

**MOUNT WADDINGTON REGIONAL HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2020**

# Mount Waddington Regional Hospital District

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For the year ended December 31, 2020

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# MOUNT WADDINGTON REGIONAL HOSPITAL DISTRICT

## MANAGEMENT REPORT

December 31, 2020

The Board of Directors of the Mount Waddington Regional Hospital District has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the Mount Waddington Regional Hospital District. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of the financial statements. These systems are monitored and evaluated by management.

The Mount Waddington Regional Hospital District's independent auditors, Chan Nowosad Boates Inc., Chartered Professional Accountants, are engaged to express an opinion as to whether these financial statements present fairly the Mount Waddington Regional Hospital District's financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all significant respects the financial position of the Mount Waddington Regional Hospital District as at December 31, 2020.



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Greg Fletcher, Chief Administrative Officer  
August 17, 2021

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the Mount Waddington Regional Hospital District

### **Opinion**

We have audited the accompanying financial statements of the Mount Waddington Regional Hospital District (the "Hospital District"), which comprise the statement of financial position as at December 31, 2020, the statements of operations and accumulated surplus and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "financial statements").

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, 2020, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

### **Basis of Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 of 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 intends for the Hospital District to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' 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 auditors' 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 the users taken on the basis of these financial statements.

### **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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 auditors' 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 auditors' 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.
- 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.

Chartered Professional Accountants  
Campbell River, BC

August 17, 2021

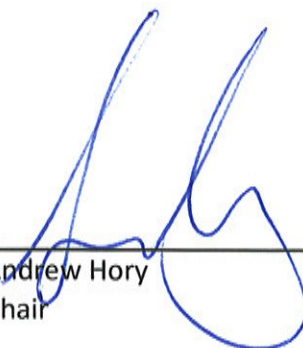
**Mount Waddington Regional Hospital District**  
**Statement of Financial Position**  
**As at December 31, 2020**

	2020	2019
<b>Financial Assets</b>		
Cash and Cash Equivalents	447,847	244,224
Temporary Investments	1,661,985	1,751,570
Accounts Receivable	83,437	81,764
Due from Related Party (Note 3)	520,615	-
Portfolio Investments	-	253,765
	<b>2,713,884</b>	<b>2,331,323</b>
<b>Financial Liabilities</b>		
Accounts Payable	47,435	59,941
Deferred Revenue (Note 4)	29,013	-
Other Liabilities (Note 5)	662,926	644,343
Long-Term Debt (Note 6)	756,101	959,659
	<b>1,495,475</b>	<b>1,663,943</b>
<b>Net Financial Assets and Accumulated Surplus</b>	<b>1,218,409</b>	<b>667,380</b>



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Greg Fletcher  
Chief Administrative Officer



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Andrew Hory  
Chair

The accompanying notes are an integral part of these financial statements

**Mount Waddington Regional Hospital District**  
**Statement of Operations and Accumulated Surplus**  
**For the year ended December 31, 2020**

	<i>2020 Budget</i> (Note 8)	<b>2020</b>	2019
<b>Revenue</b>			
Taxation	698,400	<b>676,735</b>	688,799
Grants	2,000	-	-
Interest Earned	35,000	<b>41,018</b>	53,647
Actuarial Income	-	<b>90,488</b>	81,634
	<b>735,400</b>	<b>808,241</b>	824,080
<b>Expenses</b>			
Administration (Note 3)	92,300	<b>92,300</b>	97,153
Audit Fees	12,200	<b>5,355</b>	-
Bank Service Charge	500	<b>676</b>	-
Grants to Health Authority	410,000	<b>103,037</b>	363,246
Grants to Others	5,000	-	-
Interest Paid on Debt	55,844	<b>55,844</b>	55,844
	<b>575,844</b>	<b>257,212</b>	516,243
<b>Annual Surplus</b>	159,556	<b>551,029</b>	307,837
<b>Accumulated Surplus, Beginning of Year</b>	667,380	<b>667,380</b>	359,543
<b>Accumulated surplus, End of Year</b>	826,936	<b>1,218,409</b>	667,380

