



FINANCIAL STATEMENTS
December 31, 2013

Cowichan Valley
Regional Hospital District

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS DECEMBER 31, 2013

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Management's Responsibility

To the Members of the Board of the Cowichan Valley Regional Hospital District:

This statement is provided to clarify and outline the roles and responsibilities of the management team, elected Board of Directors and independent auditors in relation to the preparation and review of the Cowichan Valley Regional Hospital District's (the "Hospital District") annual financial results.

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Hospital District's Board of Directors is composed of Directors who are neither management nor employees of the Hospital District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information in the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management.

BDO Canada LLP, an independent firm of Chartered Accountants, is appointed by the Regional Hospital District's Board of Directors to audit the financial statements and report to them; their report follows. The external auditors have full and free access to management to discuss their audit findings.



Frank Raimondo
Chief Administrative Officer



Sharon Moss, CPA, CGA
Finance Manager



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Independent Auditor's Report

To the Board of Directors
Cowichan Valley Regional Hospital District

We have audited the accompanying financial statements of the Cowichan Valley Regional Hospital District, which comprise the Statement of Financial Position as at December 31, 2013, and the Statements of Operations and Cash Flows for the year then ended, and a 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 the 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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Cowichan Valley Regional Hospital District as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Vancouver, British Columbia
June 11, 2014

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

DIRECTORY OF OFFICIALS 2013

CHAIRPERSON

R. Hutchins – Town of Ladysmith

VICE-CHAIRPERSON

M. Walker – Electoral Area "A" – Mill Bay/Malahat

DIRECTORS

P. Kent	City of Duncan
J. Lefebure	District of North Cowichan
R. Hartman	District of North Cowichan
B. Lines	District of North Cowichan
R. Hutchins	Town of Ladysmith
T. McGonigle	Town of Lake Cowichan
M. Walker	Electoral Area "A" – Mill Bay/Malahat
B. Fraser	Electoral Area "B" – Shawnigan Lake
G. Giles	Electoral Area "C" – Cobble Hill
L. Iannidinardo	Electoral Area "D" – Cowichan Bay
L. Duncan	Electoral Area "E" – Cowichan Station/Sahtlam/Glenora
I. Morrison	Electoral Area "F" – Cowichan Lake South/Schutz Falls
M. Dorey	Electoral Area "G" – Saltair/Gulf Island
M. Marcotte	Electoral Area "H" – North Oyster/Diamond
P. Weaver	Electoral Area "I" – Youbou/Meade Creek

OFFICERS

Chief Administrative Officer -	F. Raimondo
Corporate Legislative Officer -	J. Barry
Corporate Financial Officer -	M. Kueber

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

PARTICIPATING AREAS **Incorporated September 26, 1967**

MUNICIPALITIES

City of Duncan
District of North Cowichan

Town of Ladysmith
Town of Lake Cowichan

ELECTORAL AREAS

A - Mill Bay/Malahat
B - Shawnigan Lake
C - Cobble Hill
D - Cowichan Bay
E - Cowichan Station/Sahtlam/Glenora

F - Cowichan Lake South/Skutz Falls
G - Saltair/Gulf Islands
H - North Oyster/Diamond
I - Youbou/Meade Creek

SCHOOL DISTRICTS

No. 79 - Cowichan District

No. 68 - Nanaimo

CHAIRPERSONS

1967
1968
1969-70
1971
1972
1973
1974
1974
1975
1976
1977
1978
1979
1980-81
1982-84
1985
1986-88
1989-91
1992-93
1994-97
1998-99
2000-02
2003-05
2006-07
2007-08
2008-10
2011-13

J.K. Bateson
G.W. Whittaker
A. Smith
W.J.B. Devitt
W. Wyllie
M.L. Robertson
T.L. Daniels - Jan-May
R.D. Keir - June - Dec.
R.D. Keir
P. Clements
K. Paskin
C. Boas
L. Kuta
M. Lukaitis
G. Giles
J. Philp
B. Harrison
E. Darling
J. Barker
J. Allan
R. Hutchins
T. Walker
M. Marcotte
J. Lefebure
J. Peake
G. Giles
R. Hutchins

