

Powell River Regional Hospital District
Financial Statements
For the year ended December 31, 2019

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Powell River Regional Hospital District
Financial Statements
For the year ended December 31, 2019

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Powell River Regional Hospital District have been prepared in accordance with the 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 responsibility for financial reporting and internal control.

The financial statements have been audited by MNP, independent external auditors appointed by the Powell River Regional Hospital District. The accompanying independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Powell River Regional Hospital District's financial statements.



Chief Administrative Officer



Chief Financial Officer

Independent Auditor's Report

To the Board of Directors 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, 2019, and the statements of operations, changes in net debt 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 accompanying financial statements present fairly, in all material respects, the financial position of the Hospital District as at December 31, 2019, and the results of its operations and its 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.

Other Matter

The prior year comparative figures were audited by another firm of chartered professional accountants, who issued an unmodified opinion on April 25, 2019.

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.

Nanaimo, British Columbia

April 30, 2020

MNP LLP

Chartered Professional Accountants

Powell River Regional Hospital District

Statement of Financial Position

December 31, 2019

	2019	2018
Financial Assets		
Receivable for the qathet Regional Distict	\$5,069,778	\$4,611,858
Liabilities		
Debenture debt (Note 1)	18,022,797	18,883,253
Accrued interest payable	171,818	171,818
Deferred revenue	138,587	135,739
Total Financial Assets	18,333,202	19,190,810
Net Debt	(13,263,424)	(14,578,952)
Subsequent Event (Note 7)		
Non-Financial Assets		
Tangible capital assets (Note 2)	23,952,895	24,495,524
Prepaid expenses	40,432	37,895
Total Non-Financial Assets	23,993,327	24,533,419
Accumulated surplus (Note 3)	\$10,729,902	\$9,954,467

Approved on behalf of the Board:



Chair



Chief Financial Officer

Powell River Regional Hospital District

Statement of Operations

For the year ended December 31, 2019

	Budget 2019 (Note 6)	Actual 2019	Actual 2018
Revenue			
Lease revenue	\$1,192,776	\$1,192,776	\$1,192,776
Tax levy	715,077	715,078	687,427
Insurance recovery	76,035	75,530	71,637
Interest income		124,309	83,979
Grants and other revenue	1,300	1,135	1,165
	1,985,188	2,108,828	2,036,984
Expenses			
Debenture interest	755,692	755,692	755,692
Actuarial gains		(127,532)	(93,749)
Amortization	542,630	542,630	542,630
Community grants to VCH for equipment for Powell River Community Health Council	151,595	-	83,946
Insurance	81,035	78,825	73,813
Other expenses	10,650	18,778	18,900
Administration fees (Note 5)	65,000	65,000	60,000
	1,606,602	1,333,393	1,441,231
Annual Surplus	378,586	775,435	595,752
Accumulated surplus, beginning of year	9,954,467	9,954,467	9,358,715
Accumulated surplus, end of year	\$10,333,053	\$10,729,902	\$9,954,467

Powell River Regional Hospital District**Statement of Changes in Net Debt****For the year ended December 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
Annual Surplus	\$378,586	\$775,435	\$595,752
Amortization of tangible capital assets	542,630	542,630	542,630
Change in prepaid expenses		(2,536)	(2,600)
Net change in debt	921,216	1,315,529	1,135,782
Net debt, beginning of year	(14,578,952)	(14,578,952)	(15,714,734)
Net debt, end of year	(13,657,736)	(13,263,424)	(14,578,952)

Powell River Regional Hospital District**Statement of Cash Flows****For the year ended December 31, 2019**

	Actual 2019	Actual 2018
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$775,435	\$595,752
Actuarial Adjustment	(127,532)	(93,749)
Changes in non-cash operating balances		
Deferred revenue	2,848	1,046
Prepaid expenses	(2,536)	(2,600)
	<hr/> 648,215	<hr/> 500,449
Items not involving cash		
Amortization	542,630	542,630
Amortized portion of deferred financing cost	17,887	17,887
	<hr/> 1,208,731	<hr/> 1,060,966
Financing transactions		
Repayment of debenture debt	(750,811)	(750,812)
Increase in receivable from qathet Regional District	(457,920)	(310,153)
	<hr/> (\$1,208,731)	<hr/> (\$1,060,965)
Increase in cash during the year	-	-
Cash, beginning of year		
	<hr/> -	<hr/> -
Cash, end of year	-	-

Powell River Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2019

Nature of Operations

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

Financial Statements

The 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 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.

