

Fraser Valley Regional Hospital District

2017 Consolidated Financial Statements

Year Ended December 31, 2017

Fraser Valley Regional Hospital District

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**Fraser Valley Regional Hospital District
Management's Responsibility for Financial Reporting**

For the year ended December 31st, 2017

The financial Statements have been prepared by management in accordance with Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Board. The Board reviews the external financial statements on an annual basis.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Regional Hospital District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to financial management of the Regional Hospital District and meet when required.

On behalf of the Fraser Valley Regional Hospital District



Mike Veenbaas, CPA, CMA
Director of Financial Services/Chief Financial Officer
April 24, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Valley Regional Hospital District

We have audited the accompanying consolidated financial statements of Fraser Valley Regional Hospital District, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and deficit, changes in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fraser Valley Regional Hospital District as at December 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants

April 24, 2018

Chilliwack, Canada

**Fraser Valley Regional Hospital District
Consolidated Statement of Financial Position**

For the year ended December 31 **2017** 2016

Financial Assets

Cash and Cash Equivalents (Note 1)	\$	3,763,409	\$	4,839,446
Accounts Receivable (Note 2)		23,767		158,377
MFA Debt Reserve Cash (Note 3)		841,286		825,193
Accrued Interest		185,657		189,623
Investments (Note 4)		24,287,085		18,766,327
		29,101,204		24,778,966

Financial Liabilities

Accrued Interest		79,835		134,180
Accounts Payable (Note 5)		16,923		15,164
Debenture Debt (Note 6)		37,810,537		40,705,750
		37,907,295		40,855,094

Net Debt \$ **(8,806,091)** \$ (16,076,128)

Non-financial Assets

Tangible Capital Assets (Note 7)		1,484,133		1,200,814
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Accumulated Deficit \$ **(7,321,958)** \$ (14,875,314)



Chief Financial Officer

**Fraser Valley Regional Hospital District
Consolidated Statement of Operations and Deficit**

For the year ended December 31	Budget 2017	Actual 2017	Actual 2016
Revenues			
Requisition from members and participants	\$ 10,924,000	\$ 10,905,946	\$ 10,942,055
Investment income	418,100	403,618	332,820
Grants in place of taxes	160,000	146,488	159,448
Interest & other revenue	4,000	11,314	3,277
Interest on MFA cash reserve	-	16,093	22,438
Total Revenue	11,506,100	11,483,459	11,460,038
Expenses:			
Transfer to Fraser Health Authority	3,000,000	1,800,000	1,584,000
Transfer to Hospital Foundations	-	643,150	-
Interest on long term debt	2,030,130	1,145,014	1,856,720
Administration charge	294,250	294,000	294,000
Operating expenses	-	33,028	3,485
Amortization	-	14,911	-
Total Expenses	5,324,380	3,930,103	3,738,205
Annual Surplus	\$ 6,181,720	\$ 7,553,356	\$ 7,721,833
Accumulated Deficit, beginning of year	\$ (14,875,314)	\$ (14,875,314)	\$ (22,597,147)
Accumulated Deficit, end of year	\$ (8,693,594)	\$ (7,321,958)	\$ (14,875,314)

**Fraser Valley Regional District Hospital
Consolidated Statement of Changes in Net Debt**

For the year ended December 31	2017	2016
Annual Surplus	\$ 7,553,356	\$ 7,721,833
Acquisition of tangible capital assets	(298,230)	-
Amortization of tangible capital assets	14,911	-
Change in net debt	7,270,037	7,721,833
Net debt, beginning of year	\$ (16,076,128)	\$ (23,797,961)
Net Debt, end of year	\$ (8,806,091)	\$ (16,076,128)

Represented by:

Current Fund (Note 8)	467,046	1,165,567
Reserve Funds (Note 9)	28,617,235	23,598,235
Amount to be recovered from future requisitions	(37,890,372)	(40,839,930)
	\$ (8,806,091)	\$ (16,076,128)

**Fraser Valley Regional District Hospital
Consolidated Statement of Cash Flows**

For the year ended December 31	2017	2016
Operations		
Annual Surplus	\$ 7,553,356	\$ 7,721,833
Items not involving cash		
Amortization of tangible capital assets	14,911	
Change in non-cash operating items		
Accounts receivable and accrued interest	122,483	4,058
Accounts payable	1,759	(850,787)
Accrued interest payable	(54,345)	(171,389)
	<u>7,638,164</u>	<u>6,703,715</u>
Capital activities:		
Acquisition of tangible capital assets	(298,230)	-
	<u>(298,230)</u>	<u>-</u>
Financing		
Debt principal payments	(2,895,213)	(2,783,859)
	<u>(2,895,213)</u>	<u>(2,783,859)</u>
Investing		
Decrease (increase) in portfolio investments	(5,520,758)	891,971
	<u>(5,520,758)</u>	<u>891,971</u>
Increase (decrease) in cash during the year	(1,076,037)	4,811,827
Cash and cash equivalents, beginning of year	4,839,446	27,619
Cash and cash equivalents, end of year	\$ 3,763,409	\$ 4,839,446

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2017

The Fraser Valley Regional Hospital District (“Hospital District”) is a governing agency for the hospitals in the Fraser Valley region and is incorporated under the Hospital District Act. The Hospital District covers hospitals located in Hope, Chilliwack, Abbotsford, and Mission. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Fraser Valley Regional District.

