Prairie Mountain Health
Consolidated Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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 Board of Directors 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, 2018, 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, 2018 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 26, 2018

MNP LLP
Chartered Professional Accountants

Prairie Mountain Health
Consolidated Statement of Financial Position
(in thousands of dollars)

As at March 31

		2018		2017
ASSETS				
Current				
Cash and cash equivalents	$	73,246	$	62,949
Short-term investments *(Note 7)*		3,429		2,450
Accounts receivable *(Note 4)*		4,946		5,530
Due from Manitoba Health *(Note 5)*		19,007		23,340
Current portion of loan receivable *(Note 6)*		33		32
Inventories held for use		4,951		5,031
Prepaid expenses		2,364		3,078
		107,976		102,410
Non-Current				
Due from Manitoba Health *(Note 5)*		21,559		23,141
Loan receivable *(Note 6)*		125		157
Investments *(Note 7)*		4,762		5,728
Capital assets *(Note 8)*		296,603		286,476
Other long term assets		282		-
		323,331		315,502
	$	**431,307**	$	417,912
LIABILITIES				
Current				
Demand loans *(Note 9)*	$	117	$	207
Accounts payable and accrued liabilities *(Note 10)*		36,697		40,330
Employee future benefits *(Note 11)*		34,014		34,047
Current portion of obligation under capital lease *(Note 13)*		396		511
Current portion of long-term debt *(Note 12)*		195		196
		71,419		75,291
Non-Current				
Employee future benefits *(Note 11)*		46,616		46,828
Obligation under capital lease *(Note 13)*		411		807
Long-term debt *(Note 12)*		540		735
		47,567		48,370
Deferred Contributions *(Note 14)*				
Expenses of future periods		20,848		14,713
Capital assets		284,370		274,675
		305,218		289,388
	$	**424,204**	$	413,049
Commitments and contingencies *(Note 20)*				
NET ASSETS				
Invested in capital assets *(Note 16)*		6,410		7,058
Internally restricted *(Note 17)*		5,314		5,289
Externally restricted *(Note 17)*		87		63
Unrestricted		(4,708)		(7,547)
		7,103		4,863
	$	**431,307**	$	417,912

Approved on behalf of the Board

Catherine Pedersen **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

	2018	2017
REVENUE		
Manitoba Health operating income *(Note 18)*	$ 527,407	$ 546,341
Authorized/residential charges	34,504	33,766
Amortization of deferred contributions - expenses of future periods *(Note 14)*	111	87
Amortization of deferred contributions - capital assets *(Note 14)*	17,113	16,908
Non-insured income	2,331	2,285
Ancillary revenue	3,344	3,313
Other income	13,261	15,376
Province of Manitoba	4,475	4,331
Investment income	992	743
	603,538	623,150
EXPENSES		
Acute care services	225,595	253,907
Personal care home services	141,625	141,018
Medical remuneration	43,514	43,029
Community based mental health services	24,164	24,696
Community based home care services	40,732	40,898
Community based health services	25,852	25,974
Emergency medical services	29,225	22,818
Regional undistributed costs	36,518	36,837
Amortization of capital assets	18,556	18,252
Future employee benefits	3,535	3,489
Therapy services	9,074	9,114
Ancillary expenses	2,882	2,998
	601,272	623,030
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	**$ 2,266**	$ 120

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

		Invested in Capital Assets		*Internally Restricted*		*Externally Restricted*		*Unrestricted*	**2018**
Balance beginning of year	$	7,058	$	5,289	$	63	$	(7,547) $	4,863
Excess (Shortfall) of revenue over expenses		(1,231)		583		-		2,914	2,266
Transfer (to) from deferred contributions		-		(4)		-		7	3
Investment in capital assets		583		(533)		-		(52)	(2)
Change in fair value of investments		-		(19)		-		-	(19)
Internally/Externally restricted assets		-		(2)		-		-	(2)
Elderly Persons Housing adjustments		-		-		24		(30)	(6)
Transfer (to) from Non-Devolved Org.		-		-		-		-	-
Balance end of year	$	6,410	$	5,314	$	87	$	(4,708) $	7,103

