



COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTICE OF REGULAR HOSPITAL BOARD MEETING

DATE: Wednesday, June 28, 2017

**TIME: REGULAR SESSION
1:30 PM**

PLACE: BOARD ROOM

175 INGRAM STREET

A handwritten signature in black ink, appearing to read "Joe Barry", is positioned above a horizontal line.

**Joe Barry
Corporate Secretary**



**REGULAR HOSPITAL BOARD MEETING AGENDA
WEDNESDAY, JUNE 28, 2017
1:30 PM - CVRD BOARD ROOM**

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1. <u>APPROVAL OF AGENDA</u>	
2. <u>ADOPTION OF MINUTES</u>	
HM1 Regular Hospital Board meeting of February 22, 2017	1
Recommendation That the minutes of the Regular Hospital Board meeting of February 22, 2017 be adopted.	
3. <u>BUSINESS ARISING FROM THE MINUTES</u>	
4. <u>DELEGATIONS</u>	
5. <u>REPORT OF THE CHAIRPERSON</u>	
6. <u>CORRESPONDENCE</u>	
HC1 Correspondence from the Comox Strathcona Regional Hospital District Re: <i>Hospital District Act</i>	3
Recommendation For direction.	
7. <u>INFORMATION</u>	
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Recommendation That BDO Canada LLP's Audit Results and Communication Report be received and the 2016 Cowichan Valley Regional Hospital District's 2016 Financial Statements be approved.

10. **PUBLIC HEARINGS**
11. **BYLAWS**
12. **RESOLUTIONS**
13. **UNFINISHED BUSINESS**
14. **NOTICE OF MOTION**
15. **NEW BUSINESS**
16. **QUESTION PERIOD**
17. **CLOSED SESSION**

Motion that the Closed Session Agenda be approved, and that the meeting be closed to the public in accordance with the *Community Charter* Part 4, Division 3, Section 90, subsections as noted in accordance with each agenda item.

18. **ADJOURNMENT**

The next Hospital Board meeting will be held at the Call of the Chair in the Board Room, 175 Ingram Street, Duncan, BC.

Minutes of the Regular meeting of the Hospital Board of the Cowichan Valley Regional District held in the Board Room, 175 Ingram Street, Duncan BC, on Wednesday, February 22, 2017 at 1:15 PM.

PRESENT Chair J. Lefebure
Director B. Day
Director M. Dorey
Director K. Kuhn
Director L. Iannidinardo <after 1:18 PM>
Director K. Marsh
Director M. Marcotte
Director I. Morrison
Director A. Nicholson
Director A. Stone
Director S. Jackson
Alternate Director S. Acton
Alternate Director C. Morris
Alternate Director B. Salmon
Alternate Director A. Siebring

ALSO PRESENT B. Carruthers, Chief Administrative Officer
J. Barry, Corporate Secretary
M. Kueber, General Manager, Corporate Services
J. Elzinga, General Manager, Community Services
C. Lockrey, Manager, Strategic Services
P. Turney, Recording Secretary

ABSENT Director M. Clement
Director K. Davis
Director S. Furstenau
Director T. Walker

APPROVAL OF AGENDA

17-H07 It was moved and seconded that the agenda be approved.

MOTION CARRIED

ADOPTION OF MINUTES

HM1 Regular Hospital Board meeting of January 11, 2017

17-H08 It was moved and seconded that the minutes of the Regular Hospital Board meeting of January 11, 2017 be adopted.

MOTION CARRIED

1:18 PM Director Iannidinardo joined the meeting at 1:18 PM.

STAFF REPORTS

HSR1 Staff Report from the Finance Division Re: Draft 2017 Cowichan Valley Regional Hospital District Budget was received for information.

Chair Lefebure invited Chris Sullivan, Director, Capital Planning and Matt O’Rae, Corporate Director, Capital Management and Finance Projects, from Island Health to the podium to answer any questions from the Directors.

BYLAWS

**HB1
17-H09** It was moved and seconded that "CVRHD Bylaw No. 141 - Cowichan Valley Regional Hospital District Annual Budget Bylaw, 2017", be granted 1st, 2nd and 3rd reading.

MOTION CARRIED

**HB1
17-H10** It was moved and seconded that "CVRHD Bylaw No. 141 - Cowichan Valley Regional Hospital District Annual Budget Bylaw, 2017", be adopted.

MOTION CARRIED

ADJOURNMENT

**17-H11
1:30 PM** It was moved and seconded that the meeting be adjourned.

MOTION CARRIED

The meeting was adjourned at 1:30 PM.