Basis of Presentation	The Hospital District financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants. All material inter-fund transactions have been eliminated.
Revenue and Expenditure Recognition	Accounting for all funds is done on the full accrual basis.
Investments	Investments are portfolio investments recorded at cost plus accrued interest, less any provisions for other than temporary impairment.
Use of Estimates	The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and at the date of the financial statements, and reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.
Administration Costs	Pursuant to Hospital District Bylaw 0066,2017 and Section 17(2) of the Hospital District Act, administration fees of \$294,000 (2016 - \$294,000) were paid by the Hospital District to the Fraser Valley Regional District.
Financial instruments	Financial instruments consist of cash, cash equivalents, accounts receivable, investments, accounts payable, accrued liabilities and other current liabilities. The Hospital District classifies its cash and cash equivalents as held- for- trading, accounts receivable as held to maturity and its accounts payable and other current liabilities as other financial liabilities. The Hospital District does not currently have any derivative instruments requiring recording on the statement of financial position. The fair values of the Hospital District's financial instruments approximate their carrying value unless otherwise noted. It is management's opinion that the Hospital District is not exposed to significant interest, currency or credit risk relating to its financial instruments.

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2017

Non-Financial Assets

Non-financial assets are not available to discharge existing liability and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life – Years
Parking Lot	20

Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements

For the year ended December 31st, 2017

1 Cash and Cash Equivalents

On occasion the Hospital District will utilize Broker's Banks (high-interest savings accounts) and Cashable Term Deposits for short term or temporary investments.

	<u>2017</u>	<u>2016</u>
Cash	\$ 110,483	\$ 308,752
Cashable Term Deposit @ 1.5%	2,598,521	4,530,694
High Interest Savings Account	<u>1,054,405</u>	<u>-</u>
	<u>\$ 3,763,409</u>	<u>\$ 4,839,446</u>

2 Accounts Receivable

	<u>2017</u>	<u>2016</u>
Local Governments	\$ -	\$ 150,365
Federal/Provincial Government	6,865	8,012
Goods & Services Tax Rebates	15,259	-
Miscellaneous Accounts Receivable	<u>1,643</u>	<u>-</u>
	<u>\$ 23,767</u>	<u>\$ 158,377</u>

3 Municipal Finance Authority Debt Reserve

The Fraser Valley Regional Hospital District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, the Regional Hospital District has established a fund equal to one half the annual instalment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal. The proceeds are withheld by the Municipal Finance Authority as a debt reserve fund.

The demand notes are contingent in nature and are not reflected in the accounts. The details of the cash deposits and demand notes at year end are as follows:

	<u>2017</u>	<u>2016</u>
Cash Deposits	\$ 841,286	\$ 825,193
Demand Notes	<u>1,791,503</u>	<u>1,791,503</u>
	<u>\$ 2,632,789</u>	<u>\$ 2,616,696</u>

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2017

4 Investments

	Amount	Effective Interest rate	Maturity Date
National Bank of Canada GIC	\$ 2,000,000	1.50%	March 9, 2018
Royal Bank of Canada GIC	600,000	0.90%	March 23, 2018
Royal Bank of Canada GIC	1,026,400	1.45%	March 23, 2018
Vancity GIC	2,500,000	1.30%	August 2, 2018
HSBC Bank GIC	4,000,000	1.80%	August 7, 2018
Coast Capital Savings GIC	3,400,000	1.90%	August 9, 2018
First West GIC	1,500,000	1.75%	November 1, 2018
HSBC Bank GIC	775,000	1.90%	April 22, 2019
Scotia Bank GIC	515,506	1.92%	April 23, 2019
Coast Capital Savings GIC	1,600,000	2.00%	August 2, 2019
Scotia Bank GIC	2,200,000	1.65%	August 2, 2019
National Bank of Canada GIC	2,000,000	1.82%	August 8, 2019
BNS Bond	2,126,000	3.04%	October 18, 2019
Premium on purchase of bond	44,179		
	\$ 24,287,085		

Investments at December 31st, 2017 have a total carrying value of \$24,472,742 (2016 - \$18,955,950), consisting of investments of \$24,287,085 (2016 - \$18,766,327) and related accrued interest of \$185,657 (2016 - \$189,623). The market value of these investments at December 31st, 2017 is \$24,456,901 (2016 - \$18,955,950).

