

Prairie Mountain Health
Consolidated Financial Statements
For the year ended March 31, 2017

Prairie Mountain Health
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For the year ended March 31, 2017

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**Prairie Mountain Health
Management's Responsibility**

For the year ended March 31, 2017

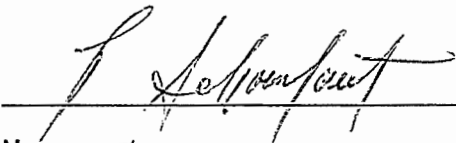
To the Board of Directors of Prairie Mountain Health:

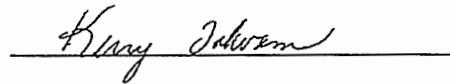
Management has responsibility for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian public sector accounting standards.

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 safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is appointed by the Board and has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board of Prairie Mountain Health 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 Audit Committee and management to discuss their audit findings.


Management


Management

Independent Auditors' Report

To the of Prairie Mountain Health:

We have audited the accompanying consolidated financial statements of Prairie Mountain Health, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 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 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 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 Prairie Mountain Health as at March 31, 2017 and the results of its operations (including remeasurement gains and losses), changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Brandon, Manitoba

June 24, 2017

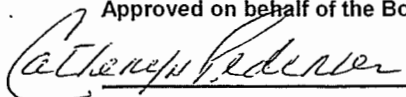
MNP LLP

Chartered Professional Accountants

Prairie Mountain Health
Consolidated Statement of Financial Position
(in thousands of dollars)
As at March 31

	2017	2016
ASSETS		
Current		
Cash and cash equivalents	\$ 62,949	\$ 37,614
Short-term investments (Note 7)	2,450	1,765
Accounts receivable (Note 4)	5,530	5,723
Due from Manitoba Health (Note 5)	23,340	41,128
Current portion of loan receivable (Note 6)	32	31
Inventories held for use	5,031	4,713
Prepaid expenses	3,078	2,830
	102,410	93,804
Non-Current		
Due from Manitoba Health (Note 5)	23,141	23,503
Loan receivable (Note 6)	157	189
Investments (Note 7)	5,728	6,394
Capital assets (Note 8)	286,476	283,438
	315,502	313,524
	\$ 417,912	\$ 407,328
LIABILITIES		
Current		
Demand loans (Note 9)	\$ 207	\$ 297
Accounts payable and accrued liabilities (Note 10)	40,330	34,030
Employee future benefits (Note 11)	34,047	32,435
Current portion of obligation under capital lease (Note 13)	511	583
Current portion of long-term debt (Note 12)	196	218
	75,291	67,563
Non-Current		
Employee future benefits (Note 11)	46,828	48,034
Obligation under capital lease (Note 13)	807	1,318
Long-term debt (Note 12)	735	931
	48,370	50,283
Deferred Contributions (Note 14)		
Expenses of future periods	14,713	13,688
Capital assets	274,675	270,853
	289,388	284,541
	\$ 413,049	\$ 402,387
Commitments and contingencies (Note 20)		
NET ASSETS		
Invested in capital assets (Note 16)	7,058	8,047
Internally restricted (Note 17)	5,449	5,467
Externally restricted (Note 17)	63	112
Unrestricted	(7,707)	(8,685)
	4,863	4,941
	\$ 417,912	\$ 407,328

Approved on behalf of the Board

 Director

 Director

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

Prairie Mountain Health
Consolidated Statement of Operations
(in thousands of dollars)
For the year ended March 31

	2017	2016
REVENUE		
Manitoba Health operating income <i>(Note 18)</i>	\$ 546,341	\$ 530,579
Authorized/residential charges	33,766	32,162
Amortization of deferred contributions - expenses of future periods <i>(Note 14)</i>	87	41
Amortization of deferred contributions - capital assets <i>(Note 14)</i>	16,908	16,905
Non-insured income	2,285	2,144
Ancillary revenue	3,313	3,196
Other income	15,376	13,598
Province of Manitoba	4,331	4,433
Investment income	743	694
	623,150	603,752
EXPENSES		
Acute care services	253,907	246,886
Personal care home services	141,018	138,031
Medical remuneration	43,029	41,872
Community based mental health services	24,696	23,115
Community based home care services	40,898	40,768
Community based health services	25,974	24,782
Emergency medical services	22,818	18,795
Regional undistributed costs	36,837	36,384
Amortization of capital assets	18,252	18,293
Future employee benefits	3,489	3,249
Therapy services	9,114	8,381
Ancillary expenses	2,998	2,653
	623,030	603,209
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 120	\$ 543

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

Prairie Mountain Health
Consolidated Statement of Changes in Net Assets
(in thousands of dollars)

For the year ended March 31

	<i>Invested in Capital Assets</i>	<i>Internally Restricted</i>	<i>Externally Restricted</i>	<i>Unrestricted</i>	2017
Balance beginning of year	\$ 8,047	\$ 5,467	\$ 112	\$ (8,685)	4,941
Excess (Shortfall) of revenue over expenses	(1,231)	406	-	945	120
Transfer (to) from deferred contributions	(221)	(120)	-	252	(89)
Investment in capital assets	348	(326)	-	(20)	2
Change in fair value of investments	-	(11)	-	(125)	(136)
Internally/Externally restricted assets	(3)	33	1	-	31
Elderly Persons Housing adjustments	-	-	(50)	(31)	(81)
Transfer (to) from Non-Devolved Org.	118	-	-	(43)	75
Balance end of year	\$ 7,058	\$ 5,449	\$ 63	\$ (7,707)	4,863

