

Fraser Valley Regional Hospital District

2016 Consolidated Financial Statements

Year Ended December 31, 2016

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, 2015

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 25, 2017



KPMG LLP
200-9123 Mary Street
Chilliwack BC V2P 4H7
Canada
Tel (604) 793-4700
Fax (604) 793-4747

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Valley Regional Hospital District

We have audited the accompanying financial statements of Fraser Valley Regional Hospital District, which comprise the balance sheet as at December 31, 2016, the statements of earnings 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 our 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, we consider 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 Fraser Valley Regional Hospital District as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants

April 25, 2017

Chilliwack, Canada

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

For the year ended December 31	2016	2015
Financial Assets		
Cash and Cash Equivalents (Note 1)	\$ 4,839,446	\$ 27,619
Accounts Receivable (Note 2)	158,377	155,353
MFA Debt Reserve Cash (Note 3)	825,193	802,755
Accrued Interest	189,623	219,143
Investments (Notes 4)	18,766,327	19,658,298
	24,778,966	20,863,168
Financial Liabilities		
Accrued Interest	134,180	305,569
Accounts Payable (Note 5)	15,164	865,951
Debenture Debt (Note 6)	40,705,750	43,489,609
	40,855,094	44,661,129
Net Debt	\$ (16,076,128)	\$ (23,797,961)
Non-financial Assets		
Tangible Capital Assets (Note 7)	1,200,814	1,200,814
Accumulated Deficit	\$ (14,875,314)	\$ (22,597,147)



Chief Financial Officer

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

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
Revenues			
Requisition from members and participants	\$ 10,924,000	\$ 10,942,055	\$ 10,924,018
Investment income	243,200	332,820	292,036
Grants in place of taxes	160,000	159,448	255,395
Interest & other revenue	4,000	3,277	6,097
Refund on sinking fund surplus	-	-	40,631
Interest on MFA cash reserve	-	22,438	20,085
Total Revenue	11,331,200	11,460,038	11,538,262
Expenses:			
Transfer to Fraser Health Authority	9,120,000	1,584,000	2,305,125
Interest on long term debt	2,747,530	1,856,720	2,111,501
Administration charge	294,250	294,000	294,000
Operating expenses	-	3,485	168
Total Expenses	12,161,780	3,738,205	4,710,794
Annual Surplus	\$ (830,580)	\$ 7,721,833	\$ 6,827,468
Accumulated Deficit, beginning of year	\$ (22,597,147)	\$ (22,597,147)	\$ (29,424,615)
Accumulated Deficit, end of year	\$ (23,427,727)	\$ (14,875,314)	\$ (22,597,147)

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

For the year ended December 31	2016	2015
Annual Surplus	\$ 7,721,833	\$ 6,827,468
Acquisition of tangible capital assets	-	1,200,814
Change in net debt	7,721,833	5,626,654
Net debt, beginning of year	\$ (23,797,961)	\$ (29,424,615)
Net Debt, end of year	\$ (16,076,128)	\$ (23,797,961)

Represented by:

Current Fund (Note 8)	1,165,567	1,372,732
Reserve Funds (Note 9)	23,598,235	18,624,485
Amount to be recovered from future requisitions	(40,839,930)	(43,795,178)
	\$ (16,076,128)	\$ (23,797,961)

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

For the year ended December 31	2016	2015
Operations		
Annual Surplus	\$ 7,721,833	\$ 6,827,468
Change in accounts receivable and accrued interest	4,058	(293,654)
Change in accounts payable	(850,787)	743,347
Change in accrued interest payable	(171,389)	(26,831)
	<u>6,703,715</u>	<u>7,250,330</u>
Capital activities:		
Acquisition of tangible capital assets	-	1,200,814
	<u>-</u>	<u>1,200,814</u>
Financing		
Debt principal payments	(2,783,859)	(2,685,077)
	<u>(2,783,859)</u>	<u>(2,685,077)</u>
Investing		
Decrease (increase) in portfolio investments	891,971	(10,682,038)
	<u>891,971</u>	<u>(10,682,038)</u>
Increase (decrease) in cash during the year	4,811,827	(7,317,599)
Cash and cash equivalents, beginning of year	27,619	7,345,218
Cash and cash equivalents, end of year	\$ 4,839,446	\$ 27,619

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2016

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 0061,2015 and Section 17(2) of the Hospital District Act, administration fees of \$294,000 (2014 - \$294,249) 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.
Non-Financial Assets	<p>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.</p> <p>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.</p>

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

For the year ended December 31st, 2016

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>2016</u>	<u>2015</u>
Cash	\$ 308,752	\$ 27,619
Cashable Term Deposit @ 1.65%	<u>4,530,694</u>	<u>-</u>
	<u>\$ 4,839,446</u>	<u>\$ 27,619</u>