5 Accounts Payable

Payments to Fraser Health occur through the Fraser Valley Regional District with funds transferred between the Hospital District and the Regional District following the transaction. In addition, as a result of the land purchase at 9005 Mary St., the Hospital District assumed a Tenant Deposit connected to possible future development of the property.

	2017	2016
Due to Fraser Valley Regional District	\$ 592	\$ 1,383
Tenant Deposit	13,781	13,781
Miscellaneous Accounts Payable	2,550	-
	\$ 16,923	\$ 15,164

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2017

6 Debenture Debt

The Fraser Valley Regional Hospital debenture debt is borrowed through the Municipal Finance Authority and is administered by the Municipal Finance Authority. Hospital debenture debt is as follows:

	2017	2016
Debentures, fixed interest at 1.75% to 4.90% due in various years through 2030.	\$ 61,475,070	\$ 61,475,070
Less sinking fund reserve	(23,664,533)	(20,769,320)
	\$ 37,810,537	\$ 40,705,750

Sinking fund instalments and interest for the next five years for debentures outstanding at December 31st, 2017 are as follows:

	Sinking Fund	Actuarial Adjustment	Total
2018	2,064,441	946,581	3,011,022
2019	2,064,441	1,067,022	3,131,463
2020	2,064,441	1,192,281	3,256,722
2021	2,064,441	1,322,550	3,386,991
2022	2,064,441	1,458,029	3,522,470
2023 and beyond	11,194,708	10,307,161	21,501,869
	\$ 21,516,913	16,293,624	37,810,537

Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements

For the year ended December 31st, 2017

7 Tangible Capital Assets

Cost	Balance at December 31, 2016	Additions	Transfers and Disposals	Balance at December 31, 2017
Land	\$ 1,200,814	\$ -	\$ -	\$ 1,200,814
Land Improvements	-	298,230	-	298,230
Total	\$ 1,200,814	\$ 298,230	\$ -	\$ 1,499,044

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Land Improvements	\$ -	\$ -	\$ 14,911	\$ 14,911
Total	\$ -	\$ -	\$ 14,911	\$ 14,911

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 1,200,814	\$ 1,200,814
Land Improvements	-	283,319
Total	\$ 1,200,814	\$ 1,484,133

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2017

8 Restricted Assets

The Regional Hospital District has restrictions on the cash and investments available for operational use as follows:

	2017	2016
Cash and Cash Equivalents	\$ 3,763,409	\$ 4,839,446
Investments	24,287,085	18,766,327
Accrued Interest Receivable	185,657	189,623
Accounts Receivable	23,767	158,377
MFA Debt Reserve Cash receivable	841,286	825,193
	29,101,204	24,778,966
Less restrictions for reserve fund	(28,617,235)	(23,598,235)
Owing to Tenant Deposit	(13,781)	(13,781)
Owing to Fraser Valley Regional District	(592)	(1,383)
Owing to Miscellaneous Accounts Payable	(2,550)	-
Funds available for operational use	\$ 467,046	\$ 1,165,567

9 Reserve Funds

The Regional Hospital District is empowered under Section 20(2) of the Hospital Act to assess a special levy. Funds raised for this purpose are intended to be used for financing minor and other capital costs not necessarily provided for under approved capital financing projects. Funds raised under this section and not expended at year end are carried forward to be expended in succeeding years.

The total balance in the amount has been allocated as follows:

	2017	2016
Appropriated		
Minor/Medium Equipment	\$ 2,246,994	\$ 2,246,994
Major Capital Projects	26,370,241	21,351,241
	\$ 28,617,235	\$ 23,598,235

FRASER VALLEY REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt
Year ended December 31, 2017

Regional District By-law No.	MFA Issuing By-law No.	TERM (years)	Year of Maturity	Original Issue	Outstanding Balance December 31, 2016	New Debt in 2017	Annual Debt Charges			Balance at December 31, 2017
							Interest	Principal	Actuarial Earnings	
21	99	20	2027	26,768,448	15,975,782	-	468,448	898,931	431,707	14,645,144
21	102	20	2027	12,206,623	7,868,525	-	588,359	409,920	173,524	7,285,081
42	105	20	2029	4,750,000	3,490,118	-	232,750	159,513	50,395	3,280,210
42	106	20	2029	10,000,000	7,347,612	-	413,000	335,818	106,095	6,905,699
42	110	20	2030	5,000,000	3,886,264	-	225,000	167,909	44,549	3,673,806
42	112	20	2030	2,750,000	2,137,449	-	102,575	92,350	24,502	2,020,597
				<u>\$ 61,475,071</u>	<u>\$ 40,705,750</u>	<u>\$ -</u>	<u>\$ 2,030,132</u>	<u>\$ 2,064,441</u>	<u>\$ 830,772</u>	<u>\$ 37,810,537</u>