	<i>Invested in Capital Assets</i>	<i>Internally Restricted</i>	<i>Externally Restricted</i>	<i>Unrestricted</i>	2016
Balance beginning of year	\$ 8,477	\$ 5,394	\$ 85	\$ (9,941)	4,015
Excess (Shortfall) of revenue over expenses	(1,512)	600	-	1,455	543
Transfer (to) from deferred contributions	5	-	-	11	16
Investment in capital assets	847	(581)	-	(77)	189
Change in fair value of investments	-	(9)	-	(29)	(38)
Internally/Externally restricted assets	-	63	1	(6)	58
Elderly Persons Housing adjustments	-	-	26	(48)	(22)
Transfer (to) from Non-Devolved Org.	230	-	-	(50)	180
Balance end of year	\$ 8,047	\$ 5,467	\$ 112	\$ (8,685)	4,941

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

Prairie Mountain Health
Consolidated Statement of Cash Flows
(in thousands of dollars)
For the year ended March 31

	2017	2016
OPERATING TRANSACTIONS		
Excess (Shortfall) of revenue over expenses	\$ 120	\$ 543
Adjustments to determine net cash provided by (used in) operating activities		
Gain/(loss) on disposal of capital assets	2	-
Amortization of capital assets	18,252	18,293
Amortization of deferred contributions	(16,995)	(16,946)
Change in deferred revenue	21,842	14,753
Changes in non-cash operating working capital items:		
Accounts receivable	193	1,875
Due from Manitoba Health	18,150	(5,230)
Loan receivable	31	30
Inventories held for use	(318)	240
Prepaid expenses	(248)	(1,510)
Accounts payable and accrued liabilities	6,300	(6,896)
Employee future benefits	406	(336)
Net assets	(198)	383
	47,537	5,199
CAPITAL TRANSACTIONS		
Proceeds on sale of capital assets	21	-
Cash used to acquire capital assets	(21,313)	(15,266)
	(21,292)	(15,266)
INVESTING TRANSACTIONS		
Portfolio investment transactions	(19)	14
FINANCING TRANSACTIONS		
Repayment of loans and advances	(891)	(407)
NET CHANGE IN CASH	25,335	(10,460)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,614	48,074
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 62,949	\$ 37,614
Supplementary Information		
Interest received	\$ 743	\$ 694
Interest paid	137	167

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

Prairie Mountain Health
Consolidated Statement of Remeasurement Gains and Losses
(in thousands of dollars)
For the year ended March 31

	2017	2016
Accumulated remeasurement gains and (losses) at beginning of year	\$ 341	\$ 379
Unrealized gains (losses) attributable to:		
Portfolio investments	(173)	(38)
Accumulated remeasurement gains and (losses) at end of year	\$ 168	\$ 341

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
(in thousands of dollars)

1. Organization

On May 28, 2012, Regulation 63/2012 under the Regional Health Authorities Act (the "Act") was passed to amalgamate the Assiniboine Regional Health Authority, Brandon Regional Health Authority Inc. and Parkland Regional Health Authority Inc. and a new Region named the "Western Regional Health Authority" was established for the western Manitoba health region. On December 10, 2012, Regulation 151/2012 was passed under the "Act" changing the Region's name to Prairie Mountain Health. Prairie Mountain Health ("the Region", "PMH") commenced activity on April 1, 2012. The Region is involved in the provision of health care services to the western region of Manitoba. The Region is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Basis of accounting

In accordance with the requirements set out by the Chartered Professional Accountants of Canada, the Region has prepared these financial statements using Canadian public sector accounting standards ("PSAS", "PSA"). The Region's first reporting period using public sector standards was for the year ended March 31, 2013.

3. Significant accounting policies

These financial statements have been prepared in accordance with the Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of Reporting

The Region provides community health care services, acute health care services and long term care services through devolved and contract facilities. The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Baldur Health Centre	Neepawa Health Centre
Benito Health Centre	Neepawa-Country Meadows Personal Care Home
Birtle Health Centre	Oak Lake Ambulance
Boissevain Health Centre	Pioneer Lodge Inc.
Boissevain-Westview Lodge	Reston Health Centre
Brandon Regional Health Centre	Rideau Park Personal Care Home
Carberry Health Centre	Riverdale Personal Care Home Inc. Westwood Lodge
Cartwright-Davidson Memorial Health Centre	Rivers Health Centre
Community and Home Care Health Services	Roblin District Health Centre
Community Mental Health Services	Roblin & District Ambulance Service
Child and Adolescent Treatment Centre - Brandon	Rosburn Health Centre
Dauphin & District Ambulance Service	Russell Health Centre
Dauphin Regional Health Centre	Russell Personal Care Home
Deloraine Health Centre	St. Paul's Personal Care Home
Deloraine-Bren Del Win Lodge	Ste. Rose Ambulance Service
Elkhorn-Elkwood Manor	Sandy Lake Personal Care Home
Erickson Health Centre	Shoal Lake-Strathclair Health Centre
Fairview Personal Care Home	Souris Health Centre
Gilbert Plains Health Centre	Swan Valley Ambulance Service
Glenboro Health Centre	Swan Valley Health Centre
Grandview Hospital District	Swan Valley Lodge
Grandview Personal Care Home	Swan River Valley Personal Care Home
Hamiota Health Centre	Tiger Hills Villa Inc.
Hamiota Health Centre Lilac Residence (East Wing)	Treherne-Tiger Hills Health Centre
Hamiota Health Centre Lilac Residence (North Wing)	Virten Health Centre
Hartney Health Centre	Virten-Sherwood Nursing Home
Killarney-Tri Lake Health Centre	Virten-Westman Nursing Home
McCreary/Alonsa Health Centre	Waterhen Ambulance Service
Melita Health Centre	Wawanesa Health Centre
Minnedosa Health Centre	Winnipegosis and District Ambulance Service
Minnedosa Personal Care Home	Emergency Medical Services –25 sites
Morley House of Shoal Lake Elderly Persons Housing	
Morley House of Shoal Lake Lakeshore Lodge	

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
(in thousands of dollars)

3. Significant accounting policies (continued)

(a) Basis of Reporting (continued)

The Region also provides health care services, by means of operating agreements, through non-devolved facilities. The health care services provided are delivered under the control of the Region as the major funder. The financial position and results of operations of these related organizations have been consolidated in these financial statements. The following facilities are non-devolved:

Ste. Rose Health Centre
Winnipegosis General Hospital
Mossey River Personal Care Home Inc. – Winnipegosis
The Salvation Army Dinsdale Personal Care Home – Brandon

Effective January 1, 2016, St. Paul's Personal Care Home Assets were purchased by Prairie Mountain Health. For the year ended March 31, 2017 St. Paul's Personal Care Home is a devolved facility within Prairie Mountain Health.

