

**Powell River Regional Hospital District**  
**Financial Statements**  
**For the year ended December 31, 2015**

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For the year ended December 31, 2015

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## Management's Responsibility for the Financial Statements

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The accompanying financial statements of Powell River Regional District ("Hospital District") have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under Significant Accounting Policies in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary schedules. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

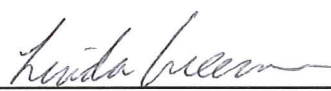
Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. Management also maintains a program of proper business compliance. These systems are regularly monitored and evaluated by management.

The Board of Directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

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



Chief Administrative Officer



Chief Financial Officer

May 12, 2016



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## Independent Auditor's Report

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### To the Members of Powell River Regional Hospital District

We have audited the accompanying financial statements of the Powell River Regional Hospital District which comprise the Statement of Financial Position as at December 31, 2015, and the Statements of Operations, Changes in Net Debt and Cash Flows for the year then ended, and summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

**Powell River Regional Hospital District**  
**Statement of Financial Position**

<u>December 31</u>	<u>2015</u>	<u>2014</u>
<b>Financial Assets</b>		
Funds receivable from the Powell River Regional District	<u>\$ 3,943,832</u>	<u>\$ 4,295,497</u>
<b>Liabilities</b>		
Debenture debt (Note 1)	21,267,075	22,000,000
Accrued interest payable	171,818	171,818
Deferred Revenue	<u>124,010</u>	<u>-</u>
	<u>21,562,903</u>	<u>22,171,818</u>
<b>Net Debt</b>	<u>(17,619,071)</u>	<u>(17,876,321)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 4)	25,858,637	25,576,879
Prepaid expenses	<u>24,613</u>	<u>-</u>
	<u>25,883,250</u>	<u>25,576,879</u>
<b>Accumulated surplus (Note 2)</b>	<u>\$ 8,264,179</u>	<u>\$ 7,700,558</u>

Approved on behalf of the Board:

B.S. Palmer Director Chair

Heidi Green Chief Financial Officer

**Powell River Regional Hospital District**  
**Statement of Operations**

<u>For the year ended December 31</u>	<u>Budget</u>	<u>2015</u>	<u>2014</u>
<b>Revenue</b>			
Lease revenue	\$ 945,884	\$ 993,980	\$ -
Tax levy	950,000	950,000	1,934,200
Debenture refund interest income	-	-	459,103
Insurance recovery	70,725	70,725	-
Interest income	-	67,714	163,558
Interest and other revenue	9,379	8,609	17,703
	<u>1,975,988</u>	<u>2,091,028</u>	<u>2,574,564</u>
<b>Expenses</b>			
Debenture interest	737,805	755,693	716,768
Amortization	-	447,779	-
Community grants to VCHA for equipment for Powell River Community Health Council	150,024	192,600	146,782
Insurance	70,725	70,725	-
Administration fees	60,000	60,610	65,000
	<u>1,018,554</u>	<u>1,527,407</u>	<u>928,550</u>
<b>Annual surplus</b>	957,434	563,621	1,646,014
<b>Accumulated surplus, beginning of year</b>	<u>7,700,558</u>	<u>7,700,558</u>	<u>6,054,544</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 8,657,992</u>	<u>\$ 8,264,179</u>	<u>\$ 7,700,558</u>

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**Powell River Regional Hospital District**  
**Statement of Changes in Net Debt**

<u>For the year ended December 31</u>	<u>Budget</u>	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 957,434	\$ 563,621	\$ 1,646,014
Acquisition of tangible capital assets	(478,607)	(729,537)	(16,818,779)
Amortization of tangible capital assets	-	447,779	-
Increase in prepaid expenses	-	(24,613)	-
Net debt, beginning of year	(17,876,321)	17,876,321	(2,703,556)
<hr/>			
Net debt, end of year	\$ (17,397,494)	\$ (17,619,071)	\$ (17,876,321)

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**Powell River Regional Hospital District**  
**Statement of Cash Flows**

