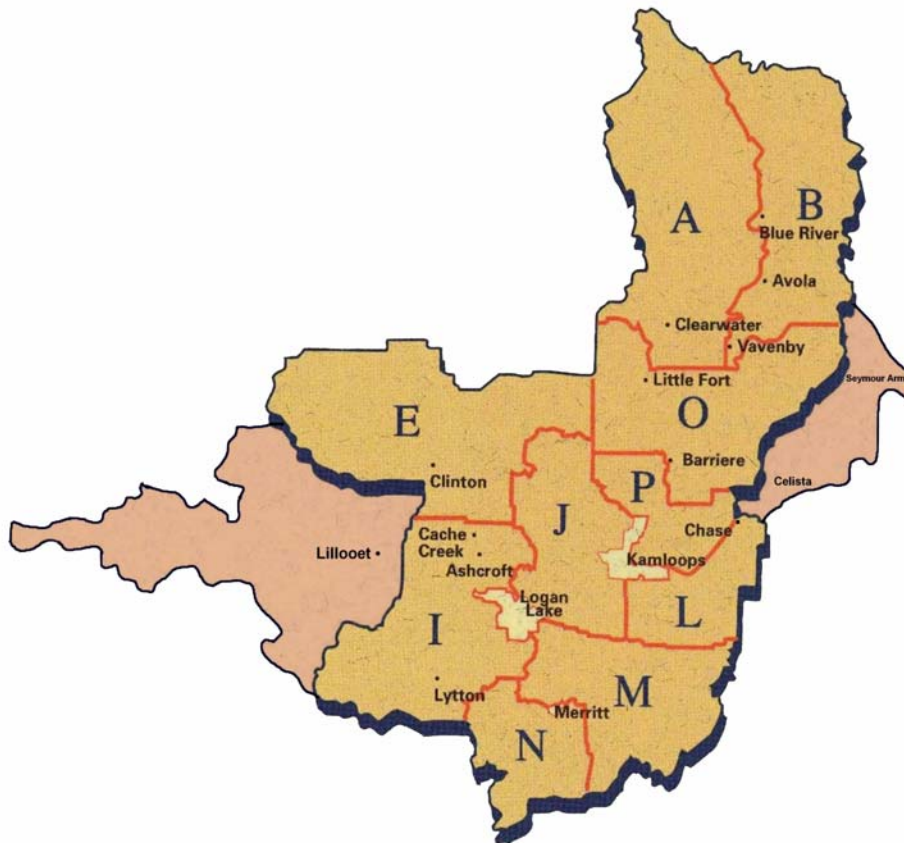


THOMPSON REGIONAL HOSPITAL DISTRICT

Financial Statements

December 31, 2017



Financial Statements of

**THOMPSON REGIONAL
HOSPITAL DISTRICT**

Year ended December 31, 2017

Thompson Regional Hospital District

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Year ended December 31, 2017

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Management's Responsibility for the Consolidated Financial Statements

This statement is provided to clarify and outline the roles and responsibilities of management, the elected Board of Directors and the independent auditors in relation to the preparation and review of the annual financial statements of the Thompson Regional Hospital District (TRHD).

Management is responsible for the preparation and presentation of the accompanying 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 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 financial statements.

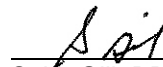
The TRHD's Board of Directors is composed entirely of Directors who are neither management nor employees of the TRHD. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for delegating authority for the approval of the financial statements. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for the appointment of the TRHD's external auditors. The external auditors have full and free access to the Board and management to discuss their audit findings.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been appointed by the TRHD's Board of Directors to audit the financial statements. Their accompanying report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Thompson Regional Hospital District:



Douglas Rae, CA
Director of Finance



Sukh Gill, BBA, CA
Chief Administrative Officer



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200-206 Seymour Street
Kamloops BC V2C 6P5
Canada
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Fax 250-828-2928

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Thompson Regional Hospital District

We have audited the accompanying financial statements of the Thompson Regional Hospital District ("the Entity"), which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year ended December 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the Thompson Regional Hospital District as at December 31, 2017, and the results of operations, its changes in net financial assets and its cash flows for the year ended December 31, 2017, in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Kamloops, Canada
March 29, 2018

