



**COWICHAN VALLEY
REGIONAL HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2016**

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2016

BOARD OF DIRECTORS

City of Duncan	S. Jackson
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

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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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 and the Board to discuss their audit findings.

Brian Carruthers
Chief Administrative Officer

Sharon Moss, CPA, CGA
Finance Manager



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Independent Auditor's Report

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, 2016, 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, 2016 and its results of operations and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Supplemental Information

The supplementary financial information presented in Schedules A to E is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the main financial statements. The supplementary information has not been subject to audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 28, 2017

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
Financial Assets		
Cash	\$ 5,930,534	\$ 5,687,555
Cash - Restricted	14,194,041	22,496,492
Portfolio Investments - Restricted (Note 3)	13,002,615	-
Land - Future Hospital Site (Note 4)	<u>3,228,063</u>	<u>272,621</u>
Total Financial Assets	<u>36,355,253</u>	<u>28,456,668</u>
Liabilities		
Accounts Payable	18,600	-
Accrued Interest Payable	2,744	7,263
Long-Term Debt (Schedule D)	<u>511,775</u>	<u>620,602</u>
Total Liabilities	<u>533,119</u>	<u>627,865</u>
Accumulated Surplus (Note 8)	<u>\$ 35,822,134</u>	<u>\$ 27,828,803</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

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Note 10)	2016	2015
Revenue			
Tax Requisition	\$ 9,289,633	\$ 9,289,633	\$ 8,289,632
Grants	-	5,423	5,645
Cash Distribution Surplus	-	37,435	90,935
Interest and Other Revenue	<u>50,000</u>	<u>248,638</u>	<u>215,922</u>
Total Revenue	<u>9,339,633</u>	<u>9,581,129</u>	<u>8,602,134</u>
Expenses			
Debenture Debt Interest	71,507	30,095	32,868
Administrative Support (Note 6)	60,000	60,000	60,022
Grants to Health Care Facilities (Schedule E)	<u>5,000,000</u>	<u>1,497,703</u>	<u>1,506,336</u>
Total Expenses	<u>5,131,507</u>	<u>1,587,798</u>	<u>1,599,226</u>
Annual Surplus	4,208,126	7,993,331	7,002,908
Opening, accumulated surplus	<u>27,828,803</u>	<u>27,828,803</u>	<u>20,825,895</u>
Ending, accumulated surplus	<u>\$ 32,036,929</u>	<u>\$ 35,822,134</u>	<u>\$ 27,828,803</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, 2016

	2016	2015
Operating Transactions		
Annual Surplus (Statement 2)	\$ 7,993,331	\$ 7,002,908
Change in GST receivable	-	1,205
Change in accounts payable	18,600	-
Change in accrued interest	(4,519)	(8,195)
Debt actuarial adjustments	<u>(43,911)</u>	<u>(62,366)</u>
Net increase in cash from operations	<u>7,963,501</u>	<u>6,933,552</u>
Investing Transactions		
Investments in portfolios	(13,002,615)	-
Land future contributions	<u>(2,955,442)</u>	<u>(181,429)</u>
Net increase/(decrease) in cash from investing	<u>(15,958,057)</u>	<u>(181,429)</u>
Financing Transactions		
Principal debt repayments (Schedule D)	<u>(64,916)</u>	<u>(94,844)</u>
Net decrease in cash from financing	<u>(64,916)</u>	<u>(94,844)</u>
Increase/(Decrease) in Cash	(8,059,472)	6,657,279
Cash - Beginning of Year	<u>28,184,047</u>	<u>21,526,768</u>
Cash - End of Year	<u>\$ 20,124,575</u>	<u>\$ 28,184,047</u>
 Breakdown of Cash		
Cash	\$ 5,930,534	\$ 5,687,555
Cash - Restricted	<u>14,194,041</u>	<u>22,496,492</u>
	<u>\$ 20,124,575</u>	<u>\$ 28,184,047</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

1. **Purpose**

The Cowichan Valley Regional Hospital District (CVRHD) 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, portfolio investments, 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 considered government transfers.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

3. Portfolio Investments

Portfolio investments are Municipal Finance Authority (MFA) Money Market funds of \$13,002,615 (2015 - \$ 0). These pooled investments are recorded at market value which approximates cost. Interest income on investments has been allocated to restricted reserves. The yield on funds for 2016 was .81%.

4. 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 funding commitment for the new hospital.

5. 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, supplementary information to these consolidated financial statements.

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

2017	2018	2019	2020	2021	Total
\$ 40,323	\$ 40,551	\$ 40,785	\$ 41,025	\$ 41,271	\$ <u>203,955</u>

6. 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 (2015 - \$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 \$3,327 (2015 - \$50,000).

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

7. 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.

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, 2016 amounted to \$ 58,966 (2015 - \$ 96,345).

