

**PEACE RIVER REGIONAL
HOSPITAL DISTRICT**

**Consolidated Financial Statements
Year Ended December 31, 2010
and Auditors' Report**

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1.

Independent Auditors' Report

To the Board of Directors of the Peace River Regional Hospital District

Report on the Financial Statements

We have audited the accompanying financial statements of Peace River Regional Hospital District, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations and changes in fund balances and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

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 control 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 control. An audit also includes evaluating the appropriateness of 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, 2010 and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Dawson Creek, BC
April 28, 2011

Sander Rose Bone Grindle LLP
Chartered Accountants



Member, Chartered Accountants of British Columbia

* Denotes Professional Corporations

PEACE RIVER REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

2.

	2010	2009
FINANCIAL ASSETS		
Cash	\$ 28,069	\$ 34,977
Investments (Note 3)	49,071,752	7,719,028
Receivables	725	630
Municipal Finance Authority reserve deposits (Note 4)	3,920,239	1,463,906
	53,020,785	9,218,541
LIABILITIES		
Temporary borrowing (Note 5)	-	3,185,225
Payables and accruals	3,716,680	4,639,299
Accrued interest on long term debt	962,124	229,002
Municipal Finance Authority debt reserve (Note 4)	3,920,239	1,463,906
Long term debt (Note 6)	96,656,929	14,046,970
	105,255,972	23,564,402
NET DEBT AND ACCUMULATED DEFICIT (Note 7)	\$ (52,235,187)	\$ (14,345,861)

See accompanying notes to consolidated financial statements

Approved by

K. Frech, Chief Financial Officer

Sander Rose Bone Grindle LLP
CHARTERED ACCOUNTANTS

PEACE RIVER REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
DECEMBER 31, 2010

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	2010 Actual	2010 Budget (unaudited)	2009 Actual
REVENUE			
Tax requisition	\$ 11,117,361	\$ 11,117,361	\$ 10,619,464
Debt reserve refunds and debt surpluses	164,268	-	90,011
Grants-in-lieu of taxes	8,083	2,500	1,906
Interest	152,828	50,000	171,511
	11,442,540	11,169,861	10,882,892
EXPENDITURES			
Administrative	10,000	10,000	10,025
Interest	2,589,264	2,661,297	1,772,533
Grants to health care facilities	46,028,073	46,546,519	14,963,206
	48,627,337	49,217,816	16,745,764
DEFICIENCY OF REVENUE OVER EXPENSES			
	(37,184,797)	(38,047,955)	(5,862,872)
ADD/(DEDUCT):			
Temporary borrowing	29,025,388	32,159,558	3,185,225
Temporary borrowing principal repayments	(32,210,614)	-	-
Long term debt proceeds	83,000,000	8,208,045	-
Long term debt principal repayment	(1,323,571)	(1,319,648)	(1,507,822)
Unfunded debt interest accrual	962,124	-	229,002
	79,453,327	39,047,955	1,906,405
ANNUAL SURPLUS (DEFICIT)	42,268,530	1,000,000	(3,956,467)
FUND BALANCES, beginning of year			
	3,115,336	3,115,336	7,071,803
FUND BALANCES, end of year			
	\$ 45,383,866	\$ 4,115,336	\$ 3,115,336

See accompanying notes to consolidated financial statements

PEACE RIVER REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
DECEMBER 31, 2010

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	2010	2009
ANNUAL SURPLUS (DEFICIT)	\$ 42,268,530	\$ (3,956,467)
Increase in unamortized grants through borrowing proceeds	(113,374,983)	(3,185,225)
Decrease in unamortized grants through debt repayment	33,534,185	1,507,822
Decrease in unamortized grants through actuarial adjustments	416,064	400,520
Decrease in unamortized grants through change in interest accrual	(733,122)	20,348
	(37,889,326)	(5,213,002)
NET DEBT, beginning of year	(14,345,861)	(9,132,859)
NET DEBT, end of year	\$ (52,235,187)	\$ (14,345,861)

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, 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, 2010

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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.

