



**COWICHAN VALLEY  
REGIONAL HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS  
December 31, 2015**

## **COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT**

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### **ELECTED AND APPOINTED OFFICIALS 2015**

#### **BOARD OF DIRECTORS**

City of Duncan	P. Kent
Town of Ladysmith	A. Stone
Town of Lake Cowichan	B. Day (Vice-chair)
District of North Cowichan	T. Walker
District of North Cowichan	J. Lefebure (Chair)
District of North Cowichan	K. Marsh
Electoral Area "A" – Mill Bay/Malahat	K. Davis
Electoral Area "B" – Shawnigan Lake	S. Furstenau
Electoral Area "C" – Cobble Hill	M. Clement
Electoral Area "D" – Cowichan Bay	L. Iannidinardo
Electoral Area "E" – Cowichan Station/Sahtlam/Glenora	A. Nicholson
Electoral Area "F" – Cowichan Lake South/Skutz Falls	I. Morrison
Electoral Area "G" – Saltair/Gulf Island	M. Dorey
Electoral Area "H" – North Oyster/Diamond	M. Marcotte
Electoral Area "I" – Youbou/Meade Creek	K. Kuhn

#### **OFFICERS**

Chief Administrative Officer -	B. Carruthers
Corporate Legislative Officer -	J. Barry
Corporate Financial Officer -	M. Kueber

**COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT**

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**FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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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 Professional 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.

Brian Carruthers  
Chief Administrative Officer

Sharon Moss, CPA, CGA  
Finance Manager



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BDO Canada LLP  
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Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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### To the Board of Directors of 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, 2015, and the Statement 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, 2015 and its results of operations and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Vancouver, British Columbia  
June 8, 2016

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2015

	2015	2014
<b>Financial Assets</b>		
Cash	\$ 5,687,555	\$ 5,269,619
Cash - Restricted	22,496,492	16,257,149
GST Receivable	-	1,205
Land - Future Hospital Site (Note 3)	<u>272,621</u>	<u>91,192</u>
<b>Total Financial Assets</b>	<u>28,456,668</u>	<u>21,619,165</u>
<b>Liabilities</b>		
Accrued Interest Payable	7,263	15,458
Long-Term Debt (Schedule D)	<u>620,602</u>	<u>777,812</u>
<b>Total Liabilities</b>	<u>627,865</u>	<u>793,270</u>
<b>Accumulated Surplus (Note 7)</b>	<u>\$ 27,828,803</u>	<u>\$ 20,825,895</u>

  
Sharon Moss, CPA, CGA  
Finance Manager

  
Jon Lefebure  
Chairperson

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

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**


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	Budget (Note 9)	2015	2014
<b>Revenue</b>			
Tax Requisition	\$ 8,289,633	\$ 8,289,632	\$ 7,689,632
Grants	-	5,645	5,014
Cash Distribution Surplus	-	90,935	78,912
Interest and Other Revenue	<u>50,000</u>	<u>215,922</u>	<u>197,745</u>
<b>Total Revenue</b>	<u>8,339,633</u>	<u>8,602,134</u>	<u>7,971,303</u>
<b>Expenses</b>			
Debenture Debt Interest	124,496	32,868	51,954
Other Expenses	60,000	60,022	60,022
Grants to Health Care Facilities (Schedule E)	<u>2,000,000</u>	<u>1,506,336</u>	<u>1,470,154</u>
<b>Total Expenses</b>	<u>2,184,496</u>	<u>1,599,226</u>	<u>1,582,130</u>
<b>Annual Surplus</b>	6,155,137	7,002,908	6,389,173
Opening, accumulated surplus	<u>20,825,895</u>	<u>20,825,895</u>	<u>14,436,722</u>
Ending, accumulated surplus	<u>\$ 26,981,032</u>	<u>\$ 27,828,803</u>	<u>\$ 20,825,895</u>

