

Fraser Valley Regional Hospital District

2019 Consolidated Financial Statements

Year Ended December 31, 2019

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, 2019

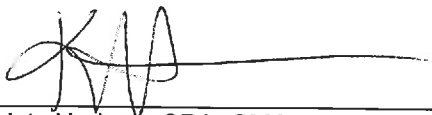
The financial Statements have been prepared by management in accordance with Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the financial statements and schedules, and for ensuring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



Kristy Hodson, CPA, CMA
Acting Director of Financial Services/Chief Financial Officer
May 26, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Valley Regional Hospital District

Opinion

We have audited the accompanying consolidated financial statements of Fraser Valley Regional Hospital District (the "District") which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statements of operations and deficit for the year then ended
- the consolidated statement of changes in net assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019, and its consolidated results of operations and deficit, its consolidated changes in net debt, and its consolidated 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the District 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 the District'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 the District or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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.

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

KPMG LLP

Chartered Professional Accountants

Chilliwack, Canada

May 26, 2020

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

For the year ended December 31 **2019** **2018**

Financial Assets

Cash and Cash Equivalents (Note 1)	\$ 2,678,200	\$ 3,418,254
Accounts Receivable (Note 2)	62,219	10,510
MFA Debt Reserve Cash (Note 3)	879,611	859,590
Accrued Interest	377,637	250,106
Investments (Note 4)	34,192,493	27,254,880
	38,190,160	31,793,340

Financial Liabilities

Accrued Interest	-	50,132
Accounts Payable (Note 5)	154,048	117,223
Debenture Debt (Note 6)	31,668,053	34,799,515
	31,822,101	34,966,870

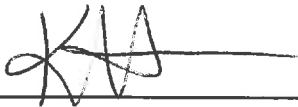
Net Assets (Debt) **\$ 6,368,059** **\$ (3,173,530)**

Non-financial Assets

Tangible Capital Assets (Note 8)	1,525,390	1,482,331
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Accumulated Surplus (Deficit) **\$ 7,893,449** **\$ (1,691,199)**

Subsequent Events (Note 7)



Chief Financial Officer

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

For the year ended December 31	Budget 2019	Actual 2019	Actual 2018
Revenues			
Requisition from members and participants	\$ 11,488,200	\$ 11,488,200	\$ 11,175,303
Investment income	482,300	770,680	541,544
Grants in place of taxes	140,000	129,358	139,779
Miscellaneous revenue	40,000	46,782	34,570
Interest on MFA cash reserve	-	20,022	18,304
Total Revenue	12,150,500	12,455,042	11,909,500
Expenses:			
Transfer to Fraser Health Authority	11,800,000	1,802,000	5,130,000
Interest on long term debt	1,716,430	505,990	740,137
Administration charge	400,000	400,000	350,000
Operating expenses	14,680	147,492	43,692
Amortization	-	14,912	14,912
Total Expenses	13,931,110	2,870,394	6,278,741
Annual Surplus (Deficit)	\$ (1,780,610)	\$ 9,584,648	\$ 5,630,759
Accumulated Deficit, beginning of year	\$ (1,691,199)	\$ (1,691,199)	\$ (7,321,958)
Accumulated Surplus (Deficit), end of year	\$ (3,471,809)	\$ 7,893,449	\$ (1,691,199)

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

For the year ended December 31	2019	2018
Annual Surplus	\$ 9,584,648	\$ 5,630,759
Acquisition of tangible capital assets	(57,971)	(13,110)
Amortization of tangible capital assets	14,912	14,912
Change in net debt	9,541,589	5,632,561
Net debt, beginning of year	\$ (3,173,530)	\$ (8,806,091)
Net Assets (Debt), end of year	\$ 6,368,059	\$ (3,173,530)

Represented by:

Current Fund (Note 9)	531,134	431,449
Reserve Funds (Note 10)	37,629,978	31,244,668
Amount to be recovered from future requisitions	(31,793,053)	(34,849,647)
	\$ 6,368,059	\$ (3,173,530)

