



**COWICHAN VALLEY
REGIONAL HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2018**

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2018

BOARD OF DIRECTORS

City of Duncan	M. Staples
Town of Ladysmith	A. Stone
Town of Lake Cowichan	T. McGonigle
District of North Cowichan	K. Marsh
District of North Cowichan	A. Siebring
District of North Cowichan	D. Toporowski
Electoral Area "A" – Mill Bay/Malahat	B. Salmon
Electoral Area "B" – Shawnigan Lake	S. Acton (Vice-Chair)
Electoral Area "C" – Cobble Hill	M. Wilson
Electoral Area "D" – Cowichan Bay	L. Iannidinaro
Electoral Area "E" – Cowichan Station/Sahtlam/Glenora	A. Nicholson
Electoral Area "F" – Cowichan Lake South/Skutz Falls	I. Morrison (Chair)
Electoral Area "G" – Saltair/Gulf Island	L. Smith
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 -	N. Wehner

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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Management's Responsibility for Financial Reporting

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 fulfills 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.

Natalie Wehner, CPA, CMA
Corporate Financial Officer

Brian Carruthers
Chief Administrative Officer

April 10, 2019

Independent Auditor's Report

To the Board of Directors of the Cowichan Valley Regional Hospital District

Opinion

We have audited the financial statements of the Cowichan Valley Regional Hospital District ("CVRHD") which comprise the Statement of Financial Position as at December 31, 2018 and the Statements Operations and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, CVRHD financial statements present fairly, in all material respects, the financial position of CVRHD as at December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CVRHD 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 for 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 CVRHD'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 either intends to liquidate CVRHD, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CVRHD's financial reporting process.

Auditor's 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 auditor's 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 users taken on the basis of these financial statements. 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.



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- 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 CVRHD'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 CVRHD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However future events or conditions may cause CVRHD 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.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 10, 2019

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
Financial Assets		
Cash	\$ 6,729,136	\$ 6,694,969
Cash - Restricted	23,946,203	14,242,279
Portfolio Investments - Restricted (Note 3)	20,919,178	20,579,668
Land - Future Hospital Site (Note 4)	<u>3,336,886</u>	<u>3,315,578</u>
Total Financial Assets	<u>54,931,403</u>	<u>44,832,494</u>
Liabilities		
Accrued Interest Payable	2,646	2,756
Debenture Debt (Schedule D)	<u>366,312</u>	<u>440,710</u>
Total Liabilities	<u>368,958</u>	<u>443,466</u>
Accumulated Surplus (Note 8)	<u>\$ 54,562,445</u>	<u>\$ 44,389,028</u>



Natalie Wehner, CPA, CMA
Corporate Financial Officer



Ian Morrison
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, 2018

	Budget (Note 10)	2018	2017
Revenue			
Tax Requisition	\$ 10,291,063	\$ 10,291,063	\$ 9,339,633
Grants	-	7,013	6,323
Actuarial	-	33,848	30,742
Interest and Other Revenue	<u>50,000</u>	<u>822,480</u>	<u>365,977</u>
Total Revenue	<u>10,341,063</u>	<u>11,154,404</u>	<u>9,742,675</u>
Expenses			
Debenture Debt Interest	27,203	27,094	26,121
Administrative Support (Note 6)	60,000	190,733	64,589
Grants to Health Care Facilities (Schedule E)	<u>7,520,000</u>	<u>763,160</u>	<u>1,085,071</u>
Total Expenses	<u>7,607,203</u>	<u>980,987</u>	<u>1,175,781</u>
Annual Surplus	2,733,860	10,173,417	8,566,894
Opening, accumulated surplus	<u>44,389,028</u>	<u>44,389,028</u>	<u>35,822,134</u>
Ending, accumulated surplus	<u>\$ 47,122,888</u>	<u>\$ 54,562,445</u>	<u>\$ 44,389,028</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, 2018

	2018	2017
Operating Transactions		
Annual Surplus	\$ 10,173,417	\$ 8,566,894
Change in accounts payable	-	(18,600)
Change in accrued interest	(110)	12
Debt actuarial adjustments	(33,848)	(30,742)
Net increase in cash from operations	<u>10,139,459</u>	<u>8,517,564</u>
Investing Transactions		
Investments in portfolios	(339,509)	(7,577,053)
Land future contributions	<u>(21,308)</u>	<u>(87,515)</u>
Net decrease in cash from investing	<u>(360,817)</u>	<u>(7,664,568)</u>
Financing Transactions		
Principal debt repayments (Schedule D)	<u>(40,551)</u>	<u>(40,323)</u>
Net decrease in cash from financing	<u>(40,551)</u>	<u>(40,323)</u>
Increase in Cash	9,738,091	812,673
Cash - Beginning of Year	<u>20,937,248</u>	<u>20,124,575</u>
Cash - End of Year	<u>\$ 30,675,339</u>	<u>\$ 20,937,248</u>
Breakdown of Cash		
Cash	\$ 6,729,136	\$ 6,694,969
Cash - Restricted	<u>23,946,203</u>	<u>14,242,279</u>
	<u>\$ 30,675,339</u>	<u>\$ 20,937,248</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

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) Debenture Debt

The Hospital District records net debt issued at the inception of 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, 2018**

3. Portfolio Investments

Portfolio investments are Municipal Finance Authority (MFA) Money Market funds of \$ 20,919,178 (2017 - \$ 20,579,668). 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 2018 was 1.65% (2017 - .97%).