		Invested in Capital Assets		*Internally Restricted*		*Externally Restricted*		*Unrestricted*	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		(486)		-		140	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	$	5,289	$	63	$	(7,547) $	4,863

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

		2018		2017
OPERATING TRANSACTIONS				
Excess (Shortfall) of revenue over expenses	$	2,266	$	120
Adjustments to determine net cash provided by (used in) operating activities				
Gain/(loss) on disposal of capital assets		(21)		2
Amortization of capital assets		18,556		18,252
Amortization of deferred contributions		(17,224)		(16,995)
Change in deferred revenue		33,054		21,842
Changes in non-cash operating working capital items:				
Accounts receivable		584		193
Due from Manitoba Health		5,915		18,150
Loan receivable		31		31
Inventories held for use		80		(318)
Prepaid expenses		714		(248)
Other long term assets		(282)		-
Accounts payable and accrued liabilities		(3,633)		6,300
Employee future benefits		(245)		406
Net assets		(26)		(198)
		39,769		47,537
CAPITAL TRANSACTIONS				
Proceeds on sale of capital assets		13		21
Cash used to acquire capital assets		(28,675)		(21,313)
		(28,662)		(21,292)
INVESTING TRANSACTIONS				
Portfolio investment transactions		**(13)**		(19)
FINANCING TRANSACTIONS				
Repayment of loans and advances		**(797)**		(891)
NET CHANGE IN CASH		**10,297**		25,335
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**62,949**		37,614
CASH AND CASH EQUIVALENTS, END OF YEAR	$	**73,246**	$	62,949

Supplementary Information				
Interest received	$	992	$	743
Interest paid		102		137

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

		2018		2017
Accumulated remeasurement gains and (losses) at beginning of year	$	**168**	$	341
Unrealized gains (losses) attributable to:				
Portfolio investments		**(173)**		(173)
Accumulated remeasurement gains and (losses) at end of year	$	**(5)**	$	168

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

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, ("CPA"), the Region has prepared these financial statements using Canadian public sector accounting standards ("PSAS", "PSA"), including sections PS4200 to PS4270. 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
Benito Health Centre
Birtle Health Centre
Boissevain Health Centre
Boissevain-Westview Lodge
Brandon Regional Health Centre
Carberry Health Centre
Cartwright-Davidson Memorial Health Centre
Community and Home Care Health Services
Community Mental Health Services
Child and Adolescent Treatment Centre - Brandon
Dauphin & District Ambulance Service
Dauphin Regional Health Centre
Deloraine Health Centre
Deloraine-Bren Del Win Lodge
Elkhorn-Elkwood Manor
Erickson Health Centre
Fairview Personal Care Home
Gilbert Plains Health Centre
Glenboro Health Centre
Grandview Hospital District
Grandview Personal Care Home
Hamiota Health Centre
Hamiota Health Centre Lilac Residence (East Wing)
Hamiota Health Centre Lilac Residence (North Wing)
Hartney Health Centre
Killarney-Tri Lake Health Centre
McCreary/Alonsa Health Centre
Melita Health Centre
Minnedosa Health Centre
Minnedosa Personal Care Home
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Neepawa Health Centre
Neepawa-Country Meadows Personal Care Home
Oak Lake Ambulance
Pioneer Lodge Inc.
Reston Health Centre
Rideau Park Personal Care Home
Riverdale Personal Care Home Inc. Westwood Lodge
Rivers Health Centre
Roblin District Health Centre
Roblin & District Ambulance Service
Rossburn Health Centre
Russell Health Centre
Russell Personal Care Home
St. Paul's Personal Care Home
Ste. Rose Ambulance Service
Sandy Lake Personal Care Home
Shoal Lake-Strathclair Health Centre
Souris Health Centre
Swan Valley Ambulance Service
Swan Valley Health Centre
Swan Valley Lodge
Swan River Valley Personal Care Home
Tiger Hills Villa Inc.
Treherne-Tiger Hills Health Centre
Virden Health Centre
Virden-Sherwood Nursing Home
Virden-Westman Nursing Home
Waterhen Ambulance Service
Wawanesa Health Centre
Winnipegosis and District Ambulance Service
Emergency Medical Services –25 sites
Medical Transportation Coordination Centre (MTCC)

