

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

CONTENT

Management's Responsibility for the Consolidated Financial Statements.	1
Independent Auditor's Report.	2 - 3
Consolidated Statement of Financial Position.	4
Consolidated Statement of Operations.	5
Consolidated Statement of Changes in Net Deficiency.	6
Consolidated Statement of Cash Flows.	7
Notes to the Consolidated Financial Statements.	8 - 18

**Perth and Smiths Falls
District Hospital
Consolidated
Financial Statements
March 31, 2017**



Perth and
Smiths Falls
District Hospital

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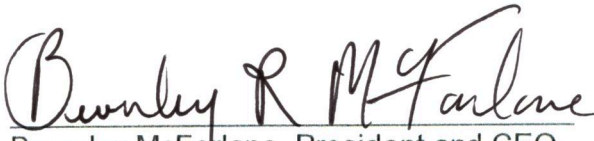
Management's Responsibility for the Consolidated Financial Statements

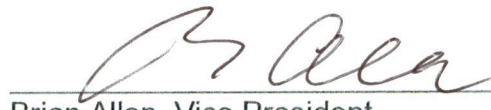
The accompanying consolidated financial statements of the Perth and Smiths Falls District Hospital are the responsibility of the Hospital's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Board approval of the consolidated financial statements.

The consolidated financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Hospital. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's consolidated financial statements.


Beverley McFarlane, President and CEO


Brian Allen, Vice President
Financial and Support Services



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Perth and Smiths Falls District Hospital:

We have audited the accompanying consolidated financial statements of Perth and Smiths Falls District Hospital (the "Hospital") which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, and changes in net deficiency, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an audit opinion on the 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 an 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 auditor's judgment, including the assessment of 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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Perth and Smiths Falls District Hospital as at March 31, 2017 and the consolidated results of its operations, changes in net deficiency and its consolidated cash flows for the year ended March 31, 2017 in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read 'Allan', is positioned above the firm's name.

Allan and Partners LLP
Chartered Professional Accountants
Licenced Public Accountants

Perth, Ontario,
May 23, 2017.

Perth and Smiths Falls District Hospital Consolidated Statement of Financial Position

March 31	2017	2016
	\$	\$
Assets		
Current Assets		
Cash	2,207,712	1,657,036
Accounts receivable (note 2)	2,172,297	2,144,967
Inventories (note 3)	591,148	633,440
Prepaid expenses	411,984	351,161
	5,383,141	4,786,604
Capital Assets (note 4)	66,861,939	67,618,127
Restricted Cash (note 5)	166,773	529,098
	72,411,853	72,933,829
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	6,423,479	5,367,185
Deferred contributions	299,868	313,977
Debt (note 7)	6,176,516	6,811,064
	12,899,863	12,492,226
Employee future benefits (note 6)	1,924,191	1,897,003
Long term debt	3,165,919	3,992,435
Deferred Contributions Related to Capital Assets (note 8)	56,885,519	57,897,265
	61,975,629	63,786,703
Commitments, Contingencies and Guarantees (note 14)		
Net Financial Assets (Deficiency)		
Invested in capital assets	6,150,758	5,446,461
Unrestricted deficiency	(8,614,397)	(8,791,561)
	(2,463,639)	(3,345,100)
	72,411,853	72,933,829

On Behalf of the Board:

