated Fund Balance (Note 7)	321,246		321,246
	\$ 839,673		\$ 1,114,846

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 SCHEDULE OF CAPITAL RESERVE FUND ACTIVITIES
 DECEMBER 31, 2007

10.

	2007 Actual	2007 Budget (unaudited)	2006 Actual
REVENUE			
Interest	\$ 8,193	\$ -	\$ 4,098
Transfer from operating	500,000	500,000	-
	508,193	500,000	4,098
CAPITAL RESERVE FUND, beginning of year	101,329		97,231
CAPITAL RESERVE FUND, end of year	\$ 609,522		\$ 101,329