Certified Correct:

Chairperson

Corporate Secretary

Dated: _____



File: H-G

June 15, 2017

Sent via email: hlth.minister@gov.bc.ca

The Honourable Terry Lake, MLA
Minister of Health
PO Box 9050 Stn. Prov. Govt.
Victoria, BC V8W 9E2

Dear Minister:

Re: Hospital District Act

At its June 8, 2017 meeting the Comox Strathcona Regional Hospital District board of directors adopted the following resolution:

THAT a letter be sent to the Minister of Health with copies to Deputy Minister of Health, Union of BC Municipalities and all Regional Hospital District Boards requesting:

- a) alignment and modernization of the 1996 Hospital District Act and repeal of regulation B.C. Reg. 406/82 (O.C. 1635/82) as noted in the staff report dated May 19, 2017; and*
- b) that the Ministry of Health coordinate a session at the 2017 UBCM convention to discuss the alignment and modernization of the Hospital District Act.*

As way of background material, please find attached a staff report dated May 19, 2017 that was considered at the June 8, 2017 board meeting.

We respectfully request that the *Hospital District Act* be updated as outlined in the motion above and that the Ministry of Health coordinate a session at the 2017 UBCM convention to discuss the alignment and modernization of the *Hospital District Act*.

We look forward to hearing from you.

Sincerely,

Charles J. Cornfield
Chair

Enclosure: 20170519 Staff Report - Province of BC – Ministry of Health – Hospital District Act

cc: Stephen Brown, Deputy Minister of Health
Ronna-Rae Leonard, MLA, Courtenay-Comox
Scott Fraser, MLA, Mid Island-Pacific Rim
Claire Trevena, MLA, North Island
Union of BC Municipalities
British Columbia Regional Hospital Districts



Staff Report

DATE: May 19, 2017 **FILE:** H-G

TO: Chair and Directors
Regional Hospital District Board

FROM: Debra Oakman, CPA, CMA
Chief Administrative Officer

RE: Province of BC – Ministry of Health – Hospital District Act

Purpose

To recommend sending a letter to the Minister of Health requesting amendment of the *Hospital District Act* to align with local government funding needs and modernize language to reflect local government practice.

Policy analysis

The *Hospital District Act* (1996) is the governing legislation for local government Regional Hospital Districts (RHD). The Province of BC, Ministry of Health (MOH) in conjunction with Union of British Columbia Municipalities (UBCM) commissioned an independent review titled ‘Strengthening the Capital Planning and Cost Sharing Process – Emerging Directions for Change – A Review of the 2003 Cost Sharing Review’. The final report was submitted by Corpus Sanchez December 2008.

The Comox Strathcona Regional Hospital District (CSRHD) board adopted the following motions on June 16, 2016:

‘THAT a letter be sent to the Minister of Health requesting that the Hospital District Act be updated to reflect the recommendations from the 2003 Ministry of Health review and request a meeting with the Minister to discuss;

AND FURTHER THAT a letter be sent to all Regional Hospital Districts requesting them to send a letter to the Minister as well.’

‘THAT the Ministry of Health be requested to host a provincial session of Regional Hospital District chairs and chief administrative officers in conjunction with the September 2016 UBCM meetings.

Executive summary

Responses have been received from the Minister of Health, Deputy Minister of Health and various RHDs supporting both the updating of the *Hospital District Act* and participating in a MOH provincially hosted session to review proposed amendments to the *Hospital District Act*.

In discussions with Chair Cornfield, staff have been asked to prepare a report that specifically identifies amendments to the *Hospital District Act* in order for the CSRHD board to review and discuss proposed amendments. When considering amendments to the *Hospital District Act*, there are three (3) subject areas that require review, updating and modernizing:

1. Legislative policy

Appendix D to this staff report reflects current language and proposed amendments in the *Hospital District Act*.