All significant inter-divisional transactions of non-devolved and contract facilities have been eliminated.

The Region has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act. Operating fund surpluses are payable to the Region.

The other non-devolved organizations are referred to as affiliates. For the Region's affiliate organizations, if the retainable surplus exceeds 1.5% of the annual in-globe operating budget, as approved by the Region, the surplus in excess of 1.5% is an obligation payable to the Region.

The Region also receives funding from the Brandon Regional Health Centre Foundation, the Fairview Foundation and Dauphin Hospital Foundation and other community foundations/auxiliaries which organize fundraising drives to raise funds for the use of the Region or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of its board of directors. As there is no control, significant influence or economic interest between the Region and the Foundations, no financial information regarding the foundations are reported or disclosed in the financial statements of the Region.

(b) Revenue recognition

The Region follows the deferral method of accounting for contributions which include donations and government grants.

Manitoba Health operating income

Under the Health Insurance Act and regulations thereto, the Region is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2017.

In Globe funding

In Globe funding is funding approved by Manitoba Health for Regional Health programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed within the global funding provided.

Any operating surplus greater than 2% of the budgeted amount related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Region, or repaid to Manitoba Health. Under Manitoba Health policy the Region is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
(in thousands of dollars)

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Region, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Region. Any unapproved costs not paid by Manitoba Health are absorbed by the Region.

Amortization of deferred contributions

Where a grant or other restricted contribution, other than endowment contributions, is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay long-term debt as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Non-Insured income

Non-insured income is revenue received for products and services where the recipient does not have Manitoba Health coverage or where coverage is available from a third party. Revenue is recognized when the product is received and/or the service is rendered.

Ancillary income

Ancillary income comprises amounts received for preferred accommodations, non Manitoba Health activities and parking fees. Revenue is recognized when the service is provided.

Other income

Other income comprises recoveries for a variety of uninsured goods and services sold to patients or external customers. Revenue is recognized when the good is sold or the service is provided.

Investment income

Investment income comprises interest from cash, interest from fixed income investments, and realized gains and losses on the sale of investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(c) Contributed materials and services

Contributions of materials are recognized at fair market value only to the extent that they would normally be purchased and an official receipt for income tax purposes has been issued to the donors.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(d) Cash and cash equivalents

The Region considers deposits in banks, certificates of deposit and other short-term investments with original maturities of 90 days or less at the date of acquisition as cash and cash equivalents.

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
(in thousands of dollars)

3. Significant accounting policies (continued)

(e) Financial Instruments

Measurement of financial instruments

The Region initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transactions costs directly attributable to the instrument.

The Region subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the Statement of Remeasurement Gains and Losses in the period incurred.

The Region uses the following measurement classifications for its financial assets and financial liabilities:

Cash and cash equivalents	Amortized Cost
Accounts receivable	Amortized Cost
Due from Manitoba Health	Amortized Cost
Loan receivable	Cost
Investments	Fair Value
Accounts payable and accrued liabilities	Amortized Cost
Employee future benefits obligations	Amortized Cost

In accordance with Public Sector Accounting (PSA) standards adopted for April 1, 2011, the Region has elected to record investments at fair value, using market bid prices at year-end as a basis for valuation. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the consolidated statement of operations. Any discount or premium arising on purchase is amortized over the period of maturity in order to reflect a yield based on purchase costs and a carrying value of the amount expected to be realized at maturity. Interest earned on investments and gains or losses resulting from net settlements in the period are recorded in the Statement of Operations.

The Region uses the following classifications of fair value measurements for its portfolio investments:

Prices quoted in active markets	Level 1
Observable bid prices in the markets	Level 2
Source other than observable market	Level 3

Impairment

At the end of each reporting period, the Region assesses whether there are any indications that a financial asset may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Region, including but not limited to the following events: significant decline in fair market value, significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Region determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Region identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset in the cost or amortized cost category, it reduces the carrying amount of the asset to the highest of the following:

- (i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- (ii) the amount that could be realized by selling the asset at the statement of financial position date; and
- (iii) the amount the Region expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights

The carrying amount of the asset in the cost or amortized cost category is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
(in thousands of dollars)

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

When the extent of impairment of a previously written-down asset in the cost or amortized cost category decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of operations in the period the reversal occurs.

When the Region identifies a loss in value that is other than a temporary decline of a financial asset in the fair value category, the asset is written down to recognize the loss. The amount of the loss is recognized in the statement of operations and is not reversed if there is a subsequent increase in value.

Transaction costs

Transaction costs are added to the carrying value of items in the cost or amortized cost category when they are initially recognized, and expensed in the period incurred for items in the fair value category. Transaction costs include fees and commissions paid to agents, advisors, brokers and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Risk management

The Region is exposed to various risks through its financial instruments. The following analysis provides a measure of the Region's risk exposure and concentrations:

<i>Financial instruments</i>	<i>Risks</i>			
	<i>Credit</i>	<i>Liquidity</i>	<i>Market risk</i>	
			<i>Currency</i>	<i>Interest Rate</i>
Cash	X			X
Amounts receivable	X		X	
Accounts payable and accrued liabilities		X	X	

The Region manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Risk Management Policy. The objective of the policy is to reduce volatility in cash flow and earnings. The Board of Directors monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

The Region also has a specific Investment Policy that details the asset quality and proportion of fixed income and equity securities in which investments are made.