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

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

Funds paid to non-devolved facilities in accordance with their operating agreements that are not expended in the relevant fiscal year shall be deemed to be an operating surplus. Any operating surplus at year end shall be deducted from the non-devolved facilities' future payments, unless otherwise approved in writing by PMH. PMH shall not approve retention of surpluses that exceed two percent (2%) of total funding from PMH. PMH will not be responsible for any deficits incurred by the non-devolved facility in providing the required programs/services.

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, 2018.

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.

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.

3. Significant accounting policies *(continued)*

(b) Revenue recognition *(continued)*

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.

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.

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:

	Risks			
			Market risk	
Financial instruments	*Credit*	*Liquidity*	*Currency*	*Interest Rate*
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

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.

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.

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.

(j) Related party disclosures

Effective April 1, 2017, the Region adopted the recommendations relating to PS2200 Related Party Disclosures, as set out in the Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated. This new section defines a related party and establishes disclosures required for related party transactions. There was no material impact on the consolidated financial statements of adopting the new section.

(in thousands of dollars)

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 2018**
Patients/residents	$ 623	$ 420	$ 143	$ 3,352	**$ 4,538**
Trade receivables	1,555	478	62	599	**2,694**
GST receivable	279	250	195	28	**752**
PMH Foundations	-	-	-	27	**27**
Approved capital funding	47	-	-	-	**47**
Accrued Interest	51	-	-	-	**51**
	2,555	1,148	400	4,006	**8,109**
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(2,973)	**(2,973)**
Trade receivables				(190)	**(190)**
	$ 2,555	**$ 1,148**	**$ 400**	**$ 843**	**$ 4,946**

	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

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 2018**
Retroactive salary increases	$ 24	$ -	$ -	$ 41	**$ 65**
Other operations	1,241	-	-	(241)	**1,000**
Out of Globe 2017/18	(3,884)	-	-	-	**(3,884)**
Out of Globe 2016/17	-	-	-	(23)	**(23)**
Approved capital funding	1,360	-	-	1,728	**3,088**
Vacation	-	-	-	18,114	**18,114**
Vacation-Non-Devolved Facilities	-	-	-	747	**747**
	(1,259)	**-**	**-**	**20,366**	**19,107**
Less: allowance for doubtful accounts	**(85)**	**-**	**-**	**(15)**	**(100)**
Current	**$ (1,344)**	**$ -**	**$ -**	**$ 20,351**	**$ 19,007**
Approved capital funding	-	-	-	623	**623**
Pre-retirement	-	-	-	20,109	**20,109**
Pre-retirement-Non-Devolved Facilities	-	-	-	827	**827**
Non-Current	**$ -**	**$ -**	**$ -**	**$ 21,559**	**$ 21,559**

(in thousands of dollars)

5. Due from Manitoba Health *(continued)*

	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)
Current	$ 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
Non-Current	$ -	$ -	$ -	$ 23,141	$ 23,141

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.

	2018	2017
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	$ 158	$ 189
Less current portion	(33)	(32)
	$ 125	$ 157

Principal payments due in the next five years are as follows:	2019	$ 33
	2020	34
	2021	35
	2022	37
	2023	19

(in thousands of dollars)