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 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. 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:

2019	2020	2021	2022	2023	Total
\$ 40,785	\$ 41,025	\$ 41,271	\$ 41,524	\$ 10,411	\$ <u>175,016</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 (2017 - \$64,589) 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, 2018**

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 in the financial statements and as at December 31, 2018 amounted to \$ 59,818 (2017 - \$ 59,365).

	2018	2017
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 21,290	\$ 20,837
Demand Notes - Cowichan Valley Regional Hospital District	<u>38,528</u>	<u>38,528</u>
	<u>\$ 59,818</u>	<u>\$ 59,365</u>

8. Accumulated Surplus

The Accumulated Surplus of \$54,562,445 (2017 - \$44,389,028) is made up of the following individual fund equity amounts.

	2018	2017
Revenue Fund (Schedule A)	\$ 3,057,790	\$ 3,104,671
Reserve Fund (Schedule B)	51,870,967	41,725,067
Capital Fund (Schedule C)	<u>(366,312)</u>	<u>(440,710)</u>
Accumulated Surplus	<u>\$ 54,562,445</u>	<u>\$ 44,389,028</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, 2018**

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 28, 2018. 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)	\$ 2,733,860
Add:	
Transfer from Reserves	5,720,000
Less:	
Debt Principal Repayments	(40,551)
Transfer to Reserves	<u>(8,413,309)</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, 2018
(unaudited)

	Budget	2018	2017
Revenue			
Tax Requisition	\$ 10,291,063	\$ 10,291,063	\$ 9,339,633
Grants	-	7,013	6,323
Interest and Other Revenue	<u>50,000</u>	<u>126,729</u>	<u>66,479</u>
Total Revenue	<u>10,341,063</u>	<u>10,424,805</u>	<u>9,412,435</u>
Expenses			
Debenture Debt Interest	27,203	27,093	26,121
Administrative Support (Note 6)	<u>60,000</u>	<u>190,733</u>	<u>64,589</u>
Total Expenses	<u>87,203</u>	<u>217,826</u>	<u>90,710</u>
Operating Surplus	10,253,860	10,206,979	9,321,725
Transfer to Reserve Fund (Schedule B)	7,520,000	1,800,000	1,800,000
Transfer to Restricted Reserve Fund (Schedule B)	8,413,309	8,413,309	7,413,309
Transfer from Reserve Fund (Schedule B)	(5,720,000)	-	(87,515)
Principal Debt Repayments (Schedule D)	<u>40,551</u>	<u>40,551</u>	<u>40,323</u>
	<u>10,253,860</u>	<u>10,253,860</u>	<u>9,166,117</u>
Change in Fund Balance	-	(46,881)	155,608
Beginning Fund Balance	<u>-</u>	<u>3,104,671</u>	<u>2,949,063</u>
Ending Fund Balance (Note 8)	<u>\$ -</u>	<u>\$ 3,057,790</u>	<u>\$ 3,104,671</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(unaudited)**

	2018	2017
Fund Balance, Beginning	\$ 41,725,067	\$ 33,384,846
Add:		
Contribution from Revenue Fund (Schedule A)	10,213,309	9,213,309
Interest Earned on Restricted Reserve	695,751	299,498
Less:		
Land - Future Contributions	-	(87,515)
Grants to District Hospitals (Schedule E)	<u>(763,160)</u>	<u>(1,085,071)</u>
Fund Balance, Ending (Note 8)	<u>\$ 51,870,967</u>	<u>\$ 41,725,067</u>
 Fund balance is composed of:		
Section 20 Reserve	\$ 7,941,460	\$ 6,904,620
Restricted Reserve	<u>43,929,507</u>	<u>34,820,447</u>
	<u>\$ 51,870,967</u>	<u>\$ 41,725,067</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(unaudited)**

	2018	2017
Fund Balance, Beginning	\$ (440,710)	\$ (511,775)
Principal Debt Repayments (Schedule D)	40,551	40,323
Actuarial Adjustments	<u>33,848</u>	<u>30,742</u>
Fund Balance, Ending (Note 8)	\$ <u>(366,312)</u>	\$ <u>(440,710)</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF DEBENTURE DEBT
AS AT DECEMBER 31, 2018
(unaudited)**

<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>
78	116	3.380%	2022	2,262,532	905,013	20,363	27,370
78	120	3.380%	2022	330,788	132,315	2,977	4,002
93	120	5.100%	2025	<u>435,523</u>	<u>174,209</u>	<u>3,863</u>	<u>9,179</u>
					1,211,537		
					<u>(845,225)</u>		
TOTAL				\$ <u>3,028,843</u>	\$ <u>366,312</u>	\$ <u>27,203</u>	\$ <u>40,551</u>
TOTAL DEBT PAYMENT							\$ <u>67,754</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES
YEAR ENDED DECEMBER 31, 2018
 (unaudited)

	Total 2017	2018 Grants to health care facilities	Total 2018
	<u> </u>	<u> </u>	<u> </u>
Cowichan District	\$ 33,239,403	\$ 606,453	\$ 33,845,857
Nanaimo District	674,834	-	674,834
Chemainus	5,452,971	156,707	5,609,678
Ladysmith	<u>2,421,043</u>	<u>-</u>	<u>2,421,043</u>
	<u>\$ 41,788,251</u>	<u>\$ 763,160</u>	<u>\$ 42,551,412</u>