The Region does not use derivative financial instruments to manage its risks.

Credit risk

Credit risk arises from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Region could incur a financial loss. The Region's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the facilities it funds, minimizing credit risk. The Region's policy is to limit extending credit to individuals and has been proactive in the implementation of processes to accept prepayment for products and services.

Management regularly reviews the aging of accounts receivable balances. Amounts deemed uncollectible are written down to their expected realizable values, by making an allowance for doubtful accounts adjustment, as soon as the account is determined not to be fully collectible. The Region considers the following factors in determining uncollectability: age of the amount outstanding, knowledge gained surrounding change in economic circumstances of the third party, and the history of collectability based on the type of revenue stream.

Prior to authorizing the provision of a loan, the Region's management reviews the financial position of the potential loan recipient and considers current and historical evidence of cash flows and economic circumstances. It is not a policy of the

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
(in thousands of dollars)

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Region to grant loans, however, special considerations are reviewed with the Board of Directors prior to a provision being granted. The Region's management regularly reviews loan balances and the principal and interest payments due to assess collectability and risk of loss. Valuation allowances are made when collection is in doubt. When there is sufficient evidence to support that an amount is uncollectible with no realistic prospect of recovery, a valuation allowance is recorded in order to reflect the loan, or class of loans, at the lower of cost and net recoverable value. Once all or part of a loan is written-off, it is not subsequently reversed. Interest is accrued on loans receivable to the extent it is deemed collectable.

Liquidity risk

Liquidity risk is the risk that the Region will not be able to meet a demand for cash or fund its obligations as they come due. The Region meets its liquidity requirements by anticipating investing and financing activities and holding assets that can be readily converted into cash. The Region has operating lines of credit available totaling \$23,700,000 should it be required to meet temporary fluctuations in cash requirements. Lines of credit are approved by Manitoba Health and are in effect for the period ending March 31, 2018. The Region is not currently accessing the operating lines of credit.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the Region is the Canadian dollar. The Region's transactions in U.S. dollars are infrequent and are limited to non-resident charges, certain purchases and capital asset acquisitions. The Region does not use foreign exchange forward contracts to manage foreign exchange transaction exposures. The Region's investment portfolio does not hold any investments in foreign currency.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Region to interest rate risk arises from its interest bearing assets. The Region's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Region manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Region's results of operations.

The primary objective of the Region with respect to its fixed income investments is to generate income and preserve capital. The Region manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

Changes to risk

There have been no changes to the Region's risk exposures from the prior year.

(f) Inventories held for use

Inventories consist of medical supplies, drugs, linen and other supplies that are measured at average cost, except drugs which are valued at the actual cost using the first in, first out method. The cost of inventories includes purchase price, shipping, unrebated portion of goods and services tax, and provincial tax. Inventory is expensed when put into use.

Prairie Mountain Health
Notes to the Consolidated Financial Statements

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3. Significant accounting policies (continued)

(g) Capital assets

Purchased capital assets are recorded at cost. The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Land is carried at cost or fair market value at the date of acquisition and is not amortized.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Contributed capital assets are recorded at fair value at the date of contribution.

The Region's objectives when managing capital assets are to safeguard its ability to operate as a going concern so it can continue to provide services to its members. An Annual Health Plan including an operating and capital budget is developed and monitored to ensure the Region's capital is maintained at an appropriate level. There were no changes in the Region's approach to capital management during the period.

If the retainable surplus exceeds 2% of the annual in globe operating funding, as approved by the Region, the surplus in excess of 2% is an obligation payable to Manitoba Health. For the fiscal year ended March 31, 2017, the Region was in compliance with this requirement.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses. Capital assets, excluding vehicles, are amortized on a straight-line basis over their estimated useful lives as follows:

Parking lots	8-15 years
Land improvements	15 years
Buildings and leasehold improvements	20-40 years
Building service equipment/equipment	4-20 years
Computer software and equipment	3-5 years

Vehicles are amortized on a declining balance basis using 30% as the annual rate and are included in Building Service Equipment/Equipment.

(h) Foreign currency transactions

Monetary assets and liabilities of the Region which are denominated in foreign currencies are translated at year-end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains and losses are included in the consolidated statement of operations.

(i) Management estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring use of significant estimates include useful life of capital assets, allowance for accounts deemed uncollectable and amounts recognized for employee benefit obligations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Prairie Mountain Health
Notes to the Consolidated Financial Statements

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4. Accounts receivable

The Region's exposure to credit risk for accounts receivable as at March 31 is as follows:

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2017
Patients/residents	\$ 767	\$ 493	\$ 182	\$ 2,984	\$ 4,426
Trade receivables	2,097	279	196	700	3,272
GST receivable	295	190	3	27	515
PMH Foundations	24	-	-	-	24
Accrued Interest	62	-	-	-	62
	3,245	962	381	3,711	8,299
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(2,769)	(2,769)
	\$ 3,245	\$ 962	\$ 381	\$ 942	\$ 5,530
	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2016
Patients/residents	\$ 638	\$ 559	\$ 358	\$ 2,243	\$ 3,798
Trade receivables	1,031	287	338	811	2,467
GST receivable	272	122	1	-	395
PMH Foundations	751	46	-	-	797
Approved capital funding	258	-	-	-	258
Accrued Interest	65	-	-	-	65
	3,015	1,014	697	3,054	7,780
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(1,881)	(1,881)
Trade receivables	-	-	-	(176)	(176)
	-	-	-	(2,057)	(2,057)
	\$ 3,015	\$ 1,014	\$ 697	\$ 997	\$ 5,723