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
Financial Assets		
Cash	\$ 4,491,566	\$ 4,616,901
Cash - Restricted	<u>10,928,479</u>	<u>6,340,449</u>
Total Financial Assets	<u>15,420,045</u>	<u>10,957,350</u>
Liabilities		
Accounts Payable	-	719,050
Accrued Interest	18,194	113,733
Long-Term Debt (Schedule D)	<u>965,129</u>	<u>1,403,642</u>
Total Liabilities	<u>983,323</u>	<u>2,236,425</u>
Accumulated Surplus (Note 6)	<u>\$ 14,436,726</u>	<u>\$ 8,720,925</u>



Sharon Moss, CPA, CGA
Finance Manager



Robert Hutchins
Chairperson

The accompany notes are an intergral part of these finanacial statements.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Note 8)	2013	2012
Revenue			
Tax Requisition	\$ 6,909,089	\$ 6,909,089	\$ 5,573,186
Grants	-	5,055	4,741
Cash Distribution Surplus	-	496,012	5,989
Interest and Other Revenue	<u>50,000</u>	<u>138,544</u>	<u>117,795</u>
Total Revenue	<u>6,959,089</u>	<u>7,548,700</u>	<u>5,701,711</u>
Expenses			
Debenture Debt Interest	452,380	115,986	176,196
Other Expenses	60,000	60,022	60,022
Grants to Health Care Facilities (Schedule E)	<u>2,219,456</u>	<u>1,656,891</u>	<u>2,216,531</u>
Total Expenses	<u>2,731,836</u>	<u>1,832,899</u>	<u>2,452,749</u>
Annual Surplus	4,227,253	5,715,801	3,248,962
Opening, accumulated surplus	<u>8,720,925</u>	<u>8,720,925</u>	<u>5,471,963</u>
Ending, accumulated surplus	<u>\$ 12,948,178</u>	<u>\$ 14,436,726</u>	<u>\$ 8,720,925</u>

The accompany notes are an integral part of these financial statements.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Operating Transactions		
Annual Surplus (Statement 2)	\$ 5,715,801	\$ 3,248,962
Change in HST receivable	-	2,300
Change in accounts payable	(719,050)	719,050
Change in accrued interest	(95,542)	(4,616)
Debt actuarial adjustments	(211,261)	(305,948)
Deferred revenue	<u>-</u>	<u>(348,240)</u>
Net increase in cash from operations	<u>4,689,948</u>	<u>3,311,508</u>
Financing Transactions		
Principal debt repayments (Schedule D)	<u>(227,253)</u>	<u>(255,192)</u>
Net decrease in cash from financing	<u>(227,253)</u>	<u>(255,192)</u>
Increase in Cash	4,462,695	3,056,316
Cash - Beginning of Year	<u>10,957,350</u>	<u>7,901,034</u>
Cash - End of Year	<u>\$ 15,420,045</u>	<u>\$ 10,957,350</u>
 Breakdown of Cash		
Cash	\$ 4,491,566	\$ 4,616,901
Cash - Restricted	<u>10,928,479</u>	<u>6,340,449</u>
	<u>\$ 15,420,045</u>	<u>\$ 10,957,350</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

1. **Purpose**

The Cowichan Valley Regional Hospital District is incorporated under the British Columbia Hospital District Act. Its purpose is to secure and administer capital funding for hospitals within the Cowichan Valley Regional Hospital District. These activities are funded through property taxes and debenture debt.

2. **Significant Accounting Policies**

a) **Basis of Presentation**

The financial statements have been prepared using guidelines issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (PSAB).

b) **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring management estimates are determination of accrued liabilities. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

c) **Sinking Fund**

The Hospital District records net long-term debt in accordance with amortization schedules issued at the inception of debenture issues. Sinking fund assets are recorded at the cost amount of the contributions made, plus required actuarial amounts. No adjustment for sinking fund surpluses due to market experience is recorded until realized at extinguishment of debenture debt.

d) **Financial Instruments**

The Hospital District's financial instruments consist of cash, accrued interest, 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.

e) **Revenue Recognition**

The Hospital District recognizes tax requisition revenue based on assessments issued to the property owners in its service area. These assessments are issued on an annual basis to meet the expenditures of the Hospital District. Interest revenue is recorded when earned. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

2. Significant Accounting Policies (continued)

f) Expense Recognition

Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient. The grants to the Vancouver Island Health Authority are government transfers.

