

**PEACE RIVER REGIONAL HOSPITAL DISTRICT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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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 Regional 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 Regional 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.

April 11, 2019



L. Smith, Chief Financial Officer

## **Independent Auditors' Report**

To the Directors of the Peace River Regional Hospital District:

### **Opinion**

We have audited the consolidated financial statements of Peace River Regional Hospital District (the "Regional Hospital District"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Hospital District as at December 31, 2018, and the results of its 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Hospital District in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 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 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 auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Grande Prairie, Alberta

April 11, 2019

*MNP LLP*

Chartered Professional Accountants

**Peace River Regional Hospital District**  
**Consolidated Statement of Financial Position**  
*As at December 31, 2018*

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	1,415,422	187,752
Investments (Note 3)	72,948,062	62,502,065
Municipal Finance Authority debt reserve (Note 4)	2,867,156	2,843,031
	<b>77,230,640</b>	<b>65,532,848</b>
<b>LIABILITIES</b>		
Accrued interest on long term debt	746,698	746,698
Municipal Finance Authority debt reserve (Note 4)	2,867,156	2,843,031
Long term debt (Note 5)	68,762,103	71,313,062
	<b>72,375,956</b>	<b>74,902,791</b>
<b>NET FINANCIAL ASSETS (DEBT) AND ACCUMULATED SURPLUS (DEFICIT) (Note 6)</b>	<b>4,854,684</b>	<b>(9,369,943)</b>

Approved by



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, 2018*

	<i>2018 Budget</i>	<b>2018</b>	2017
<b>REVENUE</b>			
Tax requisition	17,658,704	<b>17,658,704</b>	17,375,702
Debenture refund	2,500	-	153,449
Grants-in-lieu of taxes	-	<b>23,579</b>	28,644
Interest	40,000	<b>383,980</b>	111,304
Interest on reserve	-	<b>739,720</b>	457,819
Municipal Finance Authority actuarial contribution	665,589	<b>665,589</b>	932,251
	<b>18,366,793</b>	<b>19,471,572</b>	19,059,169
<b>EXPENDITURES</b>			
Administrative	10,000	<b>10,000</b>	10,000
Interest	3,202,482	<b>3,202,481</b>	3,662,391
Grants to health care facilities	2,159,839	<b>2,034,464</b>	1,971,518
	<b>5,372,321</b>	<b>5,246,945</b>	5,643,909
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	12,994,472	<b>14,224,627</b>	13,415,260
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR</b>	(9,369,943)	<b>(9,369,943)</b>	(22,785,203)
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>	3,624,529	<b>4,854,684</b>	(9,369,943)

*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, 2018*

	Budget	2018	2017
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	12,994,472	<b>14,224,627</b>	13,415,260
<b>NET DEBT, BEGINNING OF YEAR</b>	(9,369,943)	<b>(9,369,943)</b>	(22,785,203)
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	3,624,529	<b>4,854,684</b>	(9,369,943)

*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, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	14,224,627	13,415,260
Non cash items:		
Decrease in receivables	-	535
Decrease in accrued interest on long term debt	-	(41,186)
	<b>14,224,627</b>	<b>13,374,609</b>
<b>FINANCING ACTIVITIES</b>		
Actuarial adjustments on long term debt	(665,590)	(932,251)
Long term debt principal repayment	(1,885,370)	(2,751,275)
	<b>(2,550,960)</b>	<b>(3,683,526)</b>
Change in cash and cash equivalents	11,673,667	9,691,083
Cash and cash equivalents, beginning of year	62,689,817	52,998,734
Cash and cash equivalents, end of year	<b>74,363,484</b>	<b>62,689,817</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	1,415,422	187,752
Investments	72,948,062	62,502,065
	<b>74,363,484</b>	<b>62,689,817</b>

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

## **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 Regional 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 "Regional 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.

### **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.

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

**Financial Instruments**

The Regional Hospital District recognizes its financial instruments when they become party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Regional Hospital District may irrevocably elect to subsequently measure any financial instrument at fair value. They have not made such an election during the year ended.

The Regional Hospital District subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Regional Hospital District's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net income/loss. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

**3. INVESTMENTS**

	2018	2017
Money market funds	<b>72,948,062</b>	<b>62,502,065</b>

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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 Regional 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, 2018

**5. LONG-TERM DEBT**

MFA Issue Number	Interest Rate (%)	Maturity Date	2018 Debentured Amount	2017 Debentured Amount
112	3.73	October 6, 2037	<b>67,842,655</b>	70,200,097
77/165	6.06	June 1, 2022	<b>668,659</b>	816,408
77/159	6.06	June 1, 2022	<b>131,607</b>	160,687
81/165	4.86	April 22, 2024	<b>70,988</b>	80,927
81/159	4.86	April 22, 2024	<b>48,195</b>	54,943
			<b>68,762,103</b>	71,313,062

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

2019	2,654,934
2020	2,763,162
2021	2,875,822
2022	2,993,095
2023	2,889,487
2024 & Thereafter	54,585,603
	<u>68,762,103</u>

**6. ACCUMULATED SURPLUS (DEFICIT)**

	2018	2017
Unrestricted Surplus	<b>3,725,029</b>	3,919,808
Capital Reserve Fund	<b>60,833,728</b>	49,090,657
Grant Reserve Fund (Schedule 2)	<b>9,063,029</b>	8,932,654
	<b>73,621,786</b>	61,943,119
Temporary borrowing and debenture debt to be recovered from future requisitions (Schedule 1)	<b>(68,762,103)</b>	(71,313,062)
	<b>4,859,684</b>	(9,369,943)

**7. FINANCIAL INSTRUMENTS**

The Regional 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 Regional Hospital District is not exposed to significant credit, liquidity, interest, currency or other price risks arising from these financial instruments.

**8. APPROVAL OF FINANCIAL STATEMENTS**

Directors and management have approved these consolidated financial statements on April 11, 2019.

**Peace River Regional Hospital District**  
**Schedule 1 - Unamortized Grants to Health Care Facilities**  
*For the year ended December 31, 2018*

			<b>2018</b>	2017
MFA#	112	New Fort St. John Hospital	<b>67,842,655</b>	70,200,097
MFA#	77	FSJ Hospital Redevelopment	<b>668,659</b>	816,408
MFA#	77	DC and Area Food Services Consolidation	<b>131,607</b>	160,687
MFA#	81	SP and NP Health Council, DC Food, FSJ Redevelop	<b>70,988</b>	80,927
MFA#	81	SP and NP Health Council, DC Food, FSJ Redevelop	<b>48,195</b>	54,943
			<b>68,762,103</b>	71,313,062

The 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 2 - Schedule of Reserves**

*For the year ended December 31, 2018*

	<b>2018</b>	2017
MRI (FSJ)	-	266,769
NH Funds for future request	<b>1,919,553</b>	1,919,553
DCH Remote Multipurpose Fluorescent	<b>420,084</b>	420,084
DCH Sterilization Dept. Renovations	<b>777,648</b>	529,600
IT: Primary Care & Business Report	<b>254,761</b>	254,761
Health Link North Center Upgrade	<b>16,687</b>	16,687
FSJ X-Ray Radiation Rex Room	<b>241,664</b>	360,000
Chetwynd Automated Medication Dispensing	<b>11,177</b>	65,200
Targeted NE Recruiter	-	100,000
FSJ Medical Clinic Third Pod	<b>620,000</b>	-
Business Case	<b>4,801,455</b>	5,000,000
	<b>9,063,029</b>	8,932,654