5. Due from Manitoba Health

The amount recorded as a receivable from the Province for pre-retirement and related vacation costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its on-going annual funding to the Region, an amount equivalent to the change in pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2017
Retroactive salary increases	\$ 7,424	\$ -	\$ -	\$ 305	\$ 7,729
Other operations	2,407	526	356	302	3,591
Out of Globe 2015/16	-	-	-	(4,474)	(4,474)
Out of Globe 2016/17	(4,201)	-	-	-	(4,201)
Approved capital funding	1,048	-	-	893	1,941
Vacation	-	-	-	18,114	18,114
Vacation-Non-Devolved Facilities	-	-	-	747	747
	6,678	526	356	15,887	23,447
Less: allowance for doubtful accounts	(88)	(1)	(2)	(16)	(107)
	\$ 6,590	\$ 525	\$ 354	\$ 15,871	\$ 23,340
Approved capital funding	-	-	-	1,208	1,208
Pre-retirement	-	-	-	21,106	21,106
Pre-retirement-Non-Devolved Facilities	-	-	-	827	827
	\$ -	\$ -	\$ -	\$ 23,141	\$ 23,141

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
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5. Due from Manitoba Health (continued)

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2016
Retroactive salary increases	\$ 12,003	\$ -	\$ -	\$ 3,372	\$ 15,375
Other operations	5,460	4	27	165	5,656
Out of Globe 2015/16	(4,161)	-	-	-	(4,161)
Out of Globe 2013/14	-	-	-	(15)	(15)
Approved capital funding	5,244	-	-	273	5,517
Vacation	-	-	-	18,114	18,114
Vacation-Non-Devolved Facilities	-	-	-	747	747
	18,546	4	27	22,656	41,233
Less: allowance for doubtful accounts	(82)	(4)	(4)	(15)	(105)
	\$ 18,464	\$ -	\$ 23	\$ 22,641	\$ 41,128
Approved capital funding	-	-	-	1,570	1,570
Pre-retirement	-	-	-	21,106	21,106
Pre-retirement-Non-Devolved Facilities	-	-	-	827	827
	\$ -	\$ -	\$ -	\$ 23,503	\$ 23,503

6. Loan receivable

On August 31, 2009 the Region advanced the Brandon YMCA \$320,000 to establish and operate a day care facility. The full term of the loan is thirteen (13) years. The terms of the agreement are set out that during the first three years from and after the advance date, the borrower pays interest only.

	2017	2016
The Brandon YMCA		
3.5% compounded semi-annually repayable at \$9,516 quarterly, including interest, with the first quarterly payment due Nov 30, 2012. Loan is secured by property, matures August 31, 2022	\$ 189	\$ 220
	(32)	(31)
Less current portion		
	\$ 157	\$ 189
Principal payments due in the next five years are as follows:		
	2018	\$ 32
	2019	33
	2020	34
	2021	35
	2022	37

Prairie Mountain Health

Notes to the Consolidated Financial Statements

*For the year ended March 31, 2017
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7. Investments

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Various provincial, municipal and other bonds or debentures at interest rates from 0%-4.25%, maturing in 90 days or less	\$ 1,464	\$ 1,460	\$ 952	\$ 952
Various provincial, municipal and other bonds or debentures at interest rates at 1.9% to 4.8%, maturing in 91 days to one year	988	970	265	253
Guaranteed investment certificates at interest rates from 1.8%-2.4%, maturing within one year	20	20	561	560
	2,472	2,450	1,778	1,765
Various provincial, municipal and other bonds or debentures at interest rates from 1.25%-8.1%, with varying maturities up to December 15, 2025	4,771	4,849	4,077	4,278
Government of Canada bonds at interest rates from 1.95%-8%, maturing June 1, 2029	641	753	354	491
Guaranteed investment certificates at interest rates from 2%-2.9% with varying maturities up to March 23, 2021	100	100	1,583	1,599
Investment in Tiger Hills Villa	26	26	26	26
	5,538	5,728	6,040	6,394
	\$ 8,010	\$ 8,178	\$ 7,818	\$ 8,159

Investments primarily consist of bonds and guaranteed investment certificates (GIC's) with maturity dates of 12 months or greater from date of acquisition. Investments maturing within 12 months from the year-end date are classified as current. Investments are fixed income instruments issued or guaranteed by Canadian governments and corporations and include federal and provincial bonds, municipal bonds, corporate debentures and mortgage-backed securities, with a minimum A rating by an independent rating agency. Interest earned on investments ranges from 0%-8.1% paid semi-annually or quarterly.

8. Capital assets

	2017		
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	\$ 4,595	\$ -	\$ 4,595
Land improvements	3,516	1,965	1,551
Buildings and leasehold improvements	385,264	163,780	221,484
Building service equipment/equipment	95,541	60,002	35,539
Assets under capital lease	3,793	1,863	1,930
Construction in progress	21,377	-	21,377
	\$ 514,086	\$ 227,610	\$ 286,476

	2016		
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	\$ 4,383	\$ -	\$ 4,383
Land improvements	3,414	1,689	1,725
Buildings and leasehold improvements	384,726	157,124	227,602
Building service equipment/equipment	88,373	52,313	36,060
Assets under capital lease	3,793	1,565	2,228
Construction in progress	11,440	-	11,440
	\$ 496,129	\$ 212,691	\$ 283,438

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
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8. Capital assets (continued)

Construction in Progress Commitment

	Dauphin Emergency Expansion	Brandon Redevelopment	Dauphin MRI	St. Rose Primary Care Clinic
Contractor	Horizon Builders Ltd.	Horizon Builders Ltd.	Con-Pro Industries	Scott Howard Contracting
Date contract signed	December 2016	March 2016	March 2016	November 2015
Estimated completion date	March 2019	August 2018	June 2017	June 2017
Costs incurred to date for:				
Building	\$ 2,209	\$ 6,734	\$ 3,558	\$ 3,134
Service equipment	-	62	560	207
Total costs incurred to date	2,209	6,796	4,118	3,341
Current year costs	844	5,724	3,827	3,083
Prior year costs	1,365	1,072	291	258
Total expected costs	\$ 15,300	\$ 13,029	\$ 3,726	\$ 3,515

Other projects with total costs incurred to date of \$4,913 (\$8,454 – 2016) are in various stages of completion. Total expected costs for these projects are \$22,550.