3. Debenture Debt

All long term debt is issued through the Municipal Finance Authority of British Columbia. The Authority is the borrowing agent for municipalities and regional districts in the Province of British Columbia. All debenture debt issued by the Municipal Finance Authority is sinking fund debt. Long term debt may only be repaid earlier than maturity where the Municipal Finance Authority refinances an issue which includes a particular debenture debt issue by the Regional Hospital District.

Issued and outstanding debt including issue numbers, maturity dates and sinking fund balances are listed on Schedule D to these consolidated financial statements.

Payments of principal on issued debt of the Hospital District for the next five years are approximately as follows:

2014	\$ 109,479
2015	\$ 94,844
2016	\$ 64,915
2017	\$ 40,323
2018	\$ 40,551

4. Related Party Transactions

Administrative costs totalling \$60,000 (2012 - \$60,000) were charged to the Cowichan Valley Regional Hospital District from the Cowichan Valley Regional District, a Regional District controlled by the same board of directors.

5. Debt Reserve Fund

The Municipal Finance Authority of British Columbia provides capital financing for Regional Hospital Districts. The Authority is required to establish a Debt Reserve Fund which represents 1% of each Debenture Debt issued. When the Cowichan Valley Regional Hospital District borrows from the Authority 1% is kept by the Authority and put into the fund. The Authority must then use this fund if at any time there are insufficient funds to meet payment on debt obligations.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

5. Debt Reserve Fund (continued)

Upon the maturity of the debt issue, the debt reserve fund plus any interest earned less expenditures for that issue will be discharged to the Cowichan Valley Regional Hospital District. These amounts do not appear elsewhere in the financial statements and as at December 31, 2013 amounted to \$160,869 (2012 -\$369,854).

	2013	2012
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 47,771	\$ 98,902
Demand Notes - Cowichan Valley Regional Hospital District	<u>113,098</u>	<u>270,952</u>
	<u>\$ 160,869</u>	<u>\$ 369,854</u>

6. Accumulated Surplus

The Accumulated Surplus of \$14,436,726 (2012- \$ 8,720,925) is made up of the following individual fund equity amounts.

	2013	2012
Revenue Fund Deficit (Schedule A)	\$ (390,508)	\$ (517,200)
Reserve Fund (Schedule B)	15,792,362	10,641,767
Capital Fund (Schedule C)	<u>(965,128)</u>	<u>(1,403,642)</u>
Accumulated Surplus	<u>\$ 14,436,726</u>	<u>\$ 8,720,925</u>

The Revenue Fund includes those transactions which are funded primarily by the annual property tax requisition including debt repayments and capital grant contributions to the Vancouver Island Health Authority.

The Capital Fund includes amounts related to debenture debt raised to finance capital expenditures approved through bylaws adopted by the Regional Hospital District for the purposes of the Vancouver Island Health Authority.

The Reserve Fund includes amounts disbursed or to be disbursed directly to the Vancouver Island Health Authority in accordance with approved capital plans. Also, included are Restricted Reserves to help finance the CVRHD's share of a new hospital.

7. Net Debt

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

8. Budget Figures

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 13, 2013 . The financial plan budgeted for transfer to and from the reserve fund. The following reconciliation of the "Surplus for the year" is provided to show which items must be added and removed to reflect the financial plan.