 _____, Chairperson

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

Perth and Smiths Falls District Hospital Consolidated Statement of Operations

For the year ended March 31	(Note 16) Budget	2017	2016
	\$	\$	\$
Revenues			
Patient Care			
Ministry of Health	40,648,593	41,887,173	41,602,388
Other patient income	7,345,821	7,347,821	7,153,246
Other funding	1,199,413	1,608,112	1,306,905
Amortization of deferred contributions related to equipment (note 8)	1,456,574	1,441,081	1,347,378
	50,650,401	52,284,187	51,409,917
Expenditures			
Salaries and wages	24,013,106	23,871,666	23,436,743
Employee benefits	6,941,705	7,081,016	6,916,324
Medical staff remuneration	6,288,629	6,283,830	6,293,238
Supplies and other	7,673,583	8,382,936	7,995,184
Medical and surgical supplies	2,451,717	2,695,940	2,555,089
Drugs	969,925	1,020,572	958,482
Interest	100,587	93,392	105,660
Amortization ▶ equipment and software	1,693,126	1,675,495	1,587,233
	50,132,378	51,104,847	49,847,953
Net Revenues from Operations	518,023	1,179,340	1,561,964
Other Revenues and Expenses			
Revenues ▶ Lanark County Mental Health	3,215,798	3,266,422	3,286,569
▶ Lanark County Support Services	3,160,463	3,408,151	3,245,140
▶ Payment in lieu of municipal taxes	15,600	15,600	15,600
Expenses ▶ Lanark County Mental Health	(3,215,798)	(3,266,422)	(3,286,895)
▶ Lanark County Support Services	(3,160,463)	(3,229,944)	(3,130,687)
▶ Capital interest on long term debt	(88,000)	(83,675)	(83,887)
▶ Payment in lieu of municipal taxes	(15,600)	(15,600)	(15,600)
Amortization of deferred contribution related to building	1,875,993	1,874,873	1,661,441
Amortization of building and improvements	(2,264,323)	(2,267,284)	(2,265,997)
	(476,330)	(297,879)	(574,316)
Excess of Revenues Over Expenses	41,693	881,461	987,648
Net Deficiency, Beginning of Year	(3,345,100)	(3,345,100)	(4,332,748)
Net Deficiency, End of Year	(3,303,407)	(2,463,639)	(3,345,100)

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

**Perth and Smiths Falls District Hospital
Consolidated Statement of Changes in Net Deficiency**

Year Ended March 31	Investment in Capital Assets	Unrestricted	2017	2016
	\$	\$	\$	\$
Balance, Beginning of Year	5,446,461	(8,791,561)	(3,345,100)	(4,332,748)
Excess of Revenues Over Expenses	---	881,461	881,461	987,648
Net Change in Investment in Capital Assets (Note 13)	704,297	(704,297)	---	---
Balance, End of Year	6,150,758	(8,614,397)	(2,463,639)	(3,345,100)

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

Perth and Smiths Falls District Hospital Consolidated Statement of Cash Flows

For the year ended March 31	2017	2016
	\$	\$
Cash Flows Provided From:		
Operating Activities		
Excess of revenues over expenses	881,461	987,648
Amortization of capital donations and grants	(3,456,967)	(3,150,080)
Amortization of capital assets	4,095,596	4,006,564
	1,520,090	1,844,132
Net Change in Non-Cash Working Capital		
Balances Related to Operations		
Accounts receivable	(27,330)	(454,950)
Inventories	42,292	(80,395)
Prepaid expenses	(60,823)	24,356
Accounts payable	1,056,294	377,722
Deferred funding	(14,109)	(30,698)
Employee future benefits	27,188	51,822
	1,023,512	(112,143)
Net Change from Operations	2,543,602	1,731,989
Investing Activities		
Restricted cash	362,325	415,760
Capital expenditures (net)	(3,339,405)	(3,413,396)
	(2,977,080)	(2,997,636)
Financing Activities		
Proceeds of long term debt	---	1,145,000
Repayment of long term debt	(1,461,064)	(751,045)
Capital donations and grants	2,445,218	1,739,696
	984,154	2,133,651
Change in Cash and Equivalents, During the Year	550,676	868,004
Cash and Equivalents, Beginning of Year	1,657,036	789,032
Cash and Equivalents, End of Year	2,207,712	1,657,036
Cash and Equivalents Represented By:		
Cash	2,503,199	2,260,824
Outstanding items	(295,487)	(603,788)
	2,207,712	1,657,036

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

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

Description of Organization

The Perth and Smiths Falls District Hospital is principally involved in providing health care services to the Towns of Perth, Smiths Falls and surrounding area and is funded by the South East Local Health Integration Network (SELHIN). The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations.

Basis of Presentation

These consolidated financial statements reflect the assets, liabilities and operations of the Hospital. The Hospital consolidates the financial activities of controlled entities.

These consolidated financial statements reflect the assets, liabilities and operations of Lanark County Mental Health and Lanark County Support Services.

They do not include the assets, liabilities or operations of its Auxiliaries, Smiths Falls Community Hospital Foundation and The Great War Memorial Hospital of Perth District Foundation or other entities, which, although associated with the Hospital, are separately managed, and report to separate Boards of Trustees.

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded, primarily by the Province of Ontario, and allocated by the South East Local Health Integration Network, in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. 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 the subsequent period.