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 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 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 Hospital District's financial instruments are held by qathet 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 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 25, 2019

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 exists at December 31, 2019.

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 statemnt 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, 2019

1. Debenture Debt

Issue Number	By-Law Number	Interest Rate	Maturity Date	2019	2018
127	108	3.30%	April 7, 2034	\$18,291,089	\$19,169,429
Less deferred financing cost				(268,292)	(286,179)
				<u>\$18,022,797</u>	<u>\$18,883,253</u>

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

Year	Amount
2020	\$750,811
2021	750,811
2022	750,811
2023	750,811
2024	750,811
Thereafter	7,508,110
Add: Estimated Actuarial Gains	<u>7,028,924</u>
	<u>\$18,291,089</u>

Debenture debt will also be reduced by actuarial gains or sinking fund deposits. In the current year, actuarial gains to reduce debenture debts totalled \$127,532 (2018-\$93,749).

Powell River Regional Hospital District

Notes to Financial Statements

December 31, 2019

2. Tangible Capital Assets

	Complex Care			2019 Total	2018 Total
	Facility	Generator	Land		
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	(1,997,688)	(77,981)		(2,075,669)	(1,533,040)
Amortization	(522,287)	(20,343)		(542,630)	(542,630)
Accumulated amortization, end of year	(2,519,975)	(98,324)	-	(2,618,299)	(2,075,669)
Net carrying amount, end of year	\$23,594,361	\$308,533	\$50,000	\$23,952,895	\$24,495,524

The 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 6, 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.

Powell River Regional Hospital District

Notes to Financial Statements

December 31, 2019

3. Accumulated Surplus

	2019	2018
Internally restricted for equipment grants	\$94,934	\$12,934
Hospital Section 20 reserve fund (a)	4,876,688	4,501,081
Investment in non-financial assets		
Tangible capital assets	23,952,895	24,495,524
Debenture debt and short-term borrowings	(18,022,797)	(18,883,254)
Debt recoverable from future taxation	(171,818)	(171,818)
	<u>5,758,280</u>	<u>5,440,452</u>
	<u>\$10,729,902</u>	<u>\$9,954,467</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 and hospital debt. Interest earned of \$124,309 (2018 - \$83,979) on the Hospital Section 20 reserve fund balance was accumulated and recorded in the reserve fund during the year.

Powell River Regional Hospital District

Notes to Financial Statements

December 31, 2019

4. MFA Debt Reserve Deposits and Demand Notes

The Municipal Finance Authority of British Columbia (MFA) administers the debenture debt of the Hospital District. As a condition of these borrowings, 1% of the debt proceeds are withheld as a debt reserve fund. At December 31, 2019 the cash balance in the debt reserve fund was \$256,766 (2018 - \$250,921). The cash deposits held by the MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements are made.

The Hospital District is also required to issue non-interest bearing demand notes in connection with each debenture. As at December 31, 2019, there were notes totalling \$520,731 (2018 - \$520,731) issued by the 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.

5. Related Party Transactions

The 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 25, 2019.

Budgeted Surplus per Financial Statements	\$378,586
Adjust for:	
Proceeds from reserves	69,595
Transfers to reserves	(240,000)
Debt principal repayment	(750,811)
Amortization	542,630
Per Board approved budget	\$0

7. Subsequent Event

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on the local and global economy. At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the Hospital District's financial results for 2020.