For the year ended December 31	2015	2014
<b>Cash provided by (used in)</b>		
<b>Operating transactions</b>		
Annual surplus	\$ 563,621	\$ 1,646,014
Changes in non-cash operating balances		
Accrued interest payable	-	161,648
Deferred revenue	124,010	-
Prepaid expenses	(24,613)	-
	663,018	161,648
Items not involving cash		
Amortization	447,779	-
	<u>1,110,797</u>	<u>1,807,662</u>
Cash generated by operating transactions		
	<u>1,110,797</u>	<u>1,807,662</u>
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	<u>(729,537)</u>	<u>(16,818,779)</u>
<b>Financing transactions</b>		
Debt proceeds	-	22,357,724
Repayment of long-term debt	(750,812)	(161,655)
Repayment of short-term financing	-	(4,218,628)
Deferred financing cost	17,887	(357,724)
(Increase) decrease in funds owing from Powell River Regional District	<u>351,665</u>	<u>(2,608,600)</u>
	<u>(381,260)</u>	<u>15,011,117</u>
Increase in cash during the year	-	-
Cash, beginning of year	-	-
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>



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## Powell River Regional Hospital District Summary of Significant Accounting Policies

December 31, 2015

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**Nature of Operations** The Regional Hospital District administers debt for capital expenditures by Powell River General Hospital and equipment grants for Powell River Community Health Council. The Regional Hospital District is managed by the Powell River Regional District who charges an administration fee for the service.

**Financial Statements** The Regional Hospital District prepares its financial statements in accordance with Canadian public sector accounting standards as developed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

**Tangible Capital Assets** Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees, financing costs and site preparation costs. Interest costs during the construction phase are not capitalized. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use.

Estimated useful lives of tangible capital assets are as follows:

Land	indefinite
Complex Care Facility	50 years
Generator	20 years

Tangible capital assets purchased on behalf of and transferred to the Vancouver Coastal Health are expensed when incurred.

**Debenture Interest** Debenture interest expense is recorded on the accrual basis.

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## Powell River Regional Hospital District Summary of Significant Accounting Policies

December 31, 2015

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### Revenue Recognition     Taxation

Taxes are recognized as revenue in the year they are levied.

### Debenture Refund

MFA debt reserve earns interest income and is used to pay expenses of the debt issue. Revenue is recognized when the remaining balance is returned to the Regional Hospital District at the maturity of the underlying debt.

### Other Revenue

Revenue is recognized when earned and/or services are rendered.

### Grants In-Lieu

Revenue is recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

### Lease Revenue

Lease revenue is recognized when amounts are due. The Regional Hospital District retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.

**Financial Instruments**     The Regional Hospital District's financial instruments are held by Powell River Regional District and consist of cash and short-term investments, debenture debt, short-term debt and accrued interest payable. Unless otherwise noted, it is management's opinion that the Regional Hospital District is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Non-Financial Assets**     Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**Budget**     The Financial Plan (Budget) By-Law was adopted by the Board on March 28, 2015.

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## Powell River Regional Hospital District Summary of Significant Accounting Policies

December 31, 2015

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### Contaminated Sites

Effective January 1, 2015, the Hospital District adopted the new Public Sector Accounting Standard PS 3260, Liability for Contaminated Sites. The new standard can be applied retroactively or prospectively and the Hospital District has elected to apply it prospectively. Under PS 3260, governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Management has assessed its potential liabilities under the new standard including sites that are no longer in productive use and sites for which the Hospital District accepts responsibility. There were no such sites that had contamination in excess of an environmental standard which required remediation at this time, therefore no liability was recognized on transition as at January 1, 2015 or at December 31, 2015.