	2010	2009
Money market funds	\$ 49,071,752	\$ 7,719,028

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. There is a balance of \$0 this year because the Peace River Regional Hospital District ended temporary borrowing to take advantage of low interest rates and issue a debenture. All temporary borrowing was paid back as of October 2010.

6. LONG TERM DEBT

Issue Number	Interest Rate (%)	Maturity Date	2010 Debentured Amount	2009 Debentured Amount
MFA# 527	10.36	April 10, 2010	\$ -	\$ 34,833
MFA# 519	10.75	February 21, 2011	11,351	22,162
MFA# 615	9.50	January 9, 2012	14,729	21,572
MFA# 537	9.41	May 8, 2012	11,555	16,923
MFA# 77	6.06	June 1, 2012	15,750	23,067
MFA# 77	6.06	June 1, 2012	59,673	87,395
MFA# 539	9.17	July 10, 2012	7,441	10,899
MFA# 514	8.50	August 23, 2013	135,718	176,719
MFA# 611	8.50	August 23, 2013	152,191	198,168
Carried forward			408,408	591,738

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2010

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6. LONG TERM DEBT (continued)

Issue Number	Interest Rate (%)	Maturity Date	2010 Debentured Amount	2009 Debentured Amount
Balance forward			408,408	591,738
MFA# 613	8.50	August 23, 2013	536,312	698,334
MFA# 619	8.50	August 23, 2013	45,933	59,810
MFA# 621	8.50	August 23, 2013	27,584	35,917
MFA# 628	9.25	August 23, 2013	96,444	125,580
MFA# 610	9.60	June 9, 2014	60,878	74,330
MFA# 622	7.50	June 9, 2014	52,612	64,238
MFA# 626	9.63	June 9, 2014	672,872	821,552
MFA# 71	5.99	December 1, 2014	386,008	472,290
MFA# 517	7.88	November 30, 2016	8,568	10,399
MFA# 624	7.88	November 30, 2016	85,849	99,373
MFA# 77	6.06	June 1, 2022	328,957	348,640
MFA# 77	6.06	June 1, 2022	1,671,341	1,771,343
MFA# 81	4.86	April 22, 2024	232,430	243,724
MFA# 102	4.52	November 30, 2017	7,693,139	8,629,702
MFA# 112 New Hospital	3.73	October 6, 2037	84,349,594	-
			\$ 96,656,929	\$ 14,046,970

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

2011	\$ 3,100,415
2012	3,096,054
2013	3,063,970
2014	2,904,939
2015	2,761,298

PEACE RIVER REGIONAL HOSPITAL DISTRICT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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7. ACCUMULATED DEFICIT

	2010	2009
Operating Fund (Page 10)	\$ 797,303	\$ 1,621,969
Capital Reserve Fund (Page 11)	44,586,563	1,493,367
	45,383,866	3,115,336
Temporary borrowing and debenture debt to be recovered from future requisitions (Page 9)	(96,656,929)	(17,232,195)
Unfunded debenture debt interest accrual	(962,124)	(229,002)
	\$ (52,235,187)	\$ (14,345,861)

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.

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 SCHEDULE OF UNAMORTIZED GRANTS TO HEALTH CARE FACILITIES
 DECEMBER 31, 2010