9. Demand loans

The demand loans have been authorized by the Province of Manitoba and are used to finance capital purchases for small projects. Interest is paid monthly based on interest rates of prime less 1.05%.

10. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	\$ 17,391	\$ 14,619
Salary and payroll deductions payable	3,521	1,973
Pension payable	1,883	1,849
Accrued salaries	17,496	15,546
Accrued interest	39	43
	\$ 40,330	\$ 34,030

11. Employee future benefits

Employee future benefits include an accrued benefit obligation for vacation, pre-retirement, and sick leave benefits.

Vacation benefits obligation

The accrued benefit obligation for vacation benefits is valued using employee vacation bank balances at March 31 and salary rates. The total on the financial statements for vacation benefits at March 31, 2017 is \$34,047 (\$32,435 – 2016) and is considered a short term obligation.

The long term portion of employee future benefits is made up of pre-retirement and sick leave benefits as follows:

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
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11. Employee future benefits (continued)

	2017	2016
Pre-retirement benefits obligation	\$ 39,535	\$ 40,834
Sick leave benefits obligation	7,293	7,200
	\$ 46,828	\$ 48,034

Pre-retirement benefits obligation

The accrued benefit obligation for pre-retirement benefits are actuarially determined using the projected unit credit service prorated on service actuarial cost method and management's best estimates of expected future rates of return on assets, termination rates, employee demographics, salary rate increases plus age related merit/promotion scale with nil for disability and employee mortality and withdrawal rates. The most recent actuarial report was prepared at March 31, 2017. The valuation includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the years of service criteria. The accrued pre-retirement benefit obligation for March 31, 2017 is based on an extrapolation of that valuation.

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Region's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

- a) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan (HEPP) is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:
 - i. has ten years service and has reached the age of 55 or
 - ii. qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
 - iii. retires at or after age 65
 - iv. terminates employment at any time due to permanent disability

- b) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan, is to pay out the following severance pay upon retirement to employees who have reached the age of 55 and have nine or more years of service:
 - i. one week of severance pay for each year of service up to 15 years of service
 - ii. two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

- c) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the MGEU Collective Agreement, is to pay out one week's pay for each year of accumulated service, or portion thereof, upon retirement if the employee has accumulated ten (10) or more years of accumulated service, up to a maximum of fifteen (15) week's pay.

The actuarial valuation was based on a number of assumptions about future events as follows:

	2017	2016
Discount rate - March 31	3.1%	3.0%
Rate of salary increase - April 1	3.5%	3.5%
EARSL - March 31 (in years)	7.4	7.4

Actuarial gains and losses can arise in a given year as a result of (a) the difference between the actual return on plan assets in that year and the expected return on plan assets for that year, (b) the difference between the actual accrued benefit obligations at the end of the year and the expected accrued benefit obligations at the end of the year and (c) changes in actuarial assumptions. For the fiscal year beginning April 1, 2013, and in accordance with Canadian public sector accounting standards, gains or losses that arise in a given year, along with past service costs that arise from pre-retirement benefits plan amendments, are to be amortized into income over the expected average remaining service life (EARSL) of the related employee group. Prior to April 1, 2013 valuation, gains or losses have been recognized in the period they were incurred.

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
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11. Employee future benefits (continued)

The pre-retirement valuation includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the years of service criteria. The following table presents information about accrued pre-retirement benefit obligations, the change in value and the balance of the obligation at March 31, 2017:

Change in Benefit Obligation – Pre-retirement	2017	2016
Pre-retirement benefit obligation, beginning of year	\$ 38,137	\$ 39,970
Current period service cost	2,679	2,715
Interest cost	1,142	1,003
Benefits paid	(4,695)	(4,554)
Actuarial (gain)/loss	(194)	(997)
Pre-retirement benefit obligation, end of year	37,069	38,137
Unamortized net actuarial gain (loss)	2,466	2,697
Pre-retirement accrued benefit liability, end of year	\$ 39,535	\$ 40,834

Funding for the pre-retirement obligation is recoverable from Manitoba Health for costs incurred up to March 31, 2004 on an Out-of-Globe basis in the year of payment. As of April 1, 2004, In-Globe funding has been amended to include these costs.

Sick leave benefits obligation

For the year ending March 31, 2013, the Region adopted accrual accounting for the sick leave plan according to Canadian public sector accounting standards section 3255. Prior to that date the Region recognized benefit expenses equal to its payments for the actual payouts and no liability for accumulated sick leave was recorded in the statement of financial position. At the beginning of fiscal year April 1, 2011, a valuation of the Region's obligations for the accumulated sick leave bank was done for accounting purposes using the average usage of sick days used in excess of the annual sick days earned. Factors used in the calculation are as follows:

- Average employee daily wage
- Number of sick days used in the year
- Number of sick days earned in the year
- Excess days of used over earned
- Dollar value of the excess
- Number of unused sick days

Key assumptions used in the valuation were based on Management's best estimates. The valuation used the same assumptions about future events as was used for the pre-retirement valuation above.