### Government Transfers

Government transfers, are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are deferred if the transfer stipulations give rise to a liability. The transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

When the Hospital District is deemed the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

**Powell River Regional Hospital District**  
**Notes to Financial Statements**

December 31, 2015

**1. Debenture Debt**

Issue Number	By-Law Number	Interest Rate	Maturity Date	2015	2014
127	108	3.30%	April 7, 2034	<u>\$ 21,606,912</u>	<u>\$ 22,357,724</u>
Less deferred financing cost				<u>(339,837)</u>	<u>(357,724)</u>
				<u>\$ 21,267,075</u>	<u>\$ 22,000,000</u>

Future principal payments required in the next year are as follows:

Year	Amount
2016	\$ 750,811
2017	750,811
2018	750,811
2019	750,811
2020	750,811
Thereafter	10,171,526
Add: Estimated Actuarial Gains	<u>7,341,494</u>
	<u>\$ 21,267,075</u>

Debenture debt will also be reduced by actuarial gains on sinking fund deposits. In the current year, actuarial gains applied to reduce debenture debt totaled \$21,991 (2014 - \$98,128).

## Powell River Regional Hospital District Notes to Financial Statements

December 31, 2015

### 2. Accumulated Surplus

	2015	2014
Internally restricted for equipment grants	\$ 82,424	\$ 7,424
Hospital Section 20 reserve fund (a)	3,762,011	4,288,073
Investment in non-financial assets		
Tangible capital assets	25,858,637	25,576,879
Debenture debt and short-term borrowings	(21,267,075)	(22,000,000)
Debt recoverable from future taxation	(171,818)	(171,818)
	<u>4,419,744</u>	<u>3,405,061</u>
	<u>\$ 8,264,179</u>	<u>\$ 7,700,558</u>

- (a) As permitted by Section 20(3) of the Hospital District Act, funds are reserved for the purchase of equipment, minor renovations to hospitals and related studies. Interest earned of \$67,714 (2014 \$168,558) on the Hospital Section 20 reserve fund balance is accumulated and recorded in the reserve fund.

### 3. MFA Debt Reserve Deposits and Demand Notes

The Municipal Finance Authority of British Columbia (MFA) administers the debenture debt of the Regional Hospital District. As a condition of these borrowings, 1% of the debt proceeds are withheld as a debt reserve fund. At December 31, 2015 the cash balance in the debt reserve fund was \$234,331 (2014 - \$228,481). The cash deposits held by MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements are made.

The Regional Hospital District is also required to issue non-interest bearing demand notes in connection with each debenture. As at December 31, 2015, there were notes totaling \$520,731 (2014 - \$520,731) issued by the Regional Hospital District, which are only callable if additional requirements need to be met to maintain the level of the debt reserve funds, as such the amounts are contingent and have not been recorded in the Statement of Financial Position.



**Powell River Regional Hospital District**  
**Notes to Financial Statements**

**December 31, 2015**

**4. Tangible Capital Assets**

	Complex Care Facility	Generator	Land	2015 Total	2014 Total
Cost, beginning of year	\$ 25,504,738	\$ 22,141	\$ 50,000	\$ 25,576,879	\$ 8,758,100
Additions	344,821	384,716	-	729,537	16,818,779
Cost, end of year	\$ 25,849,559	\$ 406,857	\$ 50,000	\$ 26,306,416	\$ 25,576,879
Amortization	(430,827)	(16,952)	-	(447,779)	-
Accumulated amortization, end of year	430,827	16,952	-	447,779	-
Net carrying amount, end of year	\$ 25,418,732	\$ 389,905	\$ 50,000	\$ 25,858,637	\$ 25,576,879

The Regional Hospital District is committed to finance the capital cost of the Willingdon Creek Village, a complex care facility, estimated at \$26.56 million. The facility was completed in February 2015 and residents started moving in on May 16, 2015. Under the agreement, Vancouver Coastal Health Authority will contribute 64% of the costs through annual lease payments over a 20 year period. Lease payments commenced March 1, 2015. The estimated lease payments are \$1,192,776 annually.

**5. Related Party Transactions**

The Regional Hospital District pays a budgeted amount annually to the Regional District to cover the administrative services performed on its behalf.

**6. Comparative Figures**

Comparative figures have been reclassified where applicable to conform with current year's presentation.