



**COWICHAN VALLEY
REGIONAL HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2017**

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2017

BOARD OF DIRECTORS

City of Duncan	S. Jackson
Town of Ladysmith	A. Stone
Town of Lake Cowichan	B. Day
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. Acton
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 (Vice-Chair)
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, 2017**

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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

Mark Kueber, CPA, CGA
General Manager, Corporate Services



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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, 2017, 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 our 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, 2017 and its results of operations, changes in net financial assets, and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

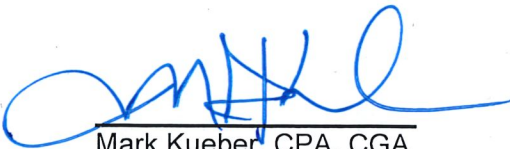
Chartered Professional Accountants

Vancouver, British Columbia
June 27, 2018

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
Financial Assets		
Cash	\$ 6,694,969	\$ 5,930,534
Cash - Restricted	14,242,279	14,194,041
Portfolio Investments - Restricted (Note 3)	20,579,668	13,002,615
Land - Future Hospital Site (Note 4)	<u>3,315,578</u>	<u>3,228,063</u>
Total Financial Assets	<u>44,832,494</u>	<u>36,355,253</u>
Liabilities		
Accounts Payable	-	18,600
Accrued Interest Payable	2,756	2,744
Long-Term Debt (Schedule D)	<u>440,710</u>	<u>511,775</u>
Total Liabilities	<u>443,466</u>	<u>533,119</u>
Accumulated Surplus (Note 8)	<u>\$ 44,389,028</u>	<u>\$ 35,822,134</u>


Mark Kueber, CPA, CGA
General Manager, Corporate Services
Jon Lefebure
Chairperson

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Note 10)	2017	2016
Revenue			
Tax Requisition	\$ 9,339,633	\$ 9,339,633	\$ 9,289,633
Grants	-	6,323	5,423
Cash Distribution Surplus	-	-	37,435
Actuarial	-	30,742	-
Interest and Other Revenue	<u>50,000</u>	<u>365,977</u>	<u>248,638</u>
Total Revenue	<u>9,389,633</u>	<u>9,742,675</u>	<u>9,581,129</u>
Expenses			
Debenture Debt Interest	26,001	26,121	30,095
Administrative Support (Note 6)	110,000	64,589	60,000
Grants to Health Care Facilities (Schedule E)	<u>2,400,000</u>	<u>1,085,071</u>	<u>1,497,703</u>
Total Expenses	<u>2,536,001</u>	<u>1,175,781</u>	<u>1,587,798</u>
Annual Surplus	6,853,632	8,566,894	7,993,331
Opening, accumulated surplus	<u>35,822,134</u>	<u>35,822,134</u>	<u>27,828,803</u>
Ending, accumulated surplus	<u>\$ 42,675,766</u>	<u>\$ 44,389,028</u>	<u>\$ 35,822,134</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, 2017

	2017	2016
Operating Transactions		
Annual Surplus (Statement 2)	\$ 8,566,894	\$ 7,993,331
Change in accounts payable	(18,600)	18,600
Change in accrued interest	12	(4,519)
Debt actuarial adjustments	<u>(30,742)</u>	<u>(43,911)</u>
Net increase in cash from operations	<u>8,517,564</u>	<u>7,963,501</u>
Investing Transactions		
Investments in portfolios	(7,577,053)	(13,002,615)
Land future contributions	<u>(87,515)</u>	<u>(2,955,442)</u>
Net decrease in cash from investing	<u>(7,664,568)</u>	<u>(15,958,057)</u>
Financing Transactions		
Principal debt repayments (Schedule D)	<u>(40,323)</u>	<u>(64,916)</u>
Net decrease in cash from financing	<u>(40,323)</u>	<u>(64,916)</u>
Increase/(Decrease) in Cash	812,673	(8,059,472)
Cash - Beginning of Year	<u>20,124,575</u>	<u>28,184,047</u>
Cash - End of Year	<u>\$ 20,937,248</u>	<u>\$ 20,124,575</u>
 Breakdown of Cash		
Cash	\$ 6,694,969	\$ 5,930,534
Cash - Restricted	<u>14,242,279</u>	<u>14,194,041</u>
	<u>\$ 20,937,248</u>	<u>\$ 20,124,575</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 issued at the inception of debenture issues. Sinking fund assets are recorded at the cost amount of the contributions made, plus actuarial amounts.

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, 2017

3. Portfolio Investments

Portfolio investments are Municipal Finance Authority (MFA) Money Market funds of \$ 20,579,668 (2016 - \$ 13,002,615). 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 2017 was .97% (2016 - .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.

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

2018	2019	2020	2021	2022	Total
\$ 40,551	\$ 40,785	\$ 41,025	\$ 41,271	\$ 41,524	\$ <u>205,156</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 \$64,589 (2016 - \$60,000) were charged to the Cowichan Valley Regional Hospital District (CVRHD) from the Cowichan Valley Regional District (CVRD).

