

**PEACE RIVER REGIONAL HOSPITAL DISTRICT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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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 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.

March 22, 2018


K. Frech, Chief Financial Officer

Independent Auditors' Report

To the Directors of the Peace River Regional Hospital District:

We have audited the accompanying consolidated financial statements of the Peace River Regional Hospital District, which comprise the consolidated statement of financial position at December 31, 2017, the consolidated statements of operations and accumulated deficit, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 consolidated 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 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 that the audit evidence we have 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, 2017 and the results of its operations, changes in its net financial assets and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta

March 22, 2018

MNP LLP

Chartered Professional Accountants

Peace River Regional Hospital District
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	187,752	53,369
Investments (Note 3)	62,502,065	52,945,365
Receivables	-	535
Municipal Finance Authority debt reserve (Note 4)	2,843,031	3,543,696
	65,532,848	56,542,965
LIABILITIES		
Accrued interest on long term debt	746,698	787,884
Municipal Finance Authority debt reserve (Note 4)	2,843,031	3,543,696
Long term debt (Note 5)	71,313,062	74,996,588
	74,902,791	79,328,168
NET DEBT AND ACCUMULATED DEFICIT (Note 6)	(9,369,943)	(22,785,203)

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, 2017

	2017 Budget	2017	2016
REVENUE			
Tax requisition	17,375,703	17,375,702	17,401,938
Debenture refund	-	153,449	10,067
Grants-in-lieu of taxes	2,500	28,644	27,948
Interest	40,000	111,304	70,404
Interest on reserve	-	457,819	308,272
Municipal Finance Authority actuarial contribution	932,251	932,251	794,747
	18,350,454	19,059,169	18,613,376
EXPENDITURES			
Administrative	10,000	10,000	11,000
Interest	3,703,576	3,662,391	3,738,058
Grants to health care facilities	7,547,817	1,971,518	900,780
	11,261,393	5,643,909	4,649,838
EXCESS OF REVENUE OVER EXPENDITURES	7,089,061	13,415,260	13,963,538
ACCUMULATED DEFICIT, BEGINNING OF YEAR	(22,785,203)	(22,785,203)	(36,748,741)
ACCUMULATED DEFICIT, END OF YEAR	(15,696,142)	(9,369,943)	(22,785,203)

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, 2017

	Budget	2017	2016
EXCESS OF REVENUE OVER EXPENDITURES	7,089,061	13,415,260	13,963,538
NET DEBT, BEGINNING OF YEAR	(22,785,203)	(22,785,203)	(36,748,741)
NET DEBT, END OF YEAR	(15,696,142)	(9,369,943)	(22,785,203)

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, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenditures	13,415,260	13,963,538
Non cash items:		
Decrease in receivables	535	100
Decrease in accrued interest on long term debt	(41,186)	(4,788)
	13,374,609	13,958,850
FINANCING ACTIVITIES		
Actuarial adjustments on long term debt	(932,251)	(794,747)
Long term debt principal repayment	(2,751,275)	(2,761,241)
	(3,683,526)	(3,555,988)
Change in cash and cash equivalents	9,691,083	10,402,862
Cash and cash equivalents, beginning of year	52,998,734	42,595,872
Cash and cash equivalents, end of year	62,689,817	52,998,734
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	187,752	53,369
Investments	62,502,065	52,945,365
	62,689,817	52,998,734

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

	2017	2016
Money market funds	62,502,065	52,945,365

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, 2017

5. LONG-TERM DEBT

MFA Issue Number	Interest Rate (%)	Maturity Date	2017 Debentured Amount	2016 Debentured Amount
112	3.73	October 6, 2037	70,200,097	72,466,868
102	4.52	December 1, 2017	-	1,232,453
77/165	6.06	June 1, 2022	816,408	957,122
77/159	6.06	June 1, 2022	160,687	188,383
81/165	4.86	April 22, 2024	80,927	90,393
81/159	4.86	April 22, 2024	54,943	61,369
			71,313,062	74,996,588

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

2018	2,550,959
2019	2,654,934
2020	2,865,156
2021	2,981,904
2022	3,103,412
2023 & Thereafter	57,156,697
	<u>71,313,062</u>

6. ACCUMULATED DEFICIT

	2017	2016
Unrestricted Surplus	3,919,808	3,627,726
Capital Reserve Fund	49,090,657	46,146,857
Grant Reserve Fund (Schedule 2)	8,932,654	2,436,802
	61,943,119	52,211,385
Temporary borrowing and debenture debt to be recovered from future requisitions (Schedule 1)	(71,313,062)	(74,996,588)
	(9,369,943)	(22,785,203)

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 March 22, 2018.

Peace River Regional Hospital District
Schedule 1 - Unamortized Grants to Health Care Facilities
For the year ended December 31, 2017

			2017	2016
MFA#	112	New Fort St. John Hospital	70,200,097	72,466,868
MFA#	102	DC Rotary Manor	-	1,232,453
MFA#	77	FSJ Hospital Redevelopment	816,408	957,122
MFA#	77	DC and Area Food Services Consolidation	160,687	188,383
MFA#	81	SP and NP Health Council, DC Food, FSJ Redevelop	80,927	90,393
MFA#	81	SP and NP Health Council, DC Food, FSJ Redevelop	54,943	61,369
			71,313,062	74,996,588

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, 2017

	2017	2016
MRI (FSJ)	266,769	1,040,802
NH Funds for future request	1,919,553	1,000,000
DCH Remote Multipurpose Fluorescent	420,084	396,000
DCH Sterilization Dept. Renovations	529,600	-
IT: Primary Care & Business Report	254,761	-
Health Link North Center Upgrade	16,687	-
FSJ X-Ray Radiation Rex Room	360,000	-
Chetwynd Automated Medication Dispensing	65,200	-
Targeted NE Recruiter	100,000	-
Business Case	5,000,000	-
	8,932,654	2,436,802