2 Accounts Receivable

	<u>2016</u>	<u>2015</u>
Local Governments	\$ 150,365	\$ 146,472
Federal/Provincial Government	<u>8,012</u>	<u>8,881</u>
	<u>\$ 158,377</u>	<u>\$ 155,353</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>2016</u>	<u>2015</u>
Cash Deposits	\$ 825,193	\$ 802,755
Demand Notes	<u>1,791,503</u>	<u>1,791,503</u>
	<u>\$ 2,616,696</u>	<u>\$ 2,594,258</u>

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

For the year ended December 31st, 2016

4 Investments

	Amount	Effective Interest rate	Maturity Date
Vancity GIC	\$ 600,000	1.50%	February 6, 2017
National Bank of Canada GIC	4,874,400	1.65%	March 9, 2017
Coast Capital Savings GIC	1,600,000	1.65%	March 23, 2017
Canadian Western Bank GIC	1,000,000	1.76%	August 8, 2017
Laurentian Bank GIC	2,001,421	1.60%	August 8, 2017
HSBC Bank GIC	4,000,000	1.80%	August 7, 2018
Coast Capital Savings GIC	3,400,000	1.90%	August 9, 2018
HSBC Bank GIC	775,000	1.90%	April 22, 2019
Scotia Bank GIC	515,506	1.92%	April 23, 2019
	\$ 18,766,327		

Investments at December 31st, 2016 have a total carrying value of \$18,955,950 (2015 - \$19,877,441), consisting of investments of \$18,766,327 (2015 - \$19,658,298) and related accrued interest of \$189,623 (2015 - \$219,143). The market value of these investments at December 31st, 2016 is \$18,955,950 (2015 - \$19,877,441).

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.

	2016	2015
Due to Fraser Valley Regional District	\$ 1,383	\$ 852,170
Tenant Deposit	13,781	13,781
	\$ 15,164	\$ 865,951

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

For the year ended December 31st, 2016

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:

	2016	2015
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	(20,769,320)	(17,985,461)
	\$ 40,705,750	\$ 43,489,609

Sinking fund instalments and interest for the next five years for debentures outstanding at December 31st, 2016 are as follows:

	Sinking Fund	Actuarial Adjustment	Total
2017	2,064,441	830,773	2,895,214
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 and beyond	13,259,148	11,765,190	25,024,338
	\$ 23,581,353	17,124,397	40,705,750

7 Tangible Capital Assets

In 2015, the Hospital District purchased land at 9005 Mary Street for \$1.2 million. The Hospital District plans to partner with the Fraser Health Authority and use the land for activities related to the Chilliwack General Hospital.

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

For the year ended December 31st, 2016

8 Restricted Assets

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

	2016	2015
Cash and Cash Equivalents	\$ 4,839,446	\$ 27,619
Investments	18,766,327	19,658,298
Accrued Interest Receivable	189,623	219,143
Accounts Receivable	158,377	155,353
MFA Debt Reserve Cash receivable	825,193	802,755
	24,778,966	20,863,168
Less restrictions for reserve fund	(23,598,235)	(18,624,485)
Owing to Tenant Deposit	(13,781)	(13,781)
Owing to Fraser Valley Regional District	(1,383)	(852,170)
	\$ 1,165,567	\$ 1,372,732

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:

	2016	2015
Appropriated		
Minor/Medium Equipment	\$ 2,246,994	\$ 2,180,994
Major Capital Projects	21,351,241	16,443,491
	\$ 23,598,235	\$ 18,624,485

FRASER VALLEY REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt - Unaudited

Year ended December 31, 2016

Regional District By-law No.	MFA Issuing By-law No.	TERM (years)	Year of Maturity	Original Issue	Outstanding Balance December 31, 2015	New Debt in 2016	Annual Debt Charges			Balance at December 31, 2016
							Interest	Principal	Actuarial Earnings	
21	99	20	2027	26,768,448	17,255,241		1,185,842	898,931	380,528	15,975,782
21	102	20	2027	12,206,623	8,429,528		588,359	409,920	151,083	7,868,525
42	105	20	2029	4,750,000	3,691,953		232,750	159,513	42,322	3,490,118
42	106	20	2029	10,000,000	7,772,529		413,000	335,818	89,099	7,347,612
42	110	20	2030	5,000,000	4,090,551		225,000	167,909	36,378	3,886,264
42	112	20	2030	2,750,000	2,249,807		102,575	92,350	20,008	2,137,449
				<u>\$ 61,475,071</u>	<u>\$ 43,489,609</u>	<u>\$ -</u>	<u>\$ 2,747,526</u>	<u>\$ 2,064,441</u>	<u>\$ 719,418</u>	<u>\$ 40,705,750</u>