



**COWICHAN VALLEY
REGIONAL HOSPITAL DISTRICT**

**FINANCIAL
STATEMENTS
December 31, 2021**

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2021

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 (Chair)
Electoral Area "E" – Cowichan Station/Sahtlam/Glenora	A. Nicholson
Electoral Area "F" – Cowichan Lake South/Skutz Falls	I. Morrison
Electoral Area "G" – Saltair/Gulf Island	L. Smith
Electoral Area "H" – North Oyster/Diamond	B. Maartman
Electoral Area "I" – Youbou/Meade Creek	K. Kuhn

OFFICERS

Chief Administrative Officer -	B. Carruthers
Corporate Legislative Officer -	A. Legault
Chief Financial Officer -	N. Wehner

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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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 fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management.

KPMG 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
Chief Financial Officer



Brian Carruthers
Chief Administrative Officer

May 11, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Cowichan Valley Regional Hospital District

Opinion

We have audited the financial statements of Cowichan Valley Regional Hospital District (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2021, and its results of operations, its changes in net financial assets and its 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity 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

Victoria, Canada
May 11, 2022

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
Assets		
Cash & Cash Equivalents (Note 3)	\$ 55,802,447	\$ 43,875,255
Portfolio Investments - Restricted (Note 4)	20,943,176	20,559,438
Land - Future Hospital Site (Note 5)	<u>-</u>	<u>3,380,964</u>
Total Assets	<u>76,745,623</u>	<u>67,815,657</u>
Liabilities		
Accounts Payable	191,193	225,816
Accrued Interest Payable	2,298	2,417
Debt (Note 6)	<u>121,462</u>	<u>206,860</u>
Total Liabilities	<u>314,953</u>	<u>435,093</u>
Net Financial Assets and Accumulated Surplus	<u>\$ 76,430,670</u>	<u>\$ 67,380,564</u>



 Natalie Wehner, CPA, CMA
 Chief Financial Officer



 Lori Iannidinaro
 Chair

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**STATEMENT OF OPERATIONS AND CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget (Note 10)	2021	2020
Revenue			
Tax Requisition	\$ 12,291,063	\$ 12,291,065	\$ 12,291,062
Grants	-	6,229	8,187
Actuarial Gain on Debentures	-	44,128	40,533
Interest and Other Revenue	<u>600,000</u>	<u>818,038</u>	<u>781,846</u>
Total Revenue	<u>12,891,063</u>	<u>13,159,460</u>	<u>13,121,628</u>
Expenses			
Debenture Debt Interest	25,744	25,625	26,127
Administrative Expenses	60,000	60,336	67,279
Grants to Health Care Facilities	1,800,000	2,554,881	1,850,695
Major Projects Contribution (Note 8)	<u>6,925,000</u>	<u>1,468,512</u>	<u>5,508,783</u>
Total Expenses	<u>8,810,744</u>	<u>4,109,354</u>	<u>7,452,884</u>
Annual Surplus	4,080,319	9,050,106	5,668,744
Accumulated Surplus - Beginning of Year	<u>67,380,564</u>	<u>67,380,564</u>	<u>61,711,820</u>
Accumulated Surplus - End of Year	<u>\$ 71,460,883</u>	<u>\$ 76,430,670</u>	<u>\$ 67,380,564</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Operating Transactions		
Annual Surplus	\$ 9,050,106	\$ 5,668,744
Change in accounts payable	(34,623)	225,816
Change in accrued interest	(119)	(116)
Actuarial gain on debt	(44,128)	(40,533)
Net increase in cash from operations	<u>8,971,236</u>	<u>5,853,911</u>
Investing Transactions		
Portfolio investments	(383,738)	749,067
Proceeds on disposal of land	<u>3,380,964</u>	<u>(42,728)</u>
Net decrease in cash from investing	<u>2,997,226</u>	<u>706,339</u>
Financing Transactions		
Principal debt repayments	<u>(41,270)</u>	<u>(41,025)</u>
Net decrease in cash from financing	<u>(41,270)</u>	<u>(41,025)</u>
Increase in Cash & Cash Equivalents	11,927,192	6,519,225
Cash & Cash Equivalents - Beginning of Year	<u>43,875,255</u>	<u>37,356,030</u>
Cash & Cash Equivalents - End of Year	<u>\$ 55,802,447</u>	<u>\$ 43,875,255</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

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 of the Cowichan Valley Regional Hospital District (CVRHD or Hospital District), are prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The Financial Statements reflect the combined results and activities of the reporting entity. The financial statements include the financial position, operations, changes in financial assets and cash flows of the CVRHD. Inter-fund transactions have been eliminated on consolidation.

b) Long-Term Debt

Long-term debt is recorded net of repayment and actuarial adjustments.

c) Cash and Cash Equivalent

Cash and cash equivalents include cash on hand and reserves. The funds are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Portfolio Investments

Portfolio investments are comprised entirely of Municipal Finance Authority (MFA) pooled investment funds. The Hospital District funds invested with MFA are pooled with other local governments and managed independently by Phillips, Hager & North Ltd. These investments are recorded at market value which approximates cost. Interest income on investments has been allocated to restricted reserves.