7. Investments

	2018 Cost	2018 Fair Value	2017 Cost	2017 Fair Value
Various provincial, municipal and other bonds or debentures at interest rates from 1.11%-4.2%, maturing in 90 days or less	**$ 1,246**	**$ 1,240**	$ 1,464	$ 1,460
Provincial bond or debentures at an interest rate of 2.4%, maturing in 91 days to one year	**253**	**251**	988	970
Guaranteed investment certificate at an interest rate of 2.9%, maturing within one year	**20**	**20**	20	20
Bond pooled investments at interest rates from 0.1%-26.30%	**1,455**	**1,439**	-	-
Equity pooled investments	**478**	**479**	-	-
Current	**3,452**	**3,429**	2,472	2,450
Various provincial, municipal and other bonds or debentures at interest rates from 1.25%-8.1%, with varying maturities up to September 10, 2025	**3.997**	**3,931**	4,771	4,849
Government of Canada bonds at interest rates from 1.95%-8%, maturing June 1, 2029	**641**	**725**	641	753
Guaranteed investment certificates at interest rates from 2%-2.5% with varying maturities up to March 23, 2021	**80**	**80**	100	100
Investment in Tiger Hills Villa	**26**	**26**	26	26
Non-Current	**4,744**	**4,762**	5,538	5,728
	$ 8,196	**$ 8,191**	$ 8,010	$ 8,178

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 0.1%-26.3% paid semi-annually or quarterly.

8. Capital assets

2018

	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	$ 4,571	$ -	$ 4,571
Land improvements	3,948	2,235	1,713
Buildings and leasehold improvements	392,700	178,078	214,622
Building service equipment/equipment	109,715	70,262	39,453
Assets under capital lease	3,793	2,204	1,589
Construction in progress	34,655	-	34,655
	$ 549,382	**$ 252,779**	**$ 296,603**

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

(in thousands of dollars)

8. Capital assets *(continued)*

Construction in Progress Commitment

	Dauphin Emergency Expansion	Brandon Redevelopment	Dauphin MRI
Contractor	Horizon Builders Ltd.	Horizon Builders Ltd.	Con-Pro Industries
Date contract signed	December 2016	March 2016	March 2016
Estimated completion date	July 2019	May 2019	June 2019
Costs incurred to date for:			
Building	$ 9,085	$ 11,585	$ 4,239
Service equipment	-	210	533
Total costs incurred to date	**9,085**	**11,795**	**4,772**
Current year costs	6,876	4,999	654
Prior year costs	2,209	6,796	4,118
Total expected costs	$ 23,356	$ 16,883	$ 7,092

Other projects with total costs incurred to date of **$9,003** ($4,913 – 2017) are in various stages of completion. Total expected costs for these projects are $32,133.

9. Demand loans

The demand loans relate to Brandon Regional Health Centre Laundry capital purchases. Interest is paid monthly at prime less 1%.

10. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	$ 13,020	$ 17,391
Salary and payroll deductions payable	19,779	3,521
Pension payable	3,862	1,883
Accrued salaries	-	17,496
Accrued interest	36	39
	$ 36,697	$ 40,330

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 banked balances at March 31 and salary rates. The total on the financial statements for vacation benefits at March 31, 2018 is **$34,014** ($34,047 – 2017) 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:

(in thousands of dollars)

11. Employee future benefits *(continued)*

	2018	2017
Pre-retirement benefits obligation	$ 39,028	$ 39,535
Sick leave benefits obligation	7,588	7,293
	$ 46,616	$ 46,828

Pre-retirement benefits obligation

The accrued benefit obligation for pre-retirement benefits is actuarially determined using the projected unit credit service pro-rated 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, 2018. 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, 2018 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 current active plan 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 Rule of 80 (where their age plus employment service totals 80)
   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 of 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:

	2018	2017
Discount rate - March 31	**3.425%**	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.

(in thousands of dollars)

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, 2018

Change in Benefit Obligation – Pre-retirement

	2018	2017
Pre-retirement benefit obligation, beginning of year	**$ 37.069**	$ 38,137
MTCC pre-retirement benefit obligation	180	-
Current period service cost	2,753	2,679
Interest cost	1,162	1,142
Benefits paid	(4,149)	(4,695)
Actuarial (gain)/loss	(3,161)	(194)
Pre-retirement benefit obligation, end of year	33,854	37,069
Unamortized net actuarial gain (loss)	5,174	2,466
Pre-retirement accrued benefit liability, end of year	**$ 39,028**	$ 39,535

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 PS3255. 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 banked 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

