

**Powell River Regional Hospital District  
Financial Statements  
For the year ended December 31, 2018**

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For the year ended December 31, 2018

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## Management's Responsibility for the Financial Statements

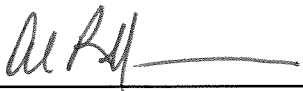
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The accompanying financial statements of Powell River Regional District ("Hospital District") have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under significant accounting policies in 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

April 25, 2019



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## Independent Auditor's Report

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

#### Opinion

We have audited the financial statements of the Powell River Regional Hospital District (the "Hospital District") which comprise the Statement of Financial Position as at December 31, 2018 and the Statements Operations and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Hospital District's financial statements present fairly, in all material respects, the financial position of the Hospital District as at December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Hospital District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital District, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital District's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Hospital District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 25, 2019

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

December 31	2018	2017
<b>Financial Assets</b>		
Receivable from the qathet Regional District	\$ 4,611,858	\$ 4,301,705
<b>Liabilities</b>		
Debenture debt (Note 1)	18,883,253	19,709,927
Accrued interest payable	171,818	171,818
Deferred revenue	135,739	134,693
	19,190,810	20,016,438
<b>Net Debt</b>	<b>(14,578,952)</b>	<b>(15,714,733)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 4)	24,495,524	25,038,153
Prepaid expenses	37,895	35,295
	24,533,419	25,073,448
<b>Accumulated Surplus (Note 2)</b>	<b>\$ 9,954,467</b>	<b>\$ 9,358,715</b>

Approved on behalf of the Board:

  
 \_\_\_\_\_ Board of Directors

  
 \_\_\_\_\_ Chief Financial Officer

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

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>			
Lease revenue	\$ 1,192,776	\$ 1,192,776	\$ 1,192,776
Tax levy	687,427	687,427	652,207
Insurance recovery	73,820	71,637	71,664
Interest income	-	83,979	49,391
Fortis BC	-	-	50,019
Grants and other revenue	1,300	1,165	1,067
	<u>1,955,323</u>	<u>2,036,984</u>	<u>2,017,124</u>
<b>Expenses</b>			
Debenture interest	755,692	755,692	755,692
Actuarial gains	-	(93,749)	(61,266)
Amortization	-	542,630	542,630
Community grants to VCHA for equipment for Powell River Community Health Council	154,703	83,946	121,743
Insurance	73,820	73,813	71,664
Other expenses	23,000	18,900	-
Administration fees (Note 5)	60,000	60,000	60,000
	<u>1,067,215</u>	<u>1,441,232</u>	<u>1,490,463</u>
<b>Annual surplus</b>	888,108	595,752	526,661
<b>Accumulated surplus, beginning of year</b>	<u>9,358,715</u>	<u>9,358,715</u>	<u>8,832,054</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 10,246,823</u>	<u>\$ 9,954,467</u>	<u>\$ 9,358,715</u>

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

<u>For the year ended December 31</u>	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Annual surplus	\$ 888,108	\$ 595,752	\$ 526,661
Amortization of tangible capital assets	-	542,630	542,630
Increase in prepaid expenses	-	(2,600)	-
Net debt, beginning of year	(15,714,734)	(15,714,734)	(16,784,025)
<b>Net debt, end of year</b>	<b>\$ (14,826,626)</b>	<b>\$ (14,578,952)</b>	<b>\$ (15,714,734)</b>



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

For the year ended December 31	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating transactions</b>		
Annual surplus	\$ 595,752	\$ 526,661
Changes in non-cash operating balances		
Deferred revenue	1,046	-
Prepaid expenses	(2,600)	-
	594,198	526,661
Items not involving cash		
Amortization	542,630	542,632
Amortized portion of deferred financing cost	17,887	17,887
	1,154,715	1,087,179
<b>Capital transactions</b>	-	-
<b>Financing transactions</b>		
Repayment of debenture debt	(844,561)	(812,077)
(Increase) in receivable from qathet Regional District	(310,153)	(275,101)
	(1,154,714)	(1,087,178)
<b>Increase in cash during the year</b>	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	\$ -	\$ -

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

December 31, 2018

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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 Chartered Professional Accountants Canada.

**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, 2018**

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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. Actuarial gains are recognized when realized.

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 29, 2018.

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

December 31, 2018

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**Contaminated Sites** The Hospital District is 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 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, therefore no liability at December 31, 2018 or December 31, 2017.

**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, 2018

**1. Debenture Debt**

Issue Number	By-Law Number	Interest Rate	Maturity Date	2018	2017
127	108	3.30%	July 4, 2034	\$ 19,169,429	\$ 20,013,990
Less deferred financing cost				<u>(286,179)</u>	<u>(304,063)</u>
				<u>\$ 18,883,253</u>	<u>\$ 19,709,927</u>

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

Year	Amount
2019	\$ 750,811
2020	750,811
2021	750,811
2022	750,811
2023	750,811
Thereafter	8,258,928
Add: Estimated Actuarial Gains	<u>7,156,446</u>
	<u>\$ 19,169,429</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 \$93,749 (2017 - \$61,266).

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

December 31, 2018

**2. Accumulated Surplus**

	2018	2017
Internally restricted for equipment grants	\$ 12,934	\$ 75,000
Hospital Section 20 reserve fund (a)	4,501,081	4,127,307
Investment in non-financial assets		
Tangible capital assets	24,495,524	25,038,154
Debenture debt and short-term borrowings	(18,883,254)	(19,709,928)
Debt recoverable from future taxation	(171,818)	(171,818)
	5,440,452	5,156,408
	\$ 9,954,467	\$ 9,358,715

(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 \$83,979 (2017 - \$49,391) on the Hospital Section 20 reserve fund balance was accumulated and recorded in the reserve fund during the year.

**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, 2018 the cash balance in the debt reserve fund was \$250,921 (2017 - \$245,578). 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, 2018, there were notes totaling \$520,731 (2017 - \$520,731) issued by the Regional Hospital District, which are only callable if additional requirement 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, 2018**

**4. Tangible Capital Assets**

	Complex Care Facility	Generator	Land	2018 Total	2017 Total
Cost, beginning of year	\$ 26,114,336	\$ 406,857	\$ 50,000	\$ 26,571,193	\$ 26,571,193
Additions		-	-	-	-
Cost, end of year	\$ 26,114,336	\$ 406,857	\$ 50,000	\$ 26,571,193	\$ 26,571,193
Accumulated amortization, beginning of year	(1,475,402)	(57,638)	-	(1,533,040)	(990,409)
Amortization	(522,287)	(20,343)	-	(542,630)	(542,632)
Accumulated amortization, end of year	(1,997,688)	(77,981)	-	(2,075,669)	(1,533,040)
Net carrying amount, end of year	\$ 24,116,648	\$ 328,876	\$ 50,000	\$ 24,495,524	\$ 25,038,153

The Regional Hospital District financed the capital cost of the Willingdon Creek Village, a complex care facility. The facility was completed in February 2015 and residents moved 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. Budget Figures**

The budgeted figures were adopted by the Board on March 29, 2018.

**7. Comparative Figures**

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