The Hospital receives funding for operations for certain programs from the Ministry of Health and Long-Term Care of Ontario. The final amount of operating revenue recorded cannot be determined until the Ministry of Health and Long-Term Care of Ontario has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the Ministry of Health and Long-Term Care of Ontario review is recorded in the period in which the adjustment is made.

Externally restricted contributions, such as trust funds are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, 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.

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

1. Significant Accounting Policies / continued

Revenue Recognition / continued

The amount of any pledges and bequests to donate funds to the Hospital is not included in revenue until such time as funds are received.

Revenue from the Provincial Insurance Plan and marketed services is recognized when the goods are sold or the service is provided.

Contributed Services

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 consolidated financial statements.

Inventories

Inventories are recorded on a first in first out basis and are valued at lower of cost or net realizable value.

Classification of Financial Instruments

All financial instruments reported on the Consolidated Statement of Financial Position of the Hospital are classified as follows:

Short-term investments	Fair value
Accounts receivable	Fair value
Investments held of capital purchases	Fair value
Cash held in trust	Fair value
Bank indebtedness	Fair value
Accounts payable and accrued liabilities	Fair value
Long-term debt	Fair value

Capital Assets

Purchased capital assets are recorded at cost. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use. Capital assets are amortized on a straight-line basis over their expected useful lives at rates varying from 2% to 30% per annum.

Land Improvements	3 - 25 years
Buildings	10 - 50 years
Building Service Equipment	5 - 25 years
Major Equipment	3 - 20 years

Deferred Contributions Related to Funds Held in Trust

The Hospital holds resources and makes disbursements on behalf of various unrelated individuals or groups. The Hospital has no discretion over such transactions.

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

1. Significant Accounting Policies / continued

Deferred Contributions Related to Funds Held in Trust / continued

Resources received in connection with such trust fund transactions are reported as liabilities not revenue and subsequent distributions are reported as decreases to the liability not expenses.

Employee Benefit Plans

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to future employer contributions to the Plan for past employee service.

Measurement Uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expensed during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. The most significant estimates used in preparing these consolidated financial statements include the estimated useful lives of capital assets, the assumptions underlying the employee future benefit liability calculation, the amount of accrued liabilities and the allowance for doubtful accounts.

2. Accounts Receivable

Accounts receivable are comprised of the following:

	2017	2016
	\$	\$
Ministry of Health	170,336	651,400
Other	1,471,346	1,314,209
Due from other funds	530,615	179,358
	2,172,297	2,144,967

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

3. Inventories

	2017	2016
	\$	\$
Medical and surgical	290,144	292,768
Other	301,004	340,672
	591,148	633,440

4. Capital Assets

	2017		2016
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land and Land Improvements	689,678	250,531	439,147
Software, Licences and Fees	2,932,790	2,373,277	559,513
Building	78,967,848	24,966,585	54,001,263
Service Equipment	7,682,655	3,284,828	4,397,827
Major Equipment	24,892,038	19,426,742	5,465,296
Capital Projects in Progress	1,998,893	---	1,998,893
	117,163,902	50,301,963	66,861,939
			67,618,127

5. Bank Indebtedness

The Hospital has an available line of credit of \$7,500,000, with its corporate bankers, of which \$5,350,000 was drawn against at March 31, 2017 (2016 \$6,000,000). This line of credit is unsecured and bears interest at prime less 1.1%. The Hospital has replaced \$5,350,000 of this line of credit with a short term demand loan.

Restricted cash is comprised of funds retained for the purpose of future capital equipment and infrastructure renewal. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

Perth and Smiths Falls District Hospital

Notes to the Consolidated Financial Statements

March 31, 2017

6. Employee Future Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2017.

At March 31, the Hospital's employee future benefits accrued liability and benefit obligation is as follows:

	2017	2016
	\$	\$
Accrued benefit obligation opening	1,897,003	1,845,181
Benefits accrued in the period	76,120	91,544
Benefits paid in the period	(137,950)	(128,752)
Interest on accrued benefit obligation during the period	70,165	79,639
Experience gain	18,853	9,391
Accrued liability	1,924,191	1,897,003

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

	2017	2016
Discount rate to determine accrued benefit obligation	3.56%	3.76%
Dental benefits cost escalation	2.75%	2.75%
Medical benefits cost escalation – extended health care	4.25%	4.25%
Inflation	2.25%	2.25%
Expected average remaining service life of employees	6.0 years	5.5 years