	2016	2015
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 20,438	\$ 32,590
Demand Notes - Cowichan Valley Regional Hospital District	<u>38,528</u>	<u>63,755</u>
	<u>\$ 58,966</u>	<u>\$ 96,345</u>

8. Accumulated Surplus

The Accumulated Surplus of \$35,822,134 (2015 - \$27,828,803) is made up of the following individual fund equity amounts.

	2016	2015
Revenue Fund Deficit (Schedule A)	\$ 2,949,063	\$ 65,519
Reserve Fund (Schedule B)	33,384,846	28,383,886
Capital Fund (Schedule C)	<u>(511,775)</u>	<u>(620,602)</u>
Accumulated Surplus	<u>\$ 35,822,134</u>	<u>\$ 27,828,803</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.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

9. **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.

10. **Budget Figures**

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 9, 2016 . 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)	\$ 4,208,126
Add:	
Transfer from Reserves	3,200,000
Less:	
Debt Principal Repayments	(64,915)
Transfer to Reserves	<u>(7,343,211)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 140	\$ <u>-</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF REVENUE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(unaudited)

	Budget	2016	2015
Revenue			
Tax Requisition	\$ 9,289,633	\$ 9,289,633	\$ 8,289,632
Grants	-	5,423	5,645
Cash Distribution Surplus	-	37,435	90,935
Interest and Other Revenue	<u>50,000</u>	<u>66,371</u>	<u>55,185</u>
Total Revenue	<u>9,339,633</u>	<u>9,398,862</u>	<u>8,441,397</u>
Expenses			
Debenture Debt Interest	71,507	74,006	95,233
Administrative Support (Note 6)	<u>60,000</u>	<u>60,000</u>	<u>60,022</u>
Total Expenses	<u>131,507</u>	<u>134,006</u>	<u>155,255</u>
Operating Surplus	9,208,126	9,264,856	8,286,142
Transfer to Reserve Fund (Schedule B)	5,000,000	1,800,000	1,800,000
Transfer to Restricted Reserve Fund (Schedule B)	7,343,211	7,380,646	6,351,228
Transfer from Reserve Fund (Schedule B)	(3,200,000)	(2,864,250)	(272,621)
Principal Debt Repayments (Schedule D)	<u>64,915</u>	<u>64,916</u>	<u>94,844</u>
	<u>9,208,126</u>	<u>6,381,312</u>	<u>7,973,451</u>
Change in Fund Balance	-	2,883,544	312,691
Beginning Fund Balance	<u>-</u>	<u>65,519</u>	<u>(247,172)</u>
Ending Fund Balance (Note 8)	<u>\$ -</u>	<u>\$ 2,949,063</u>	<u>\$ 65,519</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(unaudited)

	2016	2015
Fund Balance, Beginning	\$ 28,383,886	\$ 21,850,879
Add:		
Contribution from Revenue Fund (Schedule A)	9,180,646	8,151,228
Interest Earned on Restricted Reserve	182,267	160,736
Less:		
Land - Future Contributions	(2,864,250)	(272,621)
Grants to District Hospitals (Schedule E)	<u>(1,497,703)</u>	<u>(1,506,336)</u>
Fund Balance, Ending (Note 8)	<u>\$ 33,384,846</u>	<u>\$ 28,383,886</u>
 Fund balance is composed of:		
Section 20 Reserve	\$ 6,189,690	\$ 5,887,394
Restricted Reserve	<u>27,195,156</u>	<u>22,496,492</u>
	<u>\$ 33,384,846</u>	<u>\$ 28,383,886</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(unaudited)**

	2016	2015
Fund Balance, Beginning	\$ (620,602)	\$ (777,812)
Principal Debt Repayments (Schedule D)	64,916	94,844
Actuarial Adjustments	<u>43,911</u>	<u>62,366</u>
Fund Balance, Ending (Note 8)	<u><u>\$ (511,775)</u></u>	<u><u>\$ (620,602)</u></u>

Issue No.	Bylaw No.	Interest Rate	Maturity Date	Authorized and Issued	Regional Dist. Share	Debt Payments	
						Interest	Principal
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>4,776</u>	<u>8,729</u>
					1,871,405		
Less principal repayments and actuarial adjustments					<u>(1,359,630)</u>		
TOTAL				<u>\$ 4,678,512</u>	<u>\$ 511,775</u>	<u>\$ 78,525</u>	<u>\$ 64,916</u>
TOTAL DEBT PAYMENT							<u>\$ 143,441</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES
YEAR ENDED DECEMBER 31, 2016
(unaudited)

	Total	2016	Total
	2015	Grants to health care facilities	2016
	<hr/>	<hr/>	<hr/>
Cowichan District	\$ 30,837,700	\$ 1,415,224	\$ 32,252,924
Nanaimo District	674,834	-	674,834
Chemainus	5,344,902	36,489	5,381,391
Ladysmith	<u>2,348,042</u>	<u>45,990</u>	<u>2,394,032</u>
	<u>\$ 39,205,478</u>	<u>\$ 1,497,703</u>	<u>\$ 40,703,181</u>