The following table presents information about the accrued sick leave benefit obligation, the change in value and the balance of the obligation:

Change in Benefit Obligation – Sick Leave	2017	2016
Sick Leave benefit obligation, beginning of year	\$ 10,586	\$ 11,819
Current period service cost	789	800
Interest cost	316	296
Expected benefits paid	(1,684)	(2,033)
Actuarial (gain)/loss	(62)	(296)
Sick Leave benefit obligation, end of year	9,945	10,586
Unamortized net actuarial gain (loss)	(2,652)	(3,386)
Sick Leave benefit liability, end of year	\$ 7,293	\$ 7,200

Prairie Mountain Health
Notes to the Consolidated Financial Statements

For the year ended March 31, 2017
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12. Long-term debt

	2017	2016
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 1.86% to 6%, due from April 1, 2017 to March 1, 2018, with monthly payments of principal and interest from \$.986 to \$3, secured by buildings	\$ 14	\$ 62
Mortgages payable to Manitoba Housing at interest rates from 7.75% to 10.75%, due from April 30, 2022 to December 31, 2023, with monthly payments of principal and interest from \$5 to \$6, secured by buildings	647	729
Mortgage payable to the Royal Bank of Canada at 5.00%, monthly payments of \$8 principal and interest, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	270	358
	931	1,149
Less: current portion	(196)	(218)
	\$ 735	\$ 931

Principal payments due in the next five years are as follows:	2018	\$ 196
	2019	195
	2020	186
	2021	117
	2022	129
	Thereafter	108

13. Obligation under capital lease

	2017	2016
Royal Bank of Canada monthly payments including interest of \$6, bears interest at 2.6%, secured by the underlying equipment, expiring August 2022	\$ 476	\$ 547
Royal Bank of Canada monthly payments including interest of \$27, bears interest at 3.41%, secured by the underlying equipment, expiring Feb 2018	713	1,013
Royal Bank of Canada monthly payments including interest of \$8, bears interest at 3.54%, secured by the underlying equipment, expiring Feb 2018	87	179
Royal Bank of Canada monthly payments including interest of \$10, bears interest at 3.67%, secured by the underlying equipment, expiring July 2017	42	162
	1,318	1,901
Less: current portion	(511)	(583)
	\$ 807	\$ 1,318

Principal payments due in the next five years are as follows:	2018	\$ 511
	2019	395
	2020	158
	2021	78
	2022	80
	Thereafter	96

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14. Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2017	2016
Balance, beginning of year	\$ 13,688	\$ 12,586
Amount received during the year	8,697	11,997
Transferred to deferred contributions, capital assets	(2,236)	(5,070)
Less: amounts amortized to revenue	(87)	(41)
Less: amounts recognized as revenue – programs	(5,347)	(5,782)
Less: amounts recognized as revenue – ancillary	(2)	(2)
	\$ 14,713	\$ 13,688

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants, donations and debt financing received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2017	2016
Balance, beginning of year	\$ 270,853	\$ 274,148
Amount received during the year	2,990	2,278
Transferred from deferred contributions, future expenses	2,236	5,070
Capital asset purchases	18,381	9,122
Less: amounts amortized to revenue	(16,908)	(16,905)
Less: amounts recognized as revenue – programs	(409)	(10)
Less: amounts recognized as revenue - ancillary	(152)	(209)
Less: principal payments on long-term debt	(2,405)	(2,003)
Transfers (to) from Net Assets-Invested in Capital Assets	89	(638)
	\$ 274,675	\$ 270,853

The Region entered into long-term loan agreements with various financial institutions to provide debt financing. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2006 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the province of Manitoba as at April 1, 2005. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Region has incorporated the following long-term debt balance as part of its deferred contributions, capital balance.

	2017	2016
Lines of Credit at prime less 1.05% per annum established via borrowing resolutions supported by letter of comfort from Manitoba Health	\$ 40,370	\$ 24,116
1.64% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$3, maturing January 2017, secured by buildings	-	34
8% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$2, maturing April 2025, secured by buildings	160	174
1.31% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$14, maturing 2021, secured by buildings	748	897
Mortgages payable to Canadian Mortgage and Housing Corporation at interest rates from 1.86% to 10.50%, due from April 1, 2017 to May 1, 2029, with monthly payments of principal and interest from \$1 to \$27, secured by buildings	4,423	5,049
	\$ 45,701	\$ 30,270

Prairie Mountain Health

Notes to the Consolidated Financial Statements

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15. Pension plan

The majority of the employees of the Region are members of the Healthcare Employees Pension Plan - HEPP (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group and as such, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with Canadian public sector accounting standards, section 3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries to provide assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to HEPP to remain a constant percentage of employee's contributions. Variances between actual funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

The Healthcare Employees' Pension Plan is subject to the provisions of the Pension Benefits Act, Manitoba. This Act requires that the Plan's actuaries conduct two valuations – a going-concern valuation and a solvency valuation. In 2010, HEB Manitoba completed the solvency exemption application process, and has now been granted exemption for the solvency funding and transfer deficiency provision. As at December 31, 2015 the Plan's going concern ratio was 98.5%.

During the year, the Region contributed **\$24,316** (\$24,557 – 2016) to the Pension Plan using contribution rates set out in the Plan as follows:

	2017	2016
Employee contributions		
% of Basic Annual Earnings below YMPE*	8.9%	8.9%
% of Basic Annual Earnings above YMPE	10.5%	10.5%
Employer contributions		
% of Basic Annual Earnings below YMPE	8.9%	8.9%
% of Basic Annual Earnings above YMPE	10.5%	10.5%
(*YMPE – Yearly Maximum Pensionable Earnings)		

16. Invested in capital assets

Invested in capital assets represents all capital assets (including restricted capital assets) net of accumulated depreciation and outstanding balances of debt related to the acquisition, construction or improvement of these assets.