Included in the statement of operations is an amount \$165,766 (2016 \$191,634) regarding employee future benefits. This amount is comprised of:

	2017	2016
	\$	\$
Additional benefit expense	27,816	62,882
Benefit payments made by the Hospital during the year	137,950	128,752
	165,766	191,634

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

7. Debt

	2017	2016
	\$	\$
Bank of Montreal, fixed rate term loan, (1.89%), repayable in blended monthly payments of \$50,519, due May 2018.	1,861,970	2,427,200
Bank of Montreal, fixed term loan, (1.89%), repayable in blended monthly payments of \$13,569, due May 2018.	1,090,530	1,231,299
Bank of Montreal, fixed rate term loan, (1.88%), repayable in blended monthly payments of \$10,474, due March 2019.	1,039,935	1,145,000
Bank of Montreal demand loan, (2.02%), \$3,350,000 due June, 2017, \$2,000,000 due December 2017.	5,350,000	6,000,000
	9,342,435	10,803,499
Less: current portion of long term debt	6,176,516	6,811,064
	3,165,919	3,992,435

Principal payments fall due as follows:

	\$
2018	6,176,516
2019	842,262
2020	858,308
2021	365,877
2022	270,066
2023 and thereafter	829,406
	9,342,435

The Hospital currently has a demand loan of \$1,861,970 to cover the gap between final redevelopment project expenditures and final funding. Monthly payments of \$50,519 are made on the loan.

The Bank has advanced the Hospital \$Nil (2016 \$1,145,000) for capital improvements relating to a green energy project with repayment terms as follows: monthly payments to be amortized over a period of 10 years.

8. Deferred Contributions

The Ministry of Health and Long Term Care provide grants for approved Hospital building and building service projects. The Hospital also received donations from its Foundations, Auxiliaries and other private donors for capital projects and equipment. These grants and donations are recorded in deferred contributions and amortized over the useful life of the associated asset.

Perth and Smiths Falls District Hospital

Notes to the Consolidated Financial Statements

March 31, 2017

8. Deferred Contributions / continued

	2017	2016
	\$	\$
Capital Provincial Grants (net of amortization of \$15,426,580 (2016: \$13,471,969)	44,908,332	45,559,279
Capital Donations (net of amortization of \$8,159,302 (2016: \$8,449,140).	11,977,187	12,337,986
	56,885,519	57,897,265

9. Financial Instruments

Establishing Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments. The fair value of long term debt is not materially different from their carrying values.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- ▶ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices); and,
- ▶ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The financial instruments recorded at fair value in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

At March 31, 2017 ▶ Level 1 ▶ Restricted Cash ▶ \$166,773

At March 31, 2016 ▶ Level 1 ▶ Restricted Cash ▶ \$529,098

Credit Risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable.

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

10. Pension Plan

Substantially all of the employees of the Facility are members of the Hospitals of Ontario Pension Plan (the 'Plan'), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk of these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016 indicated the plan is fully funded on a solvency basis. Contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$2,214,929 (previous year \$2,099,732) and are included in the statement of operations.

11. Related Party Transactions

The Hospital has an economic interest in the Great War Memorial Hospital of Perth District Foundation and the Smiths Falls Community Hospital Foundation. The Foundations were established to raise funds for the use of the Hospital. The Foundations are incorporated under the Business Corporations Act and are registered charities under the Income Tax Act.

The net assets and results from operations of the Foundations are not included in the statement of the Hospital.

Contributions received during the year amount to:

	2017	2016
	\$	\$
Smiths Falls Community Hospital Foundation		
▸ Equipment	140,751	375,244
Great War Memorial Hospital of Perth District Foundation		
▸ Equipment	486,942	453,687
Smiths Falls Community Hospital Auxiliary	6,195	28,806
Great War Memorial Hospital Auxillary	30,148	51,246

Perth and Smiths Falls District Hospital

Notes to the Consolidated Financial Statements

March 31, 2017

12. Segmented Information

2017	Salaries, Wages & Benefits	Medical Staff Remuneration	Supplies & Other	Medical & Surgical Supplies	Drugs	Amortization Equipment & Software	Total
	\$	\$	\$	\$	\$	\$	\$
Administration & Support	7,528,558	201,977	5,130,139	58,897	44,135	476,444	13,440,150
Inpatient Care	12,476,336	1,655,919	883,138	2,311,613	781,462	550,631	18,658,099
Ambulatory Care	3,749,729	2,688,537	245,505	251,385	194,482	67,222	7,196,860
Diagnostic	6,449,742	1,737,397	1,820,037	73,244	1,451	572,051	10,653,922
Others	748,317	---	397,509	801	42	9,147	1,155,816
2017	30,952,682	6,283,830	8,476,328	2,695,940	1,020,572	1,675,495	51,104,847

