

**PEACE RIVER REGIONAL HOSPITAL DISTRICT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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Management's Responsibility

To the Members of the Peace River Regional Hospital District:

The accompanying consolidated financial statements of the Peace River Regional Hospital District are the responsibility of management and have been approved by the Directors.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors are composed entirely of individuals who are neither management nor employees of the Hospital District. The Board of Directors are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Board of Directors fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board of Directors are also responsible for recommending the appointment of the Hospital District's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 12, 2016



K. Fech, Chief Financial Officer

Independent Auditors' Report

To the Members of the Peace River Regional Hospital District:

We have audited the accompanying consolidated statements of the Peace River Regional Hospital District, which comprise the consolidated statement of financial position at December 31, 2015, the consolidated statements of operations and accumulated deficit, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 an 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peace River Regional Hospital District as at December 31, 2015, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Dawson Creek, British Columbia

May 12, 2016

MNP LLP

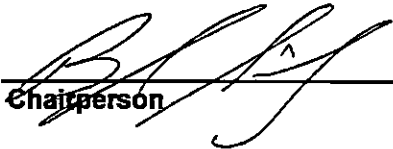
Chartered Professional Accountants

**Peace River Regional Hospital District
Consolidated Statement of Financial Position**

As at December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	18,149	42,117
Investments (Note 3)	42,577,724	33,778,011
Receivables	635	659
Municipal Finance Authority debt reserve (Note 4)	3,525,627	3,495,677
	46,122,135	37,316,464
LIABILITIES		
Grant payables	-	58,124
Accrued interest on long term debt	792,672	792,672
Municipal Finance Authority debt reserve (Note 4)	3,525,627	3,495,677
Long term debt (Note 5)	78,552,577	81,970,629
	82,870,876	86,317,102
NET DEBT AND ACCUMULATED DEFICIT (Note 6)	(36,748,741)	(49,000,638)

Approved by

VICE Chairperson 

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

Peace River Regional Hospital District
Consolidated Statement of Operations and Accumulated Deficit
For the year ended December 31, 2015

	Budget	2015	2014
REVENUE			
Tax requisition	16,399,793	16,399,793	15,234,437
Debt reserve refunds and debt surpluses	-	-	513,799
Grants-in-lieu of taxes	5,000	23,325	26,267
Interest	50,000	89,937	83,460
Interest on reserve	-	226,347	235,038
Municipal Finance Authority actuarial contribution	656,753	656,753	694,701
	17,111,546	17,396,155	16,787,702
EXPENSES			
Administrative	11,000	11,000	10,587
Interest	3,764,727	3,761,128	3,908,174
Grants to health care facilities	1,600,000	1,372,130	843,594
	5,375,727	5,144,258	4,762,355
EXCESS OF REVENUE OVER EXPENSES	11,735,819	12,251,897	12,025,347
ACCUMULATED DEFICIT, BEGINNING OF YEAR	(49,000,638)	(49,000,638)	(61,025,985)
ACCUMULATED DEFICIT, END OF YEAR	(37,264,819)	(36,748,741)	(49,000,638)

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

Peace River Regional Hospital District
Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2015

	Budget	2015	2014
EXCESS OF REVENUE OVER EXPENSES	11,735,819	12,251,897	12,025,347
NET DEBT, BEGINNING OF YEAR	(49,000,638)	(49,000,638)	(61,025,985)
NET DEBT, END OF YEAR	(37,264,819)	(36,748,741)	(49,000,638)

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

Peace River Regional Hospital District
Consolidated Statement of Cashflow
For the year ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses	12,251,897	12,025,347
Non cash items:		
Decrease in receivables	24	13,337
Increase in grant payable	(58,124)	58,124
Decrease in accrued interest on long term debt	-	(19,676)
Decrease in payables and accruals	-	(15,000)
	12,193,797	12,062,132
FINANCING ACTIVITIES		
Actuarial adjustments on long term debt	(656,753)	(694,700)
Long term debt principal repayment	(2,761,299)	(2,904,940)
	(3,418,052)	(3,599,640)
Change in cash and cash equivalents	8,775,745	8,462,492
Cash and cash equivalents, beginning of year	33,820,128	25,357,636
Cash and cash equivalents, end of year	42,595,873	33,820,128
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	18,149	42,117
Investments	42,577,724	33,778,011
	42,595,873	33,820,128

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

Peace River Regional Hospital District
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

1. OPERATIONS

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 Hospital District, through debenture debt. These activities are recovered through property tax requisitions.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Peace River Regional Hospital District (the "Hospital District") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by Peace River Regional Hospital District are as follows:

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expense are incurred, services performed or the tangible capital assets are acquired.