2. Tax rate

While conducting additional background research B.C. Reg. 406/82 (O.C. 1635/82) filed September 7, 1982 was reviewed (appendix C). The *Hospital District Act*, *Hospital District Act Regulation* references provincially set tax rates for each RHD. In discussions with the Assistant Deputy Minister (ADM) at the Ministry of Health it was explained that this regulation was under the ‘old system’ and that it no longer applied after the 1988/89 restructure and MOH no longer sets the RHD tax rates. Subsequently the MOH no longer required annual submissions by RHDs. The Ministry of Health had moved away from the oversight role to a more modern approach of enablement to address local needs. However, the ADM determined to seek legal counsel to confirm status of the regulation and subsequently provided two letters to the CSRHD. The letter dated December 1, 2016 (appendix E) acknowledges that the regulation is out of alignment with local CSRHD sustainable tax rate and advises to ‘continue with local practice’. A recent staff review of tax rates across the province for RHDs compared with the outdated 1982 provincial regulation indicates that of the current 23 provincial RHDs, seven (7) are aligned, five (5) no longer exist and several RHD names are not reflected correctly. The key message is that the *Hospital District Act* needs to be amended to enable RHDs to set the appropriate tax rate to reflect the local hospital district funding priorities. Appendix B provides the 2016 RHDs tax rates and the outdated 1982 tax rate regulations.

3. Facilities

The CSRHD staff conducted a survey in 2016 to determine categories of facilities that are being funded (cost shared) by other regional hospital districts. The outcome (Appendix A) identifies that several RHDs are contributing funds to other related projects, a few RHDs have requested related health care clinics to be added as named facilities and many RHDs are waiting for the modernization of the *Hospital District Act* to enable funding contributions to specific local priority health care capital projects.

The staff report and supporting documentation will be sent to RHD Chief Administrative Officers across BC with the objective of providing an update on the request and rationale to support a provincially hosted meeting with all RHDs.

Recommendation from the Chief Administrative Officer:

THAT a letter be sent to the Minister of Health with copies to Deputy Minister of Health, Union of BC Municipalities and all Regional Hospital District Boards requesting

- a) alignment and modernization of the 1996 *Hospital District Act* and repeal of regulation B.C. Reg. 406/82 (O.C. 1635/82) as noted in the staff report dated May 19, 2017 and
- b) that the Ministry of Health coordinate a session at the 2017 UBCM convention to discuss the alignment and modernization of the *Hospital District Act*.

Respectfully:



Debra Oakman, CPA, CMA
Chief Administrative Officer

Enclosures:

- Appendix A – RHD funding survey results re: residential care funding
- Appendix B – 2016 RHD tax rate comparison to 1982 Tax Regulation
- Appendix C – 1982 BC Tax Regulation
- Appendix D – Proposed updates and changes to the *Hospital District Act*
- Appendix E – December 1, 2016 letter from the Ministry of Health to the CSRHD regarding updates to the *Hospital District Act*

Appendix 'A' - Regional Hospital District funding survey results re residential care funding

Health Authority	Regional Hospital District	General Information			Facilities Funded				Notes
		Total Annual Budget 2015	2015 Population	2015 Residential tax rate	Acute Care (hospital/named facilities)	Residential Care	Health Programs	Other	
Island Health	Alberni Clayoquot	\$ 1,806,000	31,061	0.2949	Yes	No	No	No	
Island Health	Capital	\$ 29,726,450	359,991	0.3004	Yes	Yes	No	No	The three categories of capital funding include Major Capital Projects (over \$2M) which includes residential care, Minor Capital Projects (\$100,000 - \$2M) and medical equipment (greater than \$100,000). Have been funding major residential care bed replacement projects as well as minor capital/equipment.
Interior & Northern Health	Cariboo Chilcotin	\$ 7,648,736	63,466	0.7154	Yes	Yes	No	Yes	Residential care facilities are included as long as the funding is only for capital costs and as long as the facility is owned by or under long term lease to the health authority. Fund community foundations that are hospital related (projects are within a health authority facility). Have a medical staff recruitment and retention fund.
Vancouver Coastal	Central Coast		3,206	0.1234	Yes	No	No	No	
Interior Health	Central Okanagan	\$ 30,386,351	179,839	0.3567	Yes	No	No	No	Extended care (patients receiving nursing care)
Island Health	Comox Strathcona	\$ 122,009,201	106,790	0.8369	Yes	No	No	No	
Island Health	Cowichan Valley	\$ 8,539,633	80,332	0.5436	Yes	No	No	No	Information obtained from website - The sole purpose of the CVRHD is to provide funding for Hospital Capital Equipment.
Fraser Health	Fraser Valley	\$ 11,073,018	277,593	0.2234	Yes	Yes	No	No	
Northern Health	Fraser-Fort George	\$ 6,740,810	91,879	0.3512	Yes	No	No	No	
Interior Health	Kootenay East	7,451,183	56,655	0.1605	Yes	No	No	No	
Island Health	Mount Waddington	\$ 642,916	11,506	0.3205	Yes	Yes	No	No	Any capital, however reserve judgement on level of contribution
Island Health	Nanaimo	\$ 9,989,109	146,574	0.2242	Yes	Yes (if it is a designated facility)	No	No	The RDN only provides capital funding to designated facilities, this includes all capital including relatively small items, but no operating funding at this time.
Interior Health	North Okanagan/Columbia	\$ 13,263,561		0.2918					
Northern Health	North West	\$ 8,926,067	72,412	0.4558	Yes	Yes	No	No	In 2007 NWRHD funded \$6M of \$15M for renovations and building a new wing on a Terrace residential care facility. 2010 funded \$6.8 M to the \$19.5M to expand residential care beds in Prince Rupert. A general grant is given for small capital items and the Health Authority can decide which facilities to purchase items for. NWRHD does not fund anything that is not capital.
Northern Health	Northern Rockies	\$ 864,660	5,578	0.08253					
Interior Health	Okanagan-Similkameen	\$ 16,170,600	80,742	0.3156	Yes		No	No	
Northern Health	Peace River	\$ 17,293,778	60,082	0.5950	Yes	Yes		Yes	Medical recruitment, some residential care not all. Funded 40% of Rotary Manor in Dawson Creek, did not fund facilities built onto the new hospital in Fort St. John and (since they were funding \$98M for the hospital)
Vancouver Coastal	Powell River	\$ 1,975,988	19,906	0.2408	Yes	Yes	No	No	New - Complex Care connected to hospital prior to that acute care only
Vancouver Coastal	Sea to Sky	\$ 1,000,218	35,266	0.0497	Yes	No	No	No	