Thompson Regional Hospital District
Statement of Financial Position

December 31, 2017, with comparative figures for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents (note 2)	\$ 38,588,064	\$ 27,139,024
Accounts receivable	23,706	10,125
Municipal Finance Authority debt reserve funds (note 4)	-	11,836
Total financial assets	38,611,770	27,160,985
Liabilities:		
Accounts payable and accrued liabilities	988,614	1,532,465
Long-term debt (note 3)	-	101,273
Total liabilities	988,614	1,633,738
Net financial assets and accumulated surplus (note 6)	\$ 37,623,156	\$ 25,527,247

Commitments and contingencies (note 4)

The accompanying notes are an integral part of these financial statements.

Approved:



Douglas Rae, CPA, CA
Director of Finance

Thompson Regional Hospital District
Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative figures for 2016

	Budget (note 7)	2017	2016
Revenue:			
Tax requisition	\$ 15,220,000	\$ 15,220,000	\$ 13,140,000
Grants in lieu of taxes	-	87,984	81,163
Interest	-	326,398	206,938
Other revenue	-	8,198	6,247
Actuarial adjustment to debt	-	30,120	37,906
Total revenue	15,220,000	15,672,700	13,472,254
Expenses:			
Grants to Interior Health Authority	25,322,364	3,524,703	13,384,873
Operating expenses	75,000	41,350	48,265
Interest on short-term debt	100,000	-	-
Interest on debentures	19,307	10,738	43,245
Total expenses	25,516,671	3,576,791	13,476,383
Annual surplus (deficit)	(10,296,671)	12,095,909	(4,129)
Accumulated surplus, beginning of year	25,527,247	25,527,247	25,531,376
Accumulated surplus, end of year	\$ 15,230,576	\$ 37,623,156	\$ 25,527,247

The accompanying notes are an integral part of these financial statements.

Thompson Regional Hospital District
Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative figures for 2016

	Budget (note 7)	2017	2016
Annual surplus (deficit)	\$ (10,296,671)	\$ 12,095,909	\$ (4,129)
Net financial assets, beginning of year	25,527,247	25,527,247	25,531,376
Net financial assets, end of year	\$ 15,230,576	\$ 37,623,156	\$ 25,527,247

The accompanying notes are an integral part of these financial statements.

Thompson Regional Hospital District
Statement of Cash Flows

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided (used) by:		
Operating activities:		
Annual surplus (deficit)	\$ 12,095,909	\$ (4,129)
Items not involving cash:		
Actuarial adjustment to debt	(30,120)	(37,906)
Change in non-cash assets and liabilities:		
Accounts receivable	(13,581)	10,898
Accounts payable and accrued liabilities	(543,851)	(601,770)
Municipal Finance Authority Debt Reserve Funds interest	(55)	(355)
Total operating activities	11,508,302	(633,262)
Financing activities:		
Repayment of long-term debt principal	(71,153)	(98,748)
Proceeds from Debt Reserve Funds	11,891	4,695
Total financing activities	(59,262)	(94,053)
Increase (decrease) in cash and cash equivalents	11,449,040	(727,315)
Cash and cash equivalents, beginning of year	27,139,024	27,866,339
Cash and cash equivalents, end of year	\$ 38,588,064	\$ 27,139,024
Cash paid for interest	\$ 10,738	\$ 43,245
Cash received from interest	326,398	206,938

The accompanying notes are an integral part of these financial statements.

Thompson Regional Hospital District

Notes to Financial Statements

Year ended December 31, 2017

The Thompson Regional Hospital District (the "TRHD") was incorporated January 1, 1996 by Letters Patent and operates under the authority of the Hospital District Act of British Columbia. Its principal activities are to provide funding to the Interior Health Authority (Thompson Cariboo Shuswap service area) for capital construction projects and equipment purchases for health care facilities within the District. These activities are funded through current property taxes, property tax revenues set aside as reserves and long-term debt. As a public body performing the function of a government in Canada, the TRHD is exempt from income tax under the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the TRHD are prepared by management in accordance with Canadian generally accepted accounting principles for the public sector established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada") and include all funds of the TRHD.