The accompanying notes are an integral part of these financial statements

**Mount Waddington Regional Hospital District**  
**Statement of Cash Flows**  
**For the year ended December 31, 2020**

	2020	2019
<b>Operating Transactions</b>		
Annual Surplus	551,029	307,837
Non-cash items included in Surplus		
Debt Actuarial Adjustments	(90,488)	(81,634)
	460,541	226,203
Change in non-cash working capital balances related to operations		
Increase in Accounts Receivable	(1,673)	(80,405)
Increase in Due from Related Party	(520,615)	-
Decrease in Accounts Payable	(12,506)	(13,910)
Increase in Deferred Revenue	29,013	
Increase (decrease) in Other Liabilities	18,583	(24,401)
Cash provided by (used for) Operating Transactions	(26,657)	107,487
<b>Investing Transactions</b>		
Decrease in Portfolio Investments	253,765	254,156
(Increase) decrease in Temporary Investments	89,585	(1,041,882)
Cash used for Investing Transactions	343,350	(787,726)
<b>Financing Transactions</b>		
Repayment of Long-Term MFA Debt	(113,070)	(113,069)
Cash used for Financing Transactions	(113,070)	(113,069)
<b>Net Change in Cash and Cash Equivalents</b>	<b>203,623</b>	<b>(793,308)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>244,224</b>	<b>1,037,532</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>447,847</b>	<b>244,224</b>

The accompanying notes are an integral part of these financial statements

**1. OPERATIONS**

The Mount Waddington Regional Hospital District (the Hospital District) operates under the authority of the Hospital District Act and shares the same boundaries, directors and administrative staff as the Mount Waddington Regional District (the Regional District). It partners with Vancouver Island Health Authority and community agencies to develop and improve health-related facilities in the region. Its principal activity is to contribute funding towards construction projects and equipment purchases for healthcare facilities owned by the Vancouver Island Health Authority. These operating activities are funded through property taxes and debt.

The Hospital District prepares a set of audited financial statements independent from the Regional District. It owns no Tangible Capital Assets by itself and a statement of change in net financial assets has not been prepared as it would provide no useful information.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hospital District are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Hospital District are as follows:

**(a) Basis of Accounting**

The accrual basis for recording revenue and expenses has been followed, whereby revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue, and expenses are recognized in the period the goods and services are acquired and a liability is incurred, whether or not a current cash flow is associated with the transaction.

**(b) Cash and Cash Equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. Pooled investments of the Municipal Finance Authority (MFA) are carried at cost, which approximates fair market value.

**(c) Financial Instruments**

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, temporary and portfolio investments and long-term debt. Unless otherwise noted, it is management's opinion that the Hospital District is not exposed to significant interest, currency or credit risk arising from these financial instruments.

**(d) Revenue Recognition**

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Externally restricted amounts that have been received from non-government sources in advance of services being rendered are recorded as deferred revenues until the Hospital District discharges the obligations that led to the collection of funds. Taxes are recognized in the year levied. Government grants with or without eligibility criteria are recognized as revenue in the period in which the grant is authorized and any eligibility criteria have been met, except where the transfer gives rise to an obligation that meets the definition of a liability, in which case revenue is recognized as the liability is settled. Contributions are recorded when the event giving rise to the contribution occurs. Investment income and other earnings are recorded in the year they are earned.

**(e) Use of Estimates**

The preparation of financial statements in accordance with PSAS requires management to make when necessary, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the accounting period.

**(f) Temporary Investments**

Temporary investments are short-term investments with an original maturity date of one year or less and are accounted for using the cost method.

**(g) Portfolio investments**

Portfolio investments are long-term investments with an original maturity date of more than a year and are accounted for using the cost method. Provisions for declines in the market value of portfolio investments are recorded when they are considered to be other than temporary. Declines in the market values of investments are considered to be other than temporary when the carrying value exceeds market value for more than three years.

**3. RELATED PARTY TRANSACTIONS**

The Board Members of the Regional District sit on the board of the Hospital District. The Regional District and the Hospital District are separate legal entities as defined by separate letters patent and authorized by separate legislation.

During the year, administrative support services supplied to the Hospital District by the Regional District totalled \$92,300 (2019, \$90,500). On the 2020 Statement of Operations, this amount is presented as part of Administration Expense.

During the year, the Hospital District provided \$520,000 of cash to the Regional District to invest in a high interest savings account to take advantage of higher interest rates available to the Regional District. At December 31, 2020 the balance in the account of \$520,615 consists of the initial principle and interest earned on funds held by the Regional District.