	2018	2017
Sick Leave benefit obligation, beginning of year	**$ 9,945**	$ 10,586
MTCC sick leave benefit obligation	61	-
Current period service cost	812	789
Interest cost	311	316
Expected benefits paid	(1,543)	(1,684)
Actuarial (gain)/loss	(939)	(62)
Sick Leave benefit obligation, end of year	8,647	9,945
Unamortized net actuarial gain (loss)	(1,059)	(2,652)
Sick Leave benefit liability, end of year	**$ 7,588**	$ 7,293

(in thousands of dollars)

12. Long-term debt

	2018	2017
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
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	558	647
Mortgage payable to the Royal Bank of Canada at 5.00%, monthly payments of $9 principal and interest, due from February 15, 2018 to February 15, 2021, 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.	177	270
	735	931
Less: current portion	(195)	(196)
	$ 540	$ 735

Principal payments due in the next five years are as follows:	2019	$ 195
	2020	187
	2021	117
	2022	129
	2023	62
	Thereafter	45

13. Obligation under capital lease

	2018	2017
Royal Bank of Canada monthly payments including interest of $6, bears interest at 2.6%, secured by the underlying equipment, expiring August 2022	$ 404	$ 476
Royal Bank of Canada monthly payments including interest of $27, bears interest at 3.41%, secured by the underlying equipment, expiring Feb 2018	403	713
Royal Bank of Canada monthly payments including interest of $8, bears interest at 3.54%, secured by the underlying equipment, expiring Feb 2018	-	87
Royal Bank of Canada monthly payments including interest of $10, bears interest at 3.67%, secured by the underlying equipment, expiring July 2017	-	42
	807	1,318
Less: current portion	(396)	(511)
	$ 411	$ 807

Principal payments due in the next five years are as follows:	2019	$ 396
	2020	159
	2021	78
	2022	80
	2023	34
	Thereafter	60

(in thousands of dollars)

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.

	2018	2017
Balance, beginning of year	$ 14,713	$ 13,688
Amount received during the year	11,202	8,697
Transferred to deferred contributions, capital assets	(2,929)	-
Transferred from MTCC	7,543	-
Capital asset purchases	(4,164)	(2,236)
Less: amounts amortized to revenue	(111)	(87)
Less: amounts recognized as revenue – programs	(4,754)	(5,347)
Less: amounts recognized as revenue – ancillary	(652)	(2)
	$ 20,848	$ 14,713

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.

	2018	2017
Balance, beginning of year	$ 274,675	$ 270,853
Amount received during the year	18,828	2,990
Transferred from deferred contributions, future expenses	2,929	-
Transferred from MTCC	1,038	-
Transfers (to) from Non-Devolved Facilities	-	(39)
Capital asset purchases	24,339	20,656
Less: amounts amortized to revenue, capital assets	(17,113)	(16,908)
Less: amounts recognized as revenue – programs	(389)	(409)
Less: amounts recognized as revenue - ancillary	(17)	(152)
Less: principal payments on long-term debt	(19,920)	(2,405)
Transfers (to) from Net Assets-Invested in Capital Assets	-	89
	$ 284,370	$ 274,675

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.

	2018	2017
Lines of Credit at prime less 1.05% per annum established via borrowing resolutions supported by letter of comfort from Manitoba Health	$ 40,168	$ 40,370
8% mortgage repayable monthly to Canada Mortgage and Housing Corporation with payments of principal and interest of $2, maturing April 2025, secured by buildings	145	160
1.31% mortgage repayable monthly to Canada Mortgage and Housing Corporation with payments of principal and interest of $14, maturing 2021, secured by buildings	589	748
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 5.75% to 10.50%, due from October 1, 2018 to May 1, 2029, with monthly payments of principal and interest from $1 to $27, secured by buildings	3,942	4,423
	$ 44,844	**$ 45,701**

(in thousands of dollars)

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.

On October 17, 2017 HEB Manitoba and the Board of the Healthcare Employees' Pension Plan (HEPP) announced changes designed to enhance the long term sustainability of the Plan's defined benefit commitment. There are transition rules for current members. Future members who begin employment after December 1, 2019 must be age 55 to retire and will not be eligible for supplementary or bridge benefits.

