



Sander Rose Trobak LLP

CHARTERED ACCOUNTANTS

Partners

- * Ben Sander, B. Comm., C.A.
- * Dale J. Rose, C.A.
- * Alan Bone, B. Comm., C.A.
- * R.S. (Bob) Trobak, C.A. (retired)

November 13, 2009

Peace River Regional Hospital District
 Box 810
 DAWSON CREEK BC V1G 4H8

Dear Sirs/Mesdames

This letter will confirm the terms of engagement covering our audit of the consolidated financial statements of Peace River Regional Hospital District for its fiscal year ending December 31, 2009.

Our Role as Auditors

As auditors of your District, our objective is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian generally accepted accounting principles.

At the conclusion of our audit, we will submit a report directed to the Directors containing our opinion on the consolidated financial statements. If it appears for any reason that we will not be in a position to render an unqualified opinion on the consolidated financial statements, we will discuss this with you. It is possible that because of unexpected circumstances, we may determine that we cannot render a report or complete the engagement. If, in our professional judgment, the circumstances require, we may seek legal advice as to whether we should resign from the engagement prior to completion.

Our audit will be made in accordance with Canadian generally accepted auditing standards and, accordingly, will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances. We will plan and perform audit procedures to obtain reasonable assurance whether the financial statements are free of material misstatement. This will include 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.

An audit is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively. However, we will obtain sufficient understanding of those internal controls that impact on the collection, recording and processing of financial data for us to plan our audit procedures. In some instances, we may perform tests on the operation of certain internal controls as a means of obtaining audit evidence about an account balance or class of transactions.

RHD Agenda

HC-1

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Member, Chartered Accountants of British Columbia

* Denotes Professional Corporations

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2.

Because an audit is conducted primarily to enable us to express an opinion on the financial statements, it is not specifically designed to identify all errors and fraud, illegal or possibly illegal acts, significant weaknesses in internal control or other irregularities. In addition, because of the limitations inherent in the audit process, it cannot necessarily be expected to detect all such misstatements. Should any significant errors or irregularities be discovered as a result of our examination, they will be reported to the appropriate level of management, as well as to the board of directors.

During the course of our audit, financial statement misstatements may be identified, either through our audit procedures or through communication with your employees. We will bring these misstatements to your attention as proposed adjustments. Management is responsible for recording such adjustments in the financial statements, or concluding that the effects of the unrecorded adjustments are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. Any conclusion not to record proposed adjustments must be confirmed to us in writing as part of the representation letter to be provided at the end of our audit. At the conclusion of our audit, we will communicate to the board of directors all such unrecorded adjustments.

We will ask that your personnel, to the extent possible, prepare various schedules and analyses, and make various invoices and other documents available to our staff. This assistance will facilitate our work and minimize our costs to you.

As part of our services, we may also submit to you a memorandum containing any suggestions for improvement of existing systems of internal control, accounting policies and procedures and other related matters which come to our attention during the course of our work.

The working papers prepared in conjunction with our audit are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

Personal Information

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- You represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation;
- We will hold all personal information in compliance with our Privacy Statement.

File Inspections

In accordance with professional regulations (and by Firm policy), our client files must periodically be reviewed by practice inspectors and by other Firm personnel to ensure that we are adhering to professional and Firm standards. File reviewers are required to maintain confidentiality of client information.

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3.

Role of Management and Those with Oversight

The preparation of the financial statements in accordance with Canadian generally accepted auditing principles is the responsibility of management. This responsibility includes the maintenance of adequate accounting records and internal controls, prevention and detection of fraud and errors, safeguarding of assets, selection and application of suitable accounting policies and appropriate disclosure of financial information in the financial statements.

Management and staff will make available to us whatever records, documents, analyses and other information we request in connection with the efficient conduct of our audit.

At the conclusion of the audit, management will confirm in writing the representations made to us in connection with the audit.

It is the responsibility of those with oversight (i.e., the board of directors) to ensure that policies are in place for effective corporate governance, and to ensure that all unusual and material transactions during the year are properly approved.

Use and Distribution of Our Report

The examination of the consolidated financial statements and the issuance of our audit opinion are solely for the use of Peace River Regional Hospital District and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

If reproduction or publication of our report is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Other Terms of Engagement

In addition to the audit services referred to above, we will, as allowed by the Rules of Professional Conduct, prepare your federal and provincial income tax returns and other special reports as required. Management will provide the information necessary to complete these returns/reports and will file them with the appropriate authorities on a timely basis.