These standards require that expenses be presented in the Statement of Operations according to functional area, with the object or type of expense disclosed in the notes to the financial statements. Given that the TRHD has only a single functional area, the Statement of Operations has instead presented the expenses by object and no disclosure of operating segment information has been made.

(b) Basis of accounting:

The TRHD follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the period when they are earned, can be measured and there is reasonable assurance that they will be collected. In the case of property tax revenues, they are recognized in the period in which they are levied. Grants in lieu of taxes are recognized when they are received.

Expenses are recognized as they are incurred and become measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Taxation:

Each Municipality and Electoral Area within the Regional Hospital District is requisitioned for their portion of the TRHD service. These funds are then levied by the Municipalities and the Province (for Electoral Areas) to individual taxpayers and turned over to the TRHD by August 1 of each year.

(d) Capital project expenses:

The Regional Hospital District has no claim on the assets purchased as part of capital project expenses and, as such, has adopted the policy of expensing these amounts. The debenture debt interest expense associated with these capital projects is considered to be a normal operating cost.

Thompson Regional Hospital District

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of 30 days or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(f) Long-term debt:

Long-term debt is recorded net of accumulated principal repayments and actuarial adjustments to debt. Debt charges, including interest and debt issuance charges, are recognized as an expense in the periods in which they are accrued.

(g) MFA debt reserve:

The Municipal Finance Authority ("MFA") requires a cash contribution of 1% of the face value of debt when issued as security against loan default, which is held in a debt reserve fund. These deposits will be returned, with interest, to the TRHD upon retirement of the associated debt. The TRHD has adopted the policy of recording these cash deposits as an asset valued at the lower of the amount contributed and the amount expected to be recovered.

(h) Reserved surplus funds:

Funds raised for future operating and capital purposes, as approved by the Board of Directors and in accordance with Section 20(4) of the Hospital District Act, are set aside in reserves of accumulated surplus.

(i) Measurement uncertainty:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on current conditions and laws that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include the future settlement amount of accrued liabilities. Actual results could differ from these estimates.

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2017

2. Cash and cash equivalents:

	2017	2016
Cash deposits	\$ 20,710,252	\$ 9,433,635
Cash equivalents	17,877,812	17,705,389
Total cash and cash equivalents	\$ 38,588,064	\$ 27,139,024

Cash and cash equivalents reported on the statement of financial position have a cost that approximates market value. Cash equivalents consist of MFA pooled money market funds with an annual rate of return of approximately 0.97% (2016 - 0.79%).

3. Long-term debt:

Debenture debt is borrowed through the MFA to finance capital grants to the Interior Health Authority. Under the terms of the debt, the TRHD is required to make principal payments once annually while interest is calculated semi-annually and is based on the original debt principal borrowed. Associated with these principal payments, the MFA provides an 'actuarial adjustment', which is a non-cash reduction in the loan balance representing the investment earnings the MFA expects to realize on the sinking fund investment associated with the debenture.

(a) As at December 31, 2017, long-term debt consists of the following:

MFA Issue No.	Bylaw No.	Term in Years	Maturity Date	Interest Rate	Balance Outstanding Dec 31, 2016	Issued	Principal Repayment	Actuarial Adjustment	Balance Outstanding Dec 31, 2017
101	2004S	10	2017	4.520 %	101,273	-	71,153	30,120	-
Total long-term debt					\$ 101,273	\$ -	\$ 71,153	\$ 30,120	\$ -

The weighted average interest rate for 2017 was 2.26% (2016 - 3.93%). Interest paid during the year was \$10,738 (2016 - \$43,245).