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

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**


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	2015	2014
<b>Operating Transactions</b>		
Annual Surplus (Statement 2)	\$ 7,002,908	\$ 6,389,173
Change in GST receivable	1,205	(1,205)
Change in accrued interest	(8,195)	(2,736)
Debt actuarial adjustments	(62,366)	(77,838)
Land future contributions	<u>(181,429)</u>	<u>(91,192)</u>
Net increase in cash from operations	<u>6,752,123</u>	<u>6,216,202</u>
<b>Financing Transactions</b>		
Principal debt repayments (Schedule D)	<u>(94,844)</u>	<u>(109,479)</u>
Net decrease in cash from financing	<u>(94,844)</u>	<u>(109,479)</u>
<b>Increase in Cash</b>	6,657,279	6,106,723
<b>Cash - Beginning of Year</b>	<u>21,526,768</u>	<u>15,420,045</u>
<b>Cash - End of Year</b>	<u>\$ 28,184,047</u>	<u>\$ 21,526,768</u>
 Breakdown of Cash		
Cash	\$ 5,687,555	\$ 5,269,619
Cash - Restricted	<u>22,496,492</u>	<u>16,257,149</u>
	<u>\$ 28,184,047</u>	<u>\$ 21,526,768</u>

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



## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

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#### 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 payable, 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.

##### 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 Care Facilities are government transfers.

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

#### 3. Land - Future Hospital Site

The Cowichan Valley Regional Hospital District Board has authorized that land be purchased for the site of the new hospital. The proposal has been agreed to by Vancouver Island Health Authority. The value of the land, plus all costs incurred to hold onto the land until transferred, will comprise part of the CVRHD's 40% future share for the new hospital.

#### 4. 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:

2016	2017	2018	2019	2020	Total
\$ 64,915	\$ 40,323	\$ 40,551	\$ 40,785	\$ 41,025	\$ <u>227,599</u>

#### 5. Related Party Transactions

The Cowichan Valley Regional District is related to the Cowichan Valley Regional Hospital District since the same individuals are members of the board of directors of both organizations.

During the year, administrative support services totaling \$60,000 (2014 - \$60,000) were charged to the Cowichan Valley Regional Hospital District (CVRHD) from the Cowichan Valley Regional District (CVRD). In addition, staff resources were supplied by the CVRD to the CVRHD to assist with purchasing a potential hospital site totaled \$50,000 (2014 - \$50,000).

#### 6. 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.

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**COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT**

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**6. 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, 2015 amounted to \$ 96,345 (2014 - \$129,657 ).

	2015	2014
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 32,590	\$ 40,622
Demand Notes - Cowichan Valley Regional Hospital District	<u>63,755</u>	<u>89,035</u>
	<u>\$ 96,345</u>	<u>\$ 129,657</u>

**7. Accumulated Surplus**

The Accumulated Surplus of \$27,828,803 (2014 - \$20,825,895 ) is made up of the following individual fund equity amounts.

	2015	2014
Revenue Fund Deficit (Schedule A)	\$ 65,519	\$ (247,172)
Reserve Fund (Schedule B)	28,383,886	21,850,879
Capital Fund (Schedule C)	<u>(620,602)</u>	<u>(777,812)</u>
Accumulated Surplus	<u>\$ 27,828,803</u>	<u>\$ 20,825,895</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.

**8. 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

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### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

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#### 9. Budget Figures

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 11, 2015 . 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)	\$ 6,155,137
Add:	
Transfer from Reserves	200,000
Less:	
Debt Principal Repayments	(94,844)
Transfer to Reserves	<u>(6,260,293)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 139	\$ <u>-</u>

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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**SCHEDULE OF REVENUE FUND ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**