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4.

Indemnity Provisions

Your District hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm and its partners, agents or employees, from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- The breach by your District, or its directors, officers, agents or employees, of any of the covenants made by your District herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm; and
- The services performed by us pursuant to this engagement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of our firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by your District.

The liability of Sander Rose Trobak LLP to the client for any claim related to professional services provided pursuant to this engagement letter in either contract, negligent misrepresentation or tort, including the partners, officers or employees of the accounting firm shall be strictly limited to the amount of any professional liability insurance the firm may have available at the time such claims are made. No claim shall be brought against Sander Rose Trobak LLP in contract, negligent misrepresentation or tort more than two (2) years after the services were completed or terminated under this engagement.

In order to complete this engagement it may be deemed necessary by our office to communicate with the District's lawyer and obtain pertinent information regarding commitments and litigations, which may have a bearing on the assets and liabilities of the District. It is understood and agreed by you that our firm can obtain and retain such information for our file purposes. Any legal costs associated with the obtaining of the above information will be paid by the District.

Sander Rose Trobak LLP and its partners, officers or employees will not be responsible for any consequential loss, injury or damages suffered by the client including but not limited to loss of use, earnings and business interruption, or the unauthorized distribution of any confidential document or report prepared by or on behalf of Sander Rose Trobak LLP, including the partners, officers or employees of the accounting firm for the exclusive use of the client.

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5.

The client will not assert any claim for damages against Sander Rose Trobak LLP unless the client has concurrently or previously asserted a claim against all other persons who might reasonably be liable in relation to that claim. Any release, waiver or covenant to otherwise not sue or enforce any remedy known to law given by the client to a third party shall be deemed to apply in favour of Sander Rose Trobak LLP.

Either party may terminate this engagement without cause upon thirty (30) days notice in writing. On termination by either party under this paragraph, the client shall forthwith pay to Sander Rose Trobak LLP its fees for the services performed, including all expenses and other charges incurred by Sander Rose Trobak LLP for this engagement.

If either party breaches this engagement, the non-defaulting party may terminate this engagement after giving seven (7) days notice to remedy the breach. On termination by Sander Rose Trobak LLP under this paragraph, the client shall forthwith pay to Sander Rose Trobak LLP its fees for the services performed to the date of termination, including all expenses and other charges for this engagement.

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by your Municipality of its obligations.

Fees at Regular Billing Rates

Our professional fees will be based on our regular billing rates plus direct out-of-pocket expenses and applicable GST and are due when rendered. Fees for any additional services will be established separately.

Costs of Responding to Government Inspection, etc.

If with respect to this audit engagement or related services, we are required by government regulation, subpoena, or other legal process to produce our working papers, or to respond to information request, we will bill the time incurred based on our regular rates plus direct out-of-pocket expenses and applicable GST.

Privacy Policy

At Sander Rose Trobak LLP, the protection of your personal information is very important to us.

The following contains details of our Privacy Policy.

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6.

We obtain information about you to:

- Identify you
- Protect both parties from error and fraud
- Allow us to plan for your needs in advance
- Allow us to collect payment for the services we provide
- Offer you additional services or specials

The information you provide us is kept in strict confidence and will never be given to an outside third party except as described in the paragraph titled "File Review". Only authorized company personnel and practice review officers have access to your information. We collect and use personal information only for purposes that a reasonable person would consider appropriate and will always comply with current applicable laws.

If you wish to view, change or remove your personal information please contact us. We will comply with your request within 30 days or provide you with an explanation if we refuse your request. Your request must be in writing and there may be a minimal fee. You will be advised in advance of any fee.

The terms of engagement as outlined above will continue in effect from year to year unless changed in writing.

We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the arrangements acceptable, please acknowledge your agreement to the understanding by signing and returning to us the copy enclosed.

It is a pleasure for us to be of service to you. We look forward to many years of association with you and Peace River Regional Hospital District.

Yours very truly
SANDER ROSE TROBAK LLP
CHARTERED ACCOUNTANTS

We have read and understand the contents of the engagement letter and the limitation clause. The services set out in the letter are in accordance with our requirements. The terms set out in the letter and the limitation clause are acceptable to us and are hereby agreed to:

PEACE RIVER REGIONAL HOSPITAL DISTRICT
Client Name

Date

Signature and Title

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