2016	Salaries, Wages & Benefits	Medical Staff Remuneration	Supplies & Other	Medical & Surgical Supplies	Drugs	Amortization Equipment & Software	Total
	\$	\$	\$	\$	\$	\$	\$
Administration & Support	7,539,804	196,213	4,923,830	48,652	41,376	367,679	13,117,554
Inpatient Care	11,957,652	1,711,061	948,382	2,221,277	754,112	581,824	18,174,308
Ambulatory Care	3,680,431	2,655,907	205,012	223,894	160,292	89,576	7,015,112
Diagnostic	6,352,559	1,730,057	1,668,366	56,910	1,604	540,310	10,349,806
Others	822,621	---	355,254	4,356	1,098	7,844	1,191,173
2016	30,353,067	6,293,238	8,100,844	2,555,089	958,482	1,587,233	49,847,953

13. Capital Disclosures

- (a) The Hospital defines capital as unrestricted net assets and investment in capital assets. The Hospital's objective with respect to capital is to fund ongoing operations, capital asset acquisitions and future projects.

The Hospital's overall strategy with respect to capital remains unchanged from the year ended March 31, 2016. The Hospital is not subject to externally imposed capital requirements.

- (b) Investment in capital assets is calculated as follows:

	2017	2016
	\$	\$
Capital Assets	66,861,939	67,618,127
Less: amounts financed by deferred grants and contributions	(56,885,519)	(57,897,265)
amounts financed by long term debt	(3,992,435)	(4,803,499)
Add: cash restricted for investment in capital assets	166,773	529,098
	6,150,758	5,446,461

Perth and Smiths Falls District Hospital

Notes to the Consolidated Financial Statements

March 31, 2017

13. Capital Disclosures / continued

(c) Net change in investment in capital assets is calculated as follows:

	2017	2016
	\$	\$
Purchase of Capital Assets	3,339,405	3,413,396
Change in Cash Restricted for Investment in Capital Assets	(362,325)	(415,760)
Deferred Contributions Received	(2,445,218)	(1,739,696)
Amortization of Deferred Grants and Contributions Related to Capital Assets	3,456,967	3,150,080
Proceeds of long term debt	---	(1,145,000)
Amortization of Capital Assets	(4,095,596)	(4,006,564)
Principal Repayment of Long Term Debt Incurred for Purchase of Capital Assets	811,064	751,045
	704,297	7,501

Investment held for capital purchases related to funding received and restricted for the purpose of capital expenditures. The funds are held with the Hospital's bank and are classified as long term as the associated cash outflow is not expected to occur within one year.

14. Commitments, Contingencies and Guarantees

The Perth and Smiths Falls District Hospital (Lanark County Mental Health) has entered into lease arrangements as follows:

- Smiths Falls property commencing July 1, 2011 to August 31, 2015 with an optional 5 year renewal. Currently extended on a monthly basis.
- Carleton Place property, commencing February 1, 2016 to January 31, 2019.

	\$
2018	25,860
2019	21,540

3SO

The Perth and Smiths Falls District Hospital is a member of a non-profit organization (3SO) that has been created to manage a shared regional supply chain. Each of the participating seven hospitals located in the SE LHIN is a voting member of 3SO with three independent board directors from within the SE LHIN. The Perth & Smiths Falls District Hospital has agreed to provide a limited guarantee to a maximum of \$287,504 or 5.75% of the \$5 million dollar line of credit obtained by 3SO. At March 31, 2017, the line of credit accessed by 3SO was \$Nil (2016 \$10,000).

Perth and Smiths Falls District Hospital Notes to the Consolidated Financial Statements

March 31, 2017

15. Contingent Liabilities

The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at March 31, 2017, management believes that the Hospital has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

16. Budget Figures

Perth and Smiths Falls District Hospital reviews its operating and capital budgets each year. The approved operating budget for 2016 is included in the budget figures presented in the Statement of Operations.