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

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, 2017 amounted to \$ 59,365 (2016 - \$ 58,966).

	2017	2016
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 20,837	\$ 20,438
Demand Notes - Cowichan Valley Regional Hospital District	<u>38,528</u>	<u>38,528</u>
	<u>\$ 59,365</u>	<u>\$ 58,966</u>

8. Accumulated Surplus

The Accumulated Surplus of \$44,356,912 (2016 - \$35,822,134) is made up of the following individual fund equity amounts.

	2017	2016
Revenue Fund (Schedule A)	\$ 3,072,555	\$ 2,949,063
Reserve Fund (Schedule B)	41,725,067	33,384,846
Capital Fund (Schedule C)	<u>(440,710)</u>	<u>(511,775)</u>
Accumulated Surplus	<u>\$ 44,356,912</u>	<u>\$ 35,822,134</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, 2017**

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 February 22, 2017. 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)	\$ 6,853,632
Add:	
Transfer from Reserves	600,000
Less:	
Debt Principal Repayments	(40,323)
Transfer to Reserves	<u>(7,413,309)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 141	<u>\$ -</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF REVENUE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)**

	Budget	2017	2016
Revenue			
Tax Requisition	\$ 9,339,633	\$ 9,339,633	\$ 9,289,633
Grants	-	6,323	5,423
Cash Distribution Surplus	-	-	37,435
Interest and Other Revenue	<u>50,000</u>	<u>66,479</u>	<u>66,371</u>
Total Revenue	<u>9,389,633</u>	<u>9,412,435</u>	<u>9,398,862</u>
Expenses			
Debenture Debt Interest	26,001	26,121	74,006
Administrative Support (Note 6)	<u>110,000</u>	<u>64,589</u>	<u>60,000</u>
Total Expenses	<u>136,001</u>	<u>90,710</u>	<u>134,006</u>
Operating Surplus	9,253,632	9,321,725	9,264,856
Transfer to Reserve Fund (Schedule B)	2,400,000	1,800,000	1,800,000
Transfer to Restricted Reserve Fund (Schedule B)	7,413,309	7,413,309	7,380,646
Transfer from Reserve Fund (Schedule B)	(600,000)	(87,515)	(2,864,250)
Principal Debt Repayments (Schedule D)	<u>40,323</u>	<u>40,323</u>	<u>64,916</u>
	<u>9,253,632</u>	<u>9,166,117</u>	<u>6,381,312</u>
Change in Fund Balance	-	155,608	2,883,544
Beginning Fund Balance	<u>-</u>	<u>2,949,063</u>	<u>65,519</u>
Ending Fund Balance (Note 8)	<u>\$ -</u>	<u>\$ 3,104,671</u>	<u>\$ 2,949,063</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)

	2017	2016
Fund Balance, Beginning	\$ 33,384,846	\$ 28,383,886
Add:		
Contribution from Revenue Fund (Schedule A)	9,213,309	9,180,646
Interest Earned on Restricted Reserve	299,498	182,267
Less:		
Land - Future Contributions	(87,515)	(2,864,250)
Grants to District Hospitals (Schedule E)	<u>(1,085,071)</u>	<u>(1,497,703)</u>
Fund Balance, Ending (Note 8)	\$ <u>41,725,067</u>	\$ <u>33,384,846</u>

Fund balance is composed of:

Section 20 Reserve	\$ 6,904,620	\$ 6,189,690
Restricted Reserve	<u>34,820,447</u>	<u>27,195,156</u>
	\$ <u>41,725,067</u>	\$ <u>33,384,846</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)

	2017	2016
Fund Balance, Beginning	\$ (511,775)	\$ (620,602)
Principal Debt Repayments (Schedule D)	40,323	64,916
Actuarial Adjustments	<u>30,742</u>	<u>43,911</u>
Fund Balance, Ending (Note 8)	\$ <u>(440,710)</u>	\$ <u>(511,775)</u>

Issue No.	Bylaw No.	Interest Rate	Maturity Date	Authorized and Issued	Regional Dist. Share	Debt Payments	
						Interest	Principal
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>4,325</u>	<u>8,951</u>
					1,211,537		
Less principal repayments and actuarial adjustments					<u>(770,827)</u>		
TOTAL				\$ <u>3,028,843</u>	\$ <u>440,710</u>	\$ <u>26,109</u>	\$ <u>40,323</u>
TOTAL DEBT PAYMENT							\$ <u>66,432</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES
YEAR ENDED DECEMBER 31, 2017
(unaudited)

	Total	2017	Total
	2016	Grants to health care facilities	2017
	<u> </u>	<u> </u>	<u> </u>
Cowichan District	\$ 32,252,924	\$ 986,480	\$ 33,239,403
Nanaimo District	674,834	-	674,834
Chemainus	5,381,391	71,580	5,452,971
Ladysmith	<u>2,394,032</u>	<u>27,011</u>	<u>2,421,043</u>
	<u>\$ 40,703,181</u>	<u>\$ 1,085,071</u>	<u>\$ 41,788,251</u>