

**PEACE RIVER REGIONAL**

**HOSPITAL DISTRICT**

**Consolidated Financial Statements**

**Year Ended December 31, 2009**

**and Auditors' Report**

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## 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, 2009 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, 2009 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 26, 2010

*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, 2009

	2009	2008
<b>FINANCIAL ASSETS</b>		
Cash	\$ 34,977	\$ 51,346
Investments (Note 3)	7,719,028	16,223,285
Receivables	630	428
Municipal Finance Authority reserve deposits (Note 4)	1,463,906	1,609,981
	<u>9,218,541</u>	<u>17,885,040</u>
<b>LIABILITIES</b>		
Temporary borrowing (Note 5)	3,185,225	-
Payables and accruals	4,639,299	9,203,256
Accrued interest on long term debt	229,002	249,350
Municipal Finance Authority debt reserve (Note 4)	1,463,906	1,609,981
Long term debt (Note 6)	14,046,970	15,955,312
	<u>23,564,402</u>	<u>27,017,899</u>
<b>NET DEBT AND ACCUMULATED DEFICIT (Note 7)</b>	<b>\$ (14,345,861)</b>	<b>\$ (9,132,859)</b>

See accompanying notes to consolidated financial statements

Approved by

  
 \_\_\_\_\_  
 K. Frech Chief Financial Officer

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
 CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
 DECEMBER 31, 2009

	2009 Actual	2009 Budget (unaudited)	2008 Actual
<b>REVENUE</b>			
Tax requisition	\$ 10,619,464	\$ 10,619,464	\$ 10,172,290
Debt reserve refunds and debt surpluses	90,011	-	243,478
Grants-in-lieu of taxes	1,906	2,500	8,039
Interest	171,511	70,000	480,093
Recovered costs	-	-	6,718
	10,882,892	10,691,964	10,910,618
<b>EXPENDITURES</b>			
Administrative	10,025	10,000	10,000
Interest	1,772,533	1,540,090	1,959,843
Grants to health care facilities	14,963,206	11,858,299	1,986,777
	16,745,764	13,408,389	3,956,620
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>			
	(5,862,872)	(2,716,425)	6,953,998
<b>ADD/(DEDUCT):</b>			
Temporary borrowing proceeds	3,185,225	-	-
Long term debt principal repayment	(1,507,822)	(1,507,822)	(1,580,740)
Unfunded debt interest accrual	229,002	-	249,350
	1,906,405	(1,507,822)	(1,331,390)
<b>ANNUAL (DEFICIT) SURPLUS</b>			
	(3,956,467)	(4,224,247)	5,622,608
<b>FUND BALANCES,</b>			
beginning of year	7,071,803	7,071,803	1,449,195
<b>FUND BALANCES,</b>			
end of year	\$ 3,115,336	\$ 2,847,556	\$ 7,071,803

See accompanying notes to consolidated financial statements

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
 CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT  
 DECEMBER 31, 2009

	2009	2008
<b>ANNUAL (DEFICIT) SURPLUS</b>	\$ (3,956,467)	\$ 5,622,608
Increase in unamortized grants through borrowing proceeds	(3,185,225)	-
Decrease in unamortized grants through debt repayment	1,507,822	1,580,740
Decrease in unamortized grants through actuarial adjustments	400,520	384,972
Decrease in unamortized grants through change in interest accrual	20,348	79,384
	(5,213,002)	7,667,704
<b>NET DEBT, beginning of year</b>	(9,132,859)	(16,800,563)
<b>NET DEBT, end of year</b>	\$ (14,345,861)	\$ (9,132,859)

See accompanying notes to consolidated financial statements

## 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, investments, receivables, Municipal Finance Authority reserve deposits, temporary borrowing, payables and accruals, accrued interest on long term debt, long term debt and Municipal Finance Authority debt reserve. 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.

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

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**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.

	2009	2008
Money market funds	\$ 7,719,028	\$ 16,223,285

**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**

Temporary borrowing is provided by the Municipal Finance Authority of B.C. The balance of \$3,185,225 consists of temporary financing for the New Fort St. John Hospital project. Upon completion of the project the temporary borrowing will be converted to long term debt.