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

For the year ended December 31	2019	2018
Operations		
Annual Surplus	\$ 9,584,648	\$ 5,630,759
Items not involving cash		
Amortization of tangible capital assets	14,912	\$ 14,912
Change in non-cash operating items		
Accounts receivable and accrued interest	(199,261)	(69,496)
Accounts payable	36,825	100,300
Accrued interest payable	(50,132)	(29,703)
	<u>9,386,992</u>	<u>5,646,772</u>
Capital activities:		
Acquisition of tangible capital assets	(57,971)	(13,110)
	<u>(57,971)</u>	<u>(13,110)</u>
Financing		
Debt principal payments	(3,131,462)	(3,011,022)
	<u>(3,131,462)</u>	<u>(3,011,022)</u>
Investing		
Increase in portfolio investments	(6,937,613)	(2,967,795)
	<u>(6,937,613)</u>	<u>(2,967,795)</u>
Decrease in cash during the year	(740,054)	(345,155)
Cash and cash equivalents, beginning of year	3,418,254	3,763,409
Cash and cash equivalents, end of year	\$ 2,678,200	\$ 3,418,254

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2019

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 0073,2019 and Section 17(2) of the Hospital District Act, administration fees of \$400,000 (2018 - \$350,000) 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, 2019

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, 2019

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>2019</u>		<u>2018</u>
Cash	\$ 1,670,902	\$	1,400,106
Cashable Term Deposit	<u>1,007,298</u>		<u>2,018,148</u>
	<u>\$ 2,678,200</u>	<u>\$</u>	<u>3,418,254</u>

2 Accounts Receivable

	<u>2019</u>		<u>2018</u>
Federal/Provincial Government	\$ 7,626	\$	7,877
Goods & Services Tax Rebates	964		663
Miscellaneous Accounts Receivable	3,629		1,970
Deposits in Trust	<u>50,000</u>		<u>0</u>
	<u>\$ 62,219</u>	<u>\$</u>	<u>10,510</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>2019</u>		<u>2018</u>
Cash Deposits	\$ 879,611	\$	859,590
Demand Notes	<u>1,791,503</u>		<u>1,791,503</u>
	<u>\$ 2,671,114</u>	<u>\$</u>	<u>2,651,093</u>

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

For the year ended December 31st, 2019

4 Investments

	Amount	Effective Interest rate	Maturity Date
Envision Term Deposit	\$ 3,000,000	2.35%	February 5, 2020
Blueshore CU GIC	2,500,000	2.55%	March 18, 2020
Blueshore CU GIC	1,626,000	2.55%	March 26, 2020
Coast Capital Savings GIC	3,400,000	2.80%	August 10, 2020
RBC GIC	3,000,000	1.95%	August 10, 2020
Scotia Bank GIC	2,200,000	2.30%	August 10, 2020
Scotia Bank GIC	2,800,000	2.30%	August 10, 2020
Scotia Bank GIC	2,036,400	2.30%	August 10, 2020
National Bank of Canada GIC	3,500,000	2.89%	August 13, 2020
National Bank of Canada GIC	900,000	3.10%	November 2, 2020
Blueshore CU GIC	874,000	2.60%	April 23, 2021
Scotia Bank GIC	416,506	2.40%	April 23, 2021
Coast Capital Savings GIC	1,600,000	2.35%	August 9, 2021
Scotia Bank GIC	2,300,000	2.26%	August 9, 2021
Bank of Montreal Deposit Note	4,125,000	1.61%	October 28, 2021
Discount on purchase of deposit note	(85,413)		
	\$ 34,192,493		

Investments at December 31st, 2019 have a total carrying value of \$34,539,789 (2018 - \$27,504,986), consisting of investments of \$34,192,493 (2018 - \$27,254,880) and related accrued interest of \$347,296 (2018 - \$250,106). The market value of these investments at December 31st, 2019 is \$34,590,924 (2018 - \$27,494,128).

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. Lastly, the Hospital District Board committed funds to City of Chilliwack as part of a larger capital development project.