e) Financial Instruments

The Hospital District's financial instruments consist of cash, portfolio investments, accounts payable, accrued interest payable and long term debt. CVRHD has invested in two institutions, one a chartered bank and the other being Municipal Finance Authority (MFA) to diversify credit risk.

f) 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.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

2. Significant Accounting Policies (cont'd)

g) 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. Major project contributions are recorded once CVRHD is legally obligated to make the expenditure and has no recourse.

h) 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. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

3. Cash & Cash Equivalents

	2021	2020
Restricted Cash - invested in interest bearing savings accounts	\$48,512,389	\$43,017,329
Unrestricted Cash	<u>7,290,058</u>	<u>857,926</u>
Total Cash	<u>\$55,802,447</u>	<u>\$43,875,255</u>

4. Portfolio Investments

Portfolio investments consist of MFA Money Market funds and MFA BC Fossil Fuel Free Bond funds. The MFA Money Market fund balance at December 31, 2021 is \$ 5,483,517 (2020 - \$ 5,475,149). The yield on the funds for 2020 was 0.15% (2020 - 0.85%). The BC Fossil Fuel bond funds balance at December 31, 2021 is \$ 15,459,659 (2020 - \$15,084,289). The yield on the funds for 2021 was -0.92% (2020 - 0.56%).

5. Land - Future Hospital Site

In 2020, the Hospital District purchased land for the site of the new hospital. The proposal has been agreed to by Vancouver Island Health Authority. The cost 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. This transfer was completed in 2021.

6. Debt

All debt is issued through the MFA of British Columbia. The Authority is the borrowing agent for municipalities and regional districts in the Province of British Columbia. Debt may only be repaid earlier than maturity where the MFA refinances an issue which includes a particular debenture debt issue by the Hospital District.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. Debt (cont'd)

Issued and outstanding debt including issue numbers, maturity dates and sinking fund balances are listed below.

<u>Issue 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	2.250%	2022	2,262,532	905,013	20,363	27,370
78	2.250%	2022	330,788	132,315	2,977	4,000
93	5.100%	2025	<u>435,523</u>	<u>174,209</u>	<u>2,404</u>	<u>9,900</u>
				1,211,537		
				<u>(1,090,075)</u>	<u>(119)</u>	
TOTAL			\$ <u>3,028,843</u>	\$ <u>121,462</u>	\$ <u>25,625</u>	\$ <u>41,270</u>
TOTAL DEBT PAYMENT						\$ <u>66,895</u>

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

2022	2023	2024	2025	2026	Total
\$ 41,524	\$ 10,411	\$ 10,676	\$ 10,949	\$ -	<u>\$ 73,560</u>

7. Related Party Transactions

The Cowichan Valley Regional District (CVRD) is related to the Cowichan Valley Regional Hospital District (CVRHD) since the same individuals are members of the Board of Directors of both organizations.

During the year, management and administrative support services totaling \$60,000 (2020 - \$60,000) were charged to the CVRHD from the CVRD.

8. Major Projects Contribution

The Hospital District has entered into a Memorandum of Understanding with neighbouring hospital districts and Vancouver Island Health Authority to work collaboratively on coordinating their capital planning for the region. In connection with the Memorandum of Understanding, expenditures are incurred by the Hospital District towards major capital plans. These expenditures are being recorded as an expense for the Hospital District as no approved project is in place, therefore the future benefit is not certain at this time. If a major capital project is approved in the future, it is expected that any past costs incurred will be considered as part of the overall funding requirement.

During 2021 the Hospital District incurred no costs related to capital planning (2020 - \$1,611,526). Cumulative costs to date at December 31, 2021 are \$6,977,295 (2020 - \$5,508,783).

The major projects contribution costs of \$1,468,512 relates to the Hospice Bed Facility Project (2020 - \$3,897,257)

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Debt Reserve Fund

The Municipal Finance Authority (MFA) of British Columbia provides capital financing for Regional Hospital Districts. The Authority is required to establish a Debt Reserve Fund into which each Regional Hospital District is required to pay certain amounts set out in the debt agreements.

Interest earned on these funds (less administrative expenses) becomes an obligation of the Authority to the Regional Hospital District. If at any time insufficient funds are provided by the Regional Hospital District, the Authority will then use the funds to meet payments on the obligations. When this occurs, the Regional Hospital District may be called upon to restore the fund. The MFA holds demand notes related to the Hospital District's debt. The demand notes are not recorded as they only become payable should debt be in default or the MFA requires the funds to meet debt obligations.

	2021	2020
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 22,612	\$ 22,234
Demand Notes - Cowichan Valley Regional Hospital District	<u>38,528</u>	<u>38,528</u>
	<u>\$ 61,140</u>	<u>\$ 60,762</u>

10. Budget Figures

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 24, 2021. The financial plan budgeted for transfers to and from the reserve fund. The following reconciliation of the "annual surplus" is provided to show which items must be added and removed to reflect the financial plan.

Annual Surplus	\$ 4,080,319
Add:	
Transfer from Reserves	6,925,000
Less:	
Debt Principal Repayments	(41,271)
Transfer to Reserves	<u>(10,964,048)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 147	<u>\$ -</u>