**4. DEFERRED REVENUE**

On April 14, 2020 the Supreme Court of British Columbia granted a Bankruptcy Order, adjudging Nuecel Specialty Cellulose Ltd. (the "Mill") bankrupt. As a result of the Mill's bankruptcy the province revised the 2020 BC Assessment rolls reallocating the Hospital Taxable Values on which the original property taxes were calculated for the Village of Port Alice (the "Village").

The adjustment to the Village's 2020 BC Assessment roll resulted in an adjustment to the Village's 2020 taxes owed to the Hospital District. The taxes were adjusted from \$50,879 to \$21,866.

At December 31, 2020 the Village had paid the full \$50,879 based on the original tax requisition resulting in a deferral of the excess payment of \$29,013 which will be applied to the 2021 and 2022 taxes.

**5. OTHER LIABILITIES**

Other Liabilities represent grant funding from the Vancouver Island Health Authority for the Mount Waddington Health Network. The funding is for public participation with its member communities for the enhancement of health services in the Regional District. Management of these funds is the direct responsibility of the Health Network.

**6. LONG-TERM DEBT**

The Hospital District's long-term borrowing is secured through the Municipal Finance Authority (MFA). The debt is reported net of actuarial balances.

The Hospital District executed MFA loan Issue # 77 in 2002 to finance capital expenditures of Alert Bay Cormorant Island Health Centre. Based on 20-year term, the interest rate was 6.06% for the first 10 years, then it was refinanced in June 2011 and the new rate was 3.05%. Five years later (June 2016), it was refinanced again and the current rate until June 2022 is 1.75%.

The Hospital District executed MFA loan Issue # 145 in 2018 to finance capital expenditures of a Port Hardy 11-Bed Residential Care Facility.

	Maturity date	Interest rate	Gross Debt	Repayments & Actuarial earnings	2020	2019
Issue # 77	Jun 01 2022	1.75%	2,282,000	1,941,516	340,484	498,663
Issue # 145	Apr 23 2028	2.65%	505,051	89,434	415,617	460,995
MFA debenture debt			2,787,051	2,030,950	756,101	959,658

**6. LONG-TERM DEBT (CONTINUED)**

The aggregate amount of principal payments required on the Hospital District's long-term debt during each of the next five years is as follows:

	Issue # 77	Issue # 145	Total
2021	69,014	44,056	113,070
2022	69,014	44,056	113,070
2023	69,014	44,056	113,070
2024	69,014	44,056	113,070
2025	69,014	44,056	113,070

**7. MUNICIPAL FINANCE AUTHORITY RESERVE DEPOSITS**

The Hospital District secures its long-term debts through the Municipal Finance Authority (MFA). As a condition of these borrowings the MFA requires establishment of a fund equal to one half the annual installment of principal and interest of the long-term debt issued. The cash portion of the fund is equal to 1% of the total principal borrowed with the remainder made up of a non-interest bearing promissory note. The MFA adds interest earned by the cash reserves and deducts expenses. Due to their contingent nature neither the asset nor the liability is recorded in the financial statements. The balance of the MFA debt reserve fund as at December 31, 2020 is \$48,688 (2019, \$47,706).

**8. BUDGET**

Budget figures represent the Financial Plan Bylaw adopted by the Board in March 2020. The financial plan forms the basis for taxation rates and other charges for a particular year. The following reconciliation of the budgeted Annual Surplus is provided to show which items must be added or removed to reflect the budgeted financial plan.

	2020	2019
Budgeted Annual surplus per Statement of Operations	159,556	333,656
Transfer (to) from Accumulated Surplus	(46,486)	-
Transfers to (from) Non-statutory reserves	-	(130,187)
Transfers to (from) Statutory reserves	-	(90,400)
Debt principal repayments	(113,070)	(113,069)
Budgeted Surplus, per Bylaw No. 106	-	-

**9. STATEMENT OF CHANGES IN NET DEBT**

A statement of changes in net debt has not been prepared as the Hospital District does not have any non-financial assets and a reconciliation of Net Debt to Accumulated Surplus does not provide any further meaningful information.

**10. SIGNIFICANT EVENT**

The global outbreak of the coronavirus disease (COVID-19) continues to cause economic uncertainties that are likely to have an impact on the operations of the Hospital District. The extent of the continued impact of COVID-19 on the Hospital District and its operations for the year ended December 31, 2021 cannot be determined at this time.