**6. LONG TERM DEBT**

Issue Number	Interest Rate (%)	Maturity Date	2009 Debentured Amount	2008 Debentured Amount
MFA# 522	9.61	July 10, 2009	\$ -	\$ 11,945
MFA# 525	9.62	October 10, 2009	-	17,248
MFA# 527	10.36	April 10, 2010	34,833	68,008
MFA# 519	10.75	February 21, 2011	22,162	32,458
MFA# 615	9.50	January 9, 2012	21,572	28,089
MFA# 537	9.41	May 8, 2012	16,923	22,035
MFA# 77	6.06	June 1, 2012	23,067	30,036
MFA# 77	6.06	June 1, 2012	87,395	113,798
MFA# 539	9.17	July 10, 2012	10,899	14,191
MFA# 514	8.50	August 23, 2013	176,719	215,768
MFA# 611	8.50	August 23, 2013	198,168	241,956
Carried forward			591,738	795,532

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

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6. LONG TERM DEBT (continued)

Issue Number	Interest Rate (%)	Maturity Date	2009 Debentured Amount	2008 Debentured Amount
Balance forward			591,738	795,532
MFA# 613	8.50	August 23, 2013	698,334	852,640
MFA# 619	8.50	August 23, 2013	59,810	73,026
MFA# 621	8.50	August 23, 2013	35,917	43,853
MFA# 628	9.25	August 23, 2013	125,580	153,329
MFA# 610	9.60	June 9, 2014	74,330	87,141
MFA# 622	7.50	June 9, 2014	64,238	75,309
MFA# 626	9.63	June 9, 2014	821,552	963,153
MFA# 71	5.99	December 1, 2014	472,290	553,692
MFA# 517	7.88	November 30, 2016	10,399	12,142
MFA# 624	7.88	November 30, 2016	99,373	112,675
MFA# 77	6.06	June 1, 2022	348,640	367,385
MFA# 77	6.06	June 1, 2022	1,771,343	1,866,584
MFA# 81	4.86	April 22, 2024	243,724	468,607
MFA# 102	4.52	November 30, 2017	8,629,702	9,530,244
			\$ 14,046,970	\$ 15,955,312

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

2010	\$ 1,319,647
2011	1,305,029
2012	1,300,668
2013	1,268,584
2014	1,109,554

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009

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**7. ACCUMULATED DEFICIT**

	2009	2008
Operating Fund (Page 10)	\$ 1,621,969	\$ 1,416,591
Capital Reserve Fund (Page 11)	1,493,367	5,655,212
	3,115,336	7,071,803
Temporary borrowing and debenture debt to be recovered from future requisitions (Page 9)	(17,232,195)	(15,955,312)
Unfunded debenture debt interest accrual	(229,002)	(249,350)
	\$ (14,345,861)	\$ (9,132,859)

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**8. COMMITMENTS**

The Regional Hospital District has committed to support the Northern Health Authority in 40% capital funding up to a maximum of \$98 million to construct a new hospital in Fort St. John.

**9. CHANGE IN ACCOUNTING POLICY**

As required by the Public Sector Accounting Handbook the Regional Hospital District adopted Section 1200, Financial Statement Presentation, in the current year. The adoption of Section 1200 resulted in the addition of the Consolidated Statement of Change in Net Debt and presentation changes to the financial statements of the Regional Hospital District.