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, 2016 the Plan's going concern ratio was 101.3%.

During the year, the Region contributed **$25,698** ($24,316 – 2017) to the Pension Plan using contribution rates set out in the Plan as follows:

	2018	2017
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 amortization and outstanding balances of debt related to the acquisition, construction or improvement of these assets.

	2018	2017
Capital Assets	$ 296,603	$ 286,476
Amounts financed by:		
Deferred contributions	(284,370)	(274,675)
Due from (to) operating account	(4,281)	(2,287)
Long term debt, bank advances and capital lease obligation	(1,542)	(2,456)
	$ 6,410	$ 7,058

(in thousands of dollars)

17. Restricted assets

Internally restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of **$5,314** ($5,289 - 2017). 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.

18. Manitoba Health revenue

	2018	2017
Allocation per Funding Document	$ 529,607	$ 520,054
Add one time funding:		
Additional global	-	12,800
2015-16 global deficit	-	(543)
Salary and benefit settlements	(655)	7,493
Interfacility transfers, lifeflight and EMS revenue rate reduction	772	3,390
COLA Plan increases	-	2,765
Primary care/community programs improvement initiatives	431	645
Family physician stipends	326	324
Primary care nurses salaries and benefits	116	288
Provincial workplace injury reduction	216	192
Long service step	-	873
Emergency services billings	40	40
Diagnostic Services improvements	-	73
Various program improvement initiatives	(6)	181
Emergency Medical Services paramedics	21	270
Total funding approved by Manitoba Health	$ 530,868	$ 548,845
Add/(deduct):		
Fee for service income	4,781	5,076
Global medical remuneration year end settlement	(204)	(301)
Amounts recorded in deferred contributions	(4,294)	(3,257)
Medical remuneration non-global reconciliation	(3,744)	(4,022)
Total revenue from Manitoba Health	**$ 527,407**	$ 546,341

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:

2019	$ 2,054
2020	1,418
2021	481
2022	255
2023	54

(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.

(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, 2018.

(iv) During the year ended March 31, 2018, the HEB Manitoba Data Integrity Project identified individual member pension contribution discrepancies. To resolve the contribution variances, the Required Contribution Project was introduced. Reconciliation of the contribution variances between the employer and HEB Manitoba records is ongoing. It is expected that the amount owing, once finalized, will not have a material adverse effect on the financial position of the Region.

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, 2018, 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 (Notes 3(a), 3(b), 5 and 18). Transactions between the related parties are recorded at the exchange amount.

With the dissolution of the Regional Health Authorities of Manitoba (RHAM), Manitoba Health appointed PMH as the governing authority over the operations of the Medical Transportation Coordination Centre (MTCC) effective April 1, 2017. Therefore, on April 1, 2017 the assets and liabilities in the amount of $9,291 (in thousands) of MTCC were 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.

23. Trusts under administration

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

	2018	2017
Resident trust funds	**$ 339**	$ 337

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

(in thousands of dollars)

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 2018	Total 2017
Administration	$ 937	$ 828	$ -	**$ 1,765**	$ 1,881
Food Services	3,661	13,189	77	**16,927**	16,921
Housekeeping	3,077	1,973	-	**5,050**	5,221
Laundry	1,759	1,486	-	**3,245**	3,245
Nursing	1,177	1,063	-	**2,240**	2,364
Plant Operations	5,235	1,383	-	**6,618**	6,806
Plant Maintenance	3,129	2,126	-	**5,255**	5,587
Balance, end of year	**$ 18,975**	**$ 22,048**	**$ 77**	**$ 41,100**	$ 42,025

25. Economic dependence

The Region received approximately 87% (88% - 2017) 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.

26. Subsequent events

Effective April 1, 2018, Prairie Mountain Health will be adopting the Canadian public sector accounting standards without sections PS4200 to PS4270 of the CPA Public Sector Accounting Handbook.

27. Comparative figures

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