		2010	2009
MFA# 527	PC Renos, NP Care Home, Peace Luth, DC Ext.	\$ -	\$ 34,833
MFA# 519	PC Renos, DC Expansion	11,351	22,162
MFA# 615	PC Renos, DC Exp, FSJ Mechanical	14,729	21,572
MFA# 537	PC Renos, DC Exp, Chet Upgrade, FSJ Mech.	11,555	16,923
MFA# 77	Chetwynd Hospital Upgrade	15,750	23,066
MFA# 77	DC Surgical Facility Upgrade	59,673	87,395
MFA# 539	DC Exp, FSJ Mech.	7,441	10,899
MFA# 514	DC Phase 1 Upgrade	135,718	176,719
MFA# 611	DC Phase 1 Upgrade	152,191	198,168
MFA# 613	DC Exp, DC Phase 1, Peace Luth, FSJ Roof	536,312	698,334
MFA# 619	DC Exp, Chet, Peace Luth, FSJ Plan/Mech	45,933	59,810
MFA# 621	DC Exp, Chet, FSJ Plan/Mech	27,584	35,917
MFA# 628	DC Phase 1 Upgrade	96,444	125,580
MFA# 610	DC Exp, DC Phase 1	60,878	74,330
MFA# 622	Chet, DC Upgrade, DC Phase 1	52,612	64,238
MFA# 626	FSJ Health Unit, DC Health Unit, DC Phase 1	672,872	821,552
MFA# 71	Chet Beds, LDRP Palliative, Chet Sprinkler	386,008	472,290
MFA# 517	DC Phase 1 Upgrade	8,568	10,399
MFA# 624	DC Phase 1, FSJ Roof, FSJ Heating	85,849	99,373
MFA# 77	DC and Area Food Services Consolidation	328,957	348,640
MFA# 77	FSJ Hospital Redevelopment	1,671,341	1,771,343
MFA# 81	SP and NP Health Council, DC Food, FSJ Redevelop	93,990	98,557
MFA# 81	SP and NP Health Council, DC Food, FSJ Redevelop	138,440	145,168
MFA# 102	DC Rotary Manor	7,693,139	8,629,702
MFA# 112	New Fort St. John Hospital	84,349,594	3,185,225
		\$ 96,656,929	\$ 17,232,195

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, 2010

	2010 Actual	2010 Budget (unaudited)	2009 Actual
REVENUE			
Tax requisition	\$ 11,117,361	\$ 11,117,361	\$ 10,619,464
Debt reserve refunds and debt surpluses	164,268	-	90,011
Grants-in-lieu of taxes	8,083	2,500	1,906
Interest	36,406	50,000	114,982
	11,326,118	11,169,861	10,826,363
EXPENDITURES			
Administrative	10,000	10,000	10,025
Interest	2,589,264	2,661,297	1,772,533
Grants to health care facilities	46,028,073	46,546,519	14,963,206
	48,627,337	49,217,816	16,745,764
DEFICIENCY OF REVENUE OVER EXPENSES			
	(37,301,219)	(38,047,955)	(5,919,401)
ADD/(DEDUCT):			
Temporary borrowing proceeds	29,025,388	32,159,558	3,185,225
Temporary borrowing principal repayment	(32,210,614)	-	-
Long term debt proceeds	83,000,000	8,208,045	-
Long term debt principal repayment	(1,323,571)	(1,319,648)	(1,507,822)
Transfer from new hospital reserve fund	8,812,612	-	9,994,127
Transfer to capital reserve fund	(1,000,000)	(1,000,000)	(775,753)
Transfer to new hospital reserve fund	(50,789,386)	-	(5,000,000)
Unfunded debt interest accrual	962,124	-	229,002
	36,476,553	38,047,955	6,124,779
CHANGE IN OPERATING FUND BALANCE	(824,666)	-	205,378
OPERATING FUND BALANCE, beginning of year	1,621,969	1,621,969	1,416,591
OPERATING FUND BALANCE, end of year	\$ 797,303	\$ 1,621,969	\$ 1,621,969

PEACE RIVER REGIONAL HOSPITAL DISTRICT
 SCHEDULE OF CAPITAL RESERVE FUND ACTIVITIES
 DECEMBER 31, 2010

	2010 Actual	2010 Budget (unaudited)	2009 Actual
REVENUE			
Interest	\$ 116,422	\$ -	\$ 56,529
Transfer from operating	51,789,386	1,000,000	5,775,753
	51,905,808	1,000,000	5,832,282
DEDUCT:			
Transfer to operating	(8,812,612)	-	(9,994,127)
CHANGE IN CAPITAL RESERVE FUND BALANCES	43,093,196	1,000,000	(4,161,845)
CAPITAL RESERVE FUND, beginning of year	1,493,367	1,493,367	5,655,212
CAPITAL RESERVE FUND, end of year	\$ 44,586,563	\$ 2,493,367	\$ 1,493,367
General Capital Reserve Fund Balance	\$ 2,426,377		\$ 1,414,355
New Hospital Capital Reserve Fund Balance	42,160,186		79,012
	\$ 44,586,563		\$ 1,493,367