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	Budget	2015	2014
<b>Revenue</b>			
Tax Requisition	\$ 8,289,633	\$ 8,289,632	\$ 7,689,632
Grants	-	5,645	5,014
Cash Distribution Surplus	-	90,935	78,912
Interest and Other Revenue	<u>50,000</u>	<u>55,185</u>	<u>67,541</u>
<b>Total Revenue</b>	<u>8,339,633</u>	<u>8,441,397</u>	<u>7,841,099</u>
<b>Expenses</b>			
Debenture Debt Interest	124,496	95,233	129,792
Other Expenses	<u>60,000</u>	<u>60,022</u>	<u>60,022</u>
<b>Total Expenses</b>	<u>184,496</u>	<u>155,255</u>	<u>189,814</u>
<b>Operating Surplus</b>	8,155,137	8,286,142	7,651,285
Transfer to Reserve Fund (Schedule B)	2,000,000	1,800,000	2,200,000
Transfer to Restricted Reserve Fund (Schedule B)	6,260,293	6,351,228	5,289,658
Transfer from Reserve Fund (Schedule B)	(200,000)	(272,621)	(91,192)
Principal Debt Repayments (Schedule D)	<u>94,844</u>	<u>94,844</u>	<u>109,479</u>
	<u>8,155,137</u>	<u>7,973,451</u>	<u>7,507,945</u>
<b>Change in Fund Balance</b>	-	312,691	143,340
<b>Beginning Fund Balance</b>	<u>-</u>	<u>(247,172)</u>	<u>(390,512)</u>
<b>Ending Fund Balance (Note 7)</b>	<u>\$ -</u>	<u>\$ 65,519</u>	<u>\$ (247,172)</u>

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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**SCHEDULE OF RESERVE FUND ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**


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	2015	2014
<b>Fund Balance, Beginning</b>	\$ 21,850,879	\$ 15,792,363
<b>Add:</b>		
Contribution from Revenue Fund (Schedule A)	8,151,228	7,489,658
Interest Earned on Restricted Reserve	160,736	130,204
<b>Less:</b>		
Land - Future Contributions	(272,621)	(91,192)
Grants to District Hospitals (Schedule E)	<u>(1,506,336)</u>	<u>(1,470,154)</u>
<b>Fund Balance, Ending (Note 7)</b>	\$ <u>28,383,886</u>	\$ <u>21,850,879</u>
 <b>Fund balance is composed of:</b>		
Section 20 Reserve	\$ 5,887,394	\$ 5,593,730
Restricted Reserve	<u>22,496,492</u>	<u>16,257,149</u>
	\$ <u>28,383,886</u>	\$ <u>21,850,879</u>

**COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT**

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**SCHEDULE OF CAPITAL FUND ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	2015	2014
<b>Fund Balance, Beginning</b>	\$ (777,812)	\$ (965,130)
Principal Debt Repayments (Schedule D)	94,844	109,479
Actuarial Adjustments	<u>62,366</u>	<u>77,839</u>
<b>Fund Balance, Ending (Note 7)</b>	\$ <u>(620,602)</u>	\$ <u>(777,812)</u>

## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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**SCHEDULE OF DEBENTURE DEBT  
AS AT DECEMBER 31, 2015**


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<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>
511	85/102	7.250%	2015	608,998	243,599	17,661	5,238
92	121	4.550%	2015	333,058	133,223	3,031	11,096
92	125	4.550%	2015	414,565	165,826	3,772	13,812
624	97	7.875%	2016	1,649,669	659,868	51,965	24,815
78	116	3.380%	2022	2,262,532	905,013	19,005	27,370
78	120	3.380%	2022	330,788	132,315	2,779	4,002
93	120	5.100%	2025	<u>435,523</u>	<u>174,209</u>	<u>5,216</u>	<u>8,511</u>
					2,414,053		
Less principal repayments and actuarial adjustments					<u>(1,793,451)</u>		
<b>TOTAL</b>				\$ <u>6,035,133</u>	\$ <u>620,602</u>	\$ <u>103,429</u>	\$ <u>94,844</u>
<b>TOTAL DEBT PAYMENT</b>							\$ <u>198,273</u>



## COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

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**SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES**  
**YEAR ENDED DECEMBER 31, 2015**


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	Total	2015	Total
	2014	Grants to health care facilities	2015
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Cowichan District	\$ 29,551,944	\$ 1,285,756	\$ 30,837,700
Nanaimo District	674,834	-	674,834
Chemainus	5,126,731	218,171	5,344,902
Ladysmith	<u>2,345,633</u>	<u>2,409</u>	<u>2,348,042</u>
	<u>\$ 37,699,142</u>	<u>\$ 1,506,336</u>	<u>\$ 39,205,478</u>