	2019	2018
Due to Fraser Valley Regional District	\$ 15,267	\$ 102,629
Tenant Deposit	13,781	13,781
Due to City of Chilliwack	125,000	0
Miscellaneous Accounts Payable	0	813
	\$ 154,048	\$ 117,223

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2019

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:

	2019	2018
Debentures, fixed interest at 1.75% to 4.50% due in various years through 2030.	\$ 61,475,070	\$ 61,475,070
Less sinking fund reserve	(29,807,017)	(26,675,555)
	\$ 31,668,053	\$ 34,799,515

Sinking fund instalments and interest for the next five years for debentures outstanding at December 31st, 2019 are as follows:

	Sinking Fund	Actuarial Adjustment	Total
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	2,064,441	1,598,928	3,663,369
2024	2,064,441	1,745,463	3,809,904
2025 and beyond	7,065,824	6,962,773	14,028,597
	\$ 17,388,029	\$ 14,280,024	\$ 31,668,053

7 Subsequent Event

In March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the coronavirus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on local and global economies.

At the time of approval of these financial statements, the Regional District has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in investment income
- Closure of facilities including recreation and administrative buildings from March 16, 2020 to the date of the auditor's report based on public health recommendations. The Regional District office remains operating but is closed to the public.

At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the regional district's financial results for 2020.

Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements

For the year ended December 31st, 2019

8 Tangible Capital Assets

Cost	Balance at December 31, 2018	Additions	Transfers and Disposals	Balance at December 31, 2019
Land	\$ 1,200,814	\$ -	\$ -	\$ 1,200,814
Land Improvements	298,230	-	-	298,230
Assets under Constr.	13,110	57,971	-	71,081
Total	\$ 1,512,154	\$ 182,971	\$ -	\$ 1,570,125

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Land Improvements	\$ 29,823	\$ -	\$ 14,912	\$ 44,735
Total	\$ 29,823	\$ -	\$ 14,912	\$ 44,735

	Net book value December 31, 2018	Net book value December 31, 2019
Land	\$ 1,200,814	\$ 1,200,814
Land Improvements	268,407	253,495
Assets under Constr.	13,110	71,081
Total	\$ 1,482,331	\$ 1,525,390

Assets under Construction

Assets under construction having a value of \$71,081 (2018 - \$13,110) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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

For the year ended December 31st, 2019

9 Restricted Assets

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

	2019	2018
Cash and Cash Equivalents	\$ 2,678,200	\$ 3,418,254
Investments	34,192,493	27,254,880
Accrued Interest Receivable	377,637	250,106
Accounts Receivable	62,219	10,510
MFA Debt Reserve Cash receivable	879,611	859,590
	38,190,160	31,793,340
Less restrictions for reserve fund	(37,504,978)	(31,244,668)
Owing to Tenant Deposit	(13,781)	(13,781)
Owing to Fraser Valley Regional District	(15,267)	(102,629)
Owing to City of Chilliwack	(125,000)	-
Owing to Miscellaneous Accounts Payable	-	(813)
Funds available for operational use	\$ 531,134	\$ 431,449

10 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:

	2019	2018
Appropriated		
Early Debt Retirement	\$ 1,413,600	\$ 565,000
Minor/Medium Equipment	2,246,994	2,246,994
Major Capital Projects	33,969,384	28,432,674
	\$ 37,629,978	\$ 31,244,668

FRASER VALLEY REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt

Year ended December 31, 2019

Regional District By-law No.	MFA Issuing By-law No.	TERM (years)	Year of Maturity	Original Issue	Outstanding Balance December 31, 2018	New Debt in 2019	Annual Debt Charges			Balance at December 31, 2019
							Interest	Principal	Actuarial Earnings	
21	99	20	2027	26,768,448	13,261,281	-	468,448	898,931	540,287	11,822,063
21	102	20	2027	12,206,623	6,678,300	-	274,649	409,919	221,133	6,047,248
42	105	20	2029	4,750,000	3,061,903	-	169,812	159,513	67,524	2,834,866
42	106	20	2029	10,000,000	6,446,112	-	413,000	335,818	142,155	5,968,139
42	110	20	2030	5,000,000	3,452,851	-	225,000	167,909	61,886	3,223,056
42	112	20	2030	2,750,000	1,899,068	-	102,575	92,350	34,037	1,772,681
				<u>\$ 61,475,071</u>	<u>\$ 34,799,515</u>	<u>\$ -</u>	<u>\$ 1,653,484</u>	<u>\$ 2,064,440</u>	<u>\$ 1,067,022</u>	<u>\$ 31,668,053</u>