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF UNAMORTIZED GRANTS TO HEALTH CARE FACILITIES  
DECEMBER 31, 2009

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	2009	2008
MFA# 522 Pouce Coupe Renos, Peace Lutheran	\$ -	\$ 11,945
MFA# 525 Pouce Coupe Renos	-	17,248
MFA# 527 PC Renos, NP Care Home, Peace Luth, DC Ext.	34,833	68,008
MFA# 519 PC Renos, DC Expansion	22,162	32,458
MFA# 615 PC Renos, DC Exp, FSJ Mechanical	21,572	28,089
MFA# 537 PC Renos, DC Exp, Chet Upgrade, FSJ Mech.	16,923	22,035
MFA# 77 Chetwynd Hospital Upgrade	23,067	30,036
MFA# 77 DC Surgical Facility Upgrade	87,395	113,798
MFA# 539 DC Exp, FSJ Mech.	10,899	14,191
MFA# 514 DC Phase 1 Upgrade	176,719	215,768
MFA# 611 DC Phase 1 Upgrade	198,168	241,956
MFA# 613 DC Exp, DC Phase 1, Peace Luth, FSJ Roof	698,334	852,640
MFA# 619 DC Exp, Chet, Peace Luth, FSJ Plan/Mech	59,810	73,026
MFA# 621 DC Exp, Chet, FSJ Plan/Mech	35,917	43,853
MFA# 628 DC Phase 1 Upgrade	125,580	153,329
MFA# 610 DC Exp, DC Phase 1	74,330	87,141
MFA# 622 Chet, DC Upgrade, DC Phase 1	64,238	75,309
MFA# 626 FSJ Health Unit, DC Health Unit, DC Phase 1	821,552	963,153
MFA# 71 Chet Beds, LDRP Palliative, Chet Sprinkler	472,290	553,692
MFA# 517 DC Phase 1 Upgrade	10,399	12,142
MFA# 624 DC Phase 1, FSJ Roof, FSJ Heating	99,373	112,675
MFA# 77 DC and Area Food Services Consolidation	348,640	367,385
MFA# 77 FSJ Hospital Redevelopment	1,771,343	1,866,584
MFA# 81 SP and NP Health Council, DC Food, FSJ Redevelop	243,724	468,607
MFA# 102 DC Rotary Manor	8,629,702	9,530,244
Temporary borrowing - New Fort St. John Hospital	3,185,225	-
	<b>\$ 17,232,195</b>	<b>\$ 15,955,312</b>

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, 2009

10.

	2009 Actual	2009 Budget (unaudited)	2008 Actual
<b>REVENUE</b>			
Tax requisition	\$ 10,619,464	\$ 10,619,464	\$ 10,172,290
Debt reserve refunds and debt surpluses	90,011	-	243,478
Grants-in-lieu of taxes	1,906	2,500	8,039
Interest	114,982	70,000	434,403
Recovered costs	-	-	6,718
	10,826,363	10,691,964	10,864,928
<b>EXPENDITURES</b>			
Administrative	10,025	10,000	10,000
Interest	1,772,533	1,540,090	1,959,843
Grants to health care facilities	14,963,206	11,858,299	1,986,777
	16,745,764	13,408,389	3,956,620
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>			
	(5,919,401)	(2,716,425)	6,908,308
<b>ADD/(DEDUCT):</b>			
Temporary borrowing proceeds	3,185,225	-	-
Long term debt principal repayment	(1,507,822)	(1,507,822)	(1,580,740)
Transfer from new hospital reserve fund	9,994,127	10,000,000	-
Transfer to capital reserve fund	(775,753)	(775,753)	(5,000,000)
Transfer to new hospital reserve fund	(5,000,000)	(5,000,000)	-
Unfunded debt interest accrual	229,002	-	249,350
	6,124,779	2,716,425	(6,331,390)
<b>CHANGE IN OPERATING FUND BALANCE</b>	205,378	-	576,918
<b>OPERATING FUND BALANCE, beginning of year</b>	1,416,591	1,416,591	839,673
<b>OPERATING FUND BALANCE, end of year</b>	\$ 1,621,969	\$ 1,416,591	\$ 1,416,591

PEACE RIVER REGIONAL HOSPITAL DISTRICT  
 SCHEDULE OF CAPITAL RESERVE FUND ACTIVITIES  
 DECEMBER 31, 2009

	2009 Actual	2009 Budget (unaudited)	2008 Actual
<b>REVENUE</b>			
Interest	\$ 56,529	\$ -	\$ 45,690
Transfer from operating	5,775,753	5,775,753	5,000,000
	5,832,282	5,775,753	5,045,690
<b>DEDUCT:</b>			
Transfer to operating	(9,994,127)	(10,000,000)	-
<b>CHANGE IN CAPITAL RESERVE FUND BALANCES</b>	(4,161,845)	(4,224,247)	5,045,690
<b>CAPITAL RESERVE FUND,</b>			
beginning of year	5,655,212	5,655,212	609,522
<b>CAPITAL RESERVE FUND,</b>			
end of year	\$ 1,493,367	\$ 1,430,965	\$ 5,655,212
<hr/>			
General Capital Reserve Fund Balance	\$ 1,414,355		\$ 631,711
New Hospital Capital Reserve Fund Balance	79,012		5,023,501
	\$ 1,493,367		\$ 5,655,212