(b) Unissued debt:

The TRHD has authorized but unissued debentures with the MFA as follows:

Service:	Loan Authorization Bylaw Number	Adoption Date	Amount Authorized	Amount Unissued
Royal Inland Hospital-Patient Care Tower	132	November 2017	\$130,000,000	\$130,000,000
Total			\$130,000,000	\$130,000,000

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2017

4. Commitments and contingencies:

a) Debt Reserve Funds:

The TRHD issues debt instruments through the MFA. As a condition of these borrowings, the MFA has established a debt reserve fund as security held in trust by the MFA against loan default that is equal to one half the annual instalment of principal and interest on debentures issued. The cash portion of this fund is equal to 1% of the total principal value of debt when issued and is withheld from the proceeds at the time of issue. Interest earnings are attributed to these funds while they are held in trust by MFA over the term of the loan. The remainder of the fund consists of demand notes in connection with each debenture which are contingent in nature and therefore are not recorded as a liability in the financial statements

Details of the cash deposits and contingent demand notes at December 31, 2017 are as follows:

	2017	2016
Cash deposits	\$ -	\$ 11,836
Contingent demand notes	-	46,340
Total debt reserve fund	\$ -	\$ 58,176

b) Interior Health Authority:

At December 31, 2017 the TRHD has an outstanding commitment of \$ 19,672,658 to IHA, this represents the difference between approved bylaws for various projects and the amounts paid out based on invoices submitted by IHA to date.

In 2016 the Board committed to a future contribution of up to \$172 million (approximately 40 percent of the approximate cost of \$417 million) for the planned Patient Care Tower of the Royal Inland Hospital.

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2017

5. Related party transactions:

The TRHD is related to the Thompson-Nicola Regional District ("TNRD") as the members of the Board of Directors of the TNRD form the majority of the members of the Board of Directors of the TRHD. As legislated by the Hospital District Act, the officers and employees of the TNRD are the corresponding officers and employees of the TRHD. Each of the TNRD and the TRHD are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the TRHD received accounting and management services from the TNRD and paid \$11,000 (2016 - \$11,000) for these services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	2016	Contributions	2017
Surplus:			
Unappropriated surplus	\$ 9,278,387	\$ -	\$ 21,374,296
Reserve funds set aside for specific purposes:			
Section 20(4) reserve	1,048,860	-	1,048,860
Reserve for future capital expenditures	15,200,000	-	15,200,000
Total accumulated surplus	\$ 25,527,247	\$ -	\$ 37,623,156

The unappropriated surplus is the amount of accumulated surplus remaining after deducting the other appropriated surplus balances. It is available to temporarily finance operations until planned revenues (i.e. property taxes, grants, etc.) are received, or for other operating or capital purposes as determined by the Board of Directors.

Reserve funds are the amount of accumulated surplus that have been set aside in accordance with legislative requirements or by decision of the Board of Directors for a specified purpose. The Section 20(4) reserve is set aside in accordance with Section 20 of the Hospital District Act of B.C. and is intended to cover emergency funding requirements that may occur in future years and will be capped at approximately one million dollars. Other reserves represent savings for planned future capital expenditures.

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2017

7. Budget information:

The budget data presented in these financial statements is based upon the 2017 Financial Plan approved by the Board of Directors on March 23, 2017. The legislative requirements for the Financial Plan are that the cash inflows for the period must equal cash outflows.

Cash inflows and outflows may include such items as debt proceeds or debt principal repayment, asset sale proceeds and transfers to and from reserves and surplus. These items are not recognized as revenues and expenses in the Statement of Operations as they do not meet the public sector accounting standards definition. PSAB requires that budget figures be presented on the same basis of accounting as actual figures.

The legislation does not require the Financial Plan to include non-cash items such as the actuarial adjustments on debt or funding liability accruals to provide for future cash requirements. However, these items are recognized as revenues or expenses in the Statement of Operations under public sector accounting standards.

The chart below demonstrates how the legislative requirement for a balanced Financial Plan has been met.

	Budget Amount
Budget surplus (deficit), as per Statement of Operations	(10,296,671)
Adjust for budgeted cash items, not included in Statement of Operations:	
Budgeted transfer from reserves	1,000,000
Principal repayments of long-term debt	(71,153)
Transfer from operating surplus	9,367,824
Total adjustments	10,296,671
Financial Plan Balance	\$ -