Use of estimates

These financial statements have been prepared in accordance with Canadian public sector accounting standards 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 expenses during the reporting period. Actual results could differ from those estimates.

Peace River Regional Hospital District
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued from previous page)*

Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Recent accounting pronouncements

Financial Instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of the issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The Hospital District has not yet determined the effect of these new standards on its financial statements.

3. INVESTMENTS

	2015	2014
Money market funds	42,577,724	33,778,011

Temporary investments are invested with the Municipal Finance Authority of British Columbia Money Market Fund. The rate of return on the pooled investment funds changes daily and interest earned is paid out.

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.

Peace River Regional Hospital District
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

5. LONG-TERM DEBT

MFA Issue Number	Interest Rate (%)	Maturity Date	2015 Debentured Amount	2014 Debentured Amount
112	3.73	October 6, 2037	74,646,455	76,742,213
102	4.52	December 1, 2017	2,417,504	3,556,976
77/165	6.06	June 1, 2022	1,091,134	1,218,766
77/159	6.06	June 1, 2022	214,760	239,880
81/165	4.86	April 22, 2024	99,409	107,995
81/159	4.86	April 22, 2024	67,489	73,319
624	7.88	November 30, 2016	14,872	29,517
517/124	7.88	November 30, 2016	954	1,963
			78,552,577	81,970,629

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

2016	3,555,990
2017	3,683,526
2018	2,550,959
2019	2,654,934
2020	2,763,164
2021 & Thereafter	<u>63,344,004</u>
	<u>78,552,577</u>

6. ACCUMULATED DEFICIT

Unrestricted Surplus	3,547,581	3,485,155
Capital Reserve Fund	34,380,423	25,836,307
Grant Reserve Fund (Schedule 2)	3,875,832	3,648,529
	41,803,836	32,969,991
Temporary borrowing and debenture debt to be recovered from future requisitions (Schedule 1)	(78,552,577)	(81,970,629)
	(36,748,741)	(49,000,638)

7. FINANCIAL INSTRUMENTS

The Hospital District's financial instruments consist of cash, accounts receivable, debt charges recoverable, reserve deposits, accounts payable and accrued liabilities, deposit liabilities, long term debt and demand notes. It is management's opinion that the Hospital District is not exposed to significant interest or currency risks arising from these financial instruments.

Peace River Regional Hospital District
Schedule 1 - Unamortized Grants to Health Care Facilities

For the year ended December 31, 2015

		2015	2014
MFA# 112	New Fort St. John Hospital	74,646,456	76,742,213
MFA# 102	DC Rotary Manor	2,417,504	3,556,976
MFA# 77	FSJ Hospital Redevelopment	1,091,134	1,218,766
MFA# 77	DC and Area Food Services Consolidation	214,760	239,880
MFA# 81	SP and NP Health Council, DC Food, FSJ Redevelop	99,408	107,995
MFA# 81	SP and NP Health Council, DC Food, FSJ Redevelop	67,490	73,319
MFA# 624	DC Phase 1, FSJ Roof, FSJ Heating	14,872	29,517
MFA# 517	DC Phase 1 Upgrade	954	1,963
		78,552,577	81,970,629

The 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 2 - Schedule of Reserves

For the year ended December 31, 2015

	2015	2014
NH Funds for future request	3,476,841	3,011,535
Parking lot (DC)	6,756	116,241
General Rad Room	91,265	91,265
Rotary Manor Parking Lot	50	116,241
Minor Capital	58,124	-
Nurse Call Replacement	19,518	155,518
DCH Immunoassay	121,305	127,920
DCH Energy Conservation Measure	72,164	-
Windows	29,809	29,809
	3,875,832	3,648,529