Annual Surplus (Statement 2)	\$ 4,227,253
Add:	
Transfer from Reserves	-
Less:	
Debt Principal Repayments	(227,253)
Transfer to Reserves	<u>(4,000,000)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 137	\$ <u>-</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF REVENUE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget	2013	2012
Revenue			
Tax Requisition	\$ 6,909,089	\$ 6,909,089	\$ 5,573,186
Grants	-	5,055	4,741
Cash Distribution Surplus	-	496,012	5,989
Interest and Other Revenue	<u>50,000</u>	<u>52,516</u>	<u>54,686</u>
Total Revenue	<u>6,959,089</u>	<u>7,462,672</u>	<u>5,638,602</u>
Expenses			
Debenture Debt Interest	452,380	327,247	482,144
Other Expenses	<u>60,000</u>	<u>60,022</u>	<u>60,022</u>
Total Expenses	<u>512,380</u>	<u>387,269</u>	<u>542,166</u>
Operating Surplus	6,446,709	7,075,403	5,096,436
Transfer to Reserve Fund (Schedule B)	2,219,456	2,219,456	1,800,000
Transfer to Restricted Reserve Fund (Schedule B)	4,000,000	4,502,002	3,000,000
Principal Debt Repayments (Schedule D)	<u>227,253</u>	<u>227,253</u>	<u>255,192</u>
	<u>6,446,709</u>	<u>6,948,711</u>	<u>5,055,192</u>
Change in Fund Balance	-	126,692	41,244
Beginning Fund Balance	<u>-</u>	<u>(517,200)</u>	<u>(558,444)</u>
Ending Fund Balance (Note 6)	<u>\$ -</u>	<u>\$ (390,508)</u>	<u>\$ (517,200)</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Fund Balance, Beginning	\$ 10,641,767	\$ 7,995,189
Add:		
Contribution from Revenue Fund (Schedule A)	6,721,458	4,800,000
Interest Earned on Restricted Reserve	86,028	63,109
Less:		
Grants to District Hospitals (Schedule E)	<u>(1,656,891)</u>	<u>(2,216,531)</u>
Fund Balance, Ending (Note 6)	\$ <u>15,792,362</u>	\$ <u>10,641,767</u>
 Fund balance is composed of:		
Section 20 Reserve	\$ 4,863,883	\$ 4,301,318
Restricted Reserve	<u>10,928,479</u>	<u>6,340,449</u>
	\$ <u>15,792,362</u>	\$ <u>10,641,767</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012
Fund Balance, Beginning	\$ (1,403,642)	\$ (1,964,782)
Principal Debt Repayments (Schedule D)	227,253	255,192
Actuarial Adjustments	<u>211,261</u>	<u>305,948</u>
Fund Balance, Ending (Note 6)	\$ <u>(965,128)</u>	\$ <u>(1,403,642)</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF DEBENTURE DEBT
AS AT DECEMBER 31, 2013**

<u>Issue No.</u>	<u>Bylaw No.</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Regional Dist. Share</u>	<u>Debt Payments</u>	
						<u>Interest</u>	<u>Principal</u>
621	79	8.500%	2013	155,400	62,160	5,284	2,011
627	94/97	9.600%	2013	1,680,587	672,235	64,535	24,377
612	97	8.500%	2013	2,600,446	1,040,178	88,415	40,867
613	97	8.500%	2013	3,227,635	1,291,054	109,740	50,725
626	79/94/97	9.625%	2014	1,135,969	454,388	43,735	14,846
511	85/102	7.250%	2015	608,998	243,599	17,661	5,238
92	121	4.550%	2015	333,058	133,223	6,062	11,096
92	125	4.550%	2015	414,565	165,826	7,545	13,812
624	97	7.875%	2016	1,649,669	659,868	51,965	24,815
78	116	5.250%	2022	2,262,532	905,013	19,005	27,370
78	120	5.250%	2022	330,788	132,315	2,779	4,002
93	120	5.100%	2025	<u>435,523</u>	<u>174,209</u>	<u>6,062</u>	<u>8,093</u>
					5,934,068		
Less principal repayments and actuarial adjustments					<u>(4,968,939)</u>		
TOTAL				\$ <u>14,835,170</u>	\$ <u>965,128</u>	\$ <u>422,786</u>	\$ <u>227,253</u>
TOTAL DEBT PAYMENT							\$ <u>650,039</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES
YEAR ENDED DECEMBER 31, 2013

	Total	2013	Total
	2012	Grants to health care facilities	2013
	<u> </u>	<u> </u>	<u> </u>
Cowichan District	\$ 26,480,999	\$ 1,614,335	\$ 28,095,334
Nanaimo District	674,834	-	674,834
Chemainus	5,071,218	42,095	5,113,313
Ladysmith	<u>2,345,046</u>	<u>461</u>	<u>2,345,507</u>
	<u>\$ 34,572,097</u>	<u>\$ 1,656,891</u>	<u>\$ 36,228,988</u>