	2017	2016
Capital Assets	\$ 286,476	\$ 283,438
Amounts financed by:		
Deferred contributions	(274,675)	(270,853)
Due from (to) operating account	(2,287)	(1,191)
Long term debt, bank advances and capital lease obligation	(2,456)	(3,347)
	\$ 7,058	\$ 8,047

17. Restricted assets

Internally restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of **\$5,449** (\$5,467 - 2016). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health activities and for possible capital asset purchases. Internally restricted net assets consist of donations, bequests, revenue from ancillary operations and other contributions.

Externally restricted

Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

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18. Manitoba Health revenue

	2017	2016
Allocation per Funding Document	\$ 520,054	\$ 499,499
Add one time funding:		
Additional global	12,800	8,000
2015-16 global deficit	(543)	3,404
Salary and benefit settlements	7,493	11,121
Interfacility transfers, lifelight and EMS revenue rate reduction	3,390	3,362
COLA Plan increases	2,765	2,692
St. Paul's Home goodwill	-	576
Primary care/community programs improvement initiatives	645	369
Family physician stipends	324	297
Primary care nurses salaries and benefits	288	160
Provincial workplace injury reduction	192	121
Long service step	873	-
Emergency services billings	40	40
Diagnostic Services improvements	73	-
Various program improvement initiatives	181	214
Leap year funding	-	1,262
Personal Care Home per capita pharmacy fees	-	664
Emergency Medical Services paramedics	270	691
Total Funding Approved by Manitoba Health	\$ 548,845	\$ 532,472
Add/(Deduct):		
Fee for service income	5,076	4,798
Medical remuneration year end settlement	(301)	(2)
Amounts recorded in deferred contributions	(3,257)	(2,638)
Non-global reconciliation	(4,022)	(4,051)
Total revenue from Manitoba Health	\$ 546,341	\$ 530,579

19. Capital disclosures

The Region operates a number of elderly persons housing facilities which are subject to capital requirements as part of Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing.

Under the terms of agreements with Manitoba Housing and CMHC, replacement reserve accounts are to be credited with amounts as determined in consultation with Manitoba Housing. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by Manitoba Housing or CMHC from time to time. The funds in the account may only be used as approved. Withdrawals are credited to interest first and then principal.

Pursuant to the operating agreements with Manitoba Housing for Riverdale Personal Care Home Inc. Westwood Lodge, Tiger Hills Villa Inc. and Hamiota District Health Centre Inc. Lilac Residence (North Wing) elderly persons housing facilities, on a cumulative basis for all Manitoba Housing properties, any excess subsidy funding provided to the Region is to be repaid. Where a cumulative deficiency exists for Manitoba housing properties, the shortfall is the responsibility of Manitoba Housing subject to approval of project costs.

20. Commitments and contingences

- (i) The Region has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2018	\$ 1,963
2019	1,766
2020	1,182
2021	279
2022	102

- (ii) The Region is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Region.

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For the year ended March 31, 2017
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20. Commitments and contingences (continued)

(iii) Effective January 1, 2003 the Region joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2017.

21. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2015, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2017, the Region has no known contaminated sites or no known future potential contaminated sites.

22. Related party transactions

The Region provides community health services through operations directly owned by the Region as well as through other organizations and agencies via a variety of agreements (Note 3(a), 3(b), 5 and 18). Transactions between the related parties are recorded at the exchange amount.

23. Trusts under administration

At March 31, the balance of funds held in trust is as follows:

	2017	2016
Resident trust funds	\$ 337	\$ 309

These funds are not included in the balances of the Region's financial statements.

24. Disclosure of allocated expenses

Allocated expenses relate to expenses that have been assigned amongst programs where acute care and personal care homes share the same facility, and would not include all facilities under the Region. The portion of expense allocated is as follows:

	Acute	Personal Care Homes	Community	Total 2017	Total 2016
Administration	\$ 986	\$ 895	\$ -	\$ 1,881	\$ 1,958
Food Services	3,782	13,045	94	16,921	16,572
Housekeeping	3,180	2,041	-	5,221	5,078
Laundry	1,789	1,456	-	3,245	3,203
Nursing	1,258	1,106	-	2,364	2,246
Plant Operations	5,367	1,439	-	6,806	6,916
Plant Maintenance	3,291	2,296	-	5,587	5,800
Balance, end of year	\$ 19,653	\$ 22,278	\$ 94	\$ 42,025	\$ 41,773

25. Economic dependence

The Region received approximately 88% (87% - 2016) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations. This volume of funding transactions is normal within the industry, as regional health authorities are primarily funded by their respective provincial Ministries of Health.

Prairie Mountain Health

Notes to the Consolidated Financial Statements

*For the year ended March 31, 2017
(in thousands of dollars)*

26. Subsequent Events

On December 8, 2016 the Regional Health Authorities of Manitoba (RHAM) Board of Directors and Membership voted in favour of a motion to dissolve RHAM and commence distributing assets and discharging liabilities. Subsequent to this motion, Manitoba Health appointed Prairie Mountain Health (PMH) as the governing authority over the operations of the Medical Transportation Coordination Centre (MTCC) to be effective April 1, 2017. On April 1, 2017 the assets and liabilities of MTCC will be consolidated into the books and records of PMH and all future reporting of operational results will be part of the consolidated financial statement of PMH.

On April 1, 2017, there was a transfer of global funding from Health Authorities to Diagnostic Services Manitoba (DSM). This is a change in the funding model only and the services provided by DSM to each Health Authority will continue under the terms and conditions of the current Service Level Agreements.

27. Comparative Figures

Comparative figures have been restated to compare to current year results.