Health Authority	Regional Hospital District	General Information			Facilities Funded				Notes
		Total Annual Budget 2015	2015 Population	2015 Residential tax rate	Acute Care (hospital/named facilities)	Residential Care	Health Programs	Other	
Northern Health	Stuart-Nechako	\$ 3,843,000	22,941	0.5400	Yes	Yes	No	Yes	Residential care at reduced level. Other funding was identified as clinical information systems.
Vancouver Coastal	Sunshine Coast	\$ 5,373,560	28,619	0.2423	Yes	No	No	No	Budget includes current hospital expansion project. Limited capital finding provided to a care home that is considered part of the hospital compound.
Interior Health	Thompson	\$ 31,466,697	130,304	0.4684	Yes	Yes	No	No	Sample of current residential care project - handicapped washrooms at Gillis House (complex care facility).
Interior Health	West Kootenay-Boundary	\$ 7,160,668	80,000 (approx)	0.3028	Yes	Yes	No	No	Hospitals/health care centres, some residential care. Sample projects are Hardy View Lodge (operated by Interior health) Nurse call system \$280K total (40% funded), Boundary Hospital/Sunshine Manor home

Appendix 'B' - Regional Hospital District 2016 tax rate - BC Regulation 1982 tax rates

Health Authority	Regional Hospital District	2016 Net taxable assessed value - hospital purposes	2016 RHD Residential tax rate	BC Regulation 1982 tax rate	Notes
Island Health	Alberni Clayoquot	4,506,269,213	0.2894	0.4676925	
Island Health	Capital	83,292,051,289	0.2909	0.0618850	
	Cariboo			0.2052897	1982 Regulation name references 'Cariboo' only
Interior & Northern Health	Cariboo Chilcotin	7,692,907,867	0.7048	0.2052897	Assuming 1982 regulation tax rate same as 'Cariboo' tax rate.
Vancouver Coastal	Central Coast	166,196,726	0.0906	0.0433723	
Interior Health	Central Okanagan	39,940,397,150	0.3332	0.1575625	Extended care (patients receiving nursing care)
Island Health	Comox Strathcona	17,423,837,557	0.8177	0.1122445	1982 Regulation Comox Strathcona is spelled incorrectly
Island Health	Cowichan Valley	13,188,666,277	0.5867	0.1644235	
	Central Fraser Valley			0.1044510	1982 Regulation: identifies 'Central' Fraser Valley
Fraser Health	Fraser Valley	40,442,251,172	0.2089	0.1044510	Assuming same 1982 regulation tax rate as 'Central Fraser Valley'
Northern Health	Fraser-Fort George	11,679,261,052	0.4527	0.1869025	
	Fraser-Cheam			0.3420459	1982 regulation name
Interior Health	Kootenay East	16,181,513,013	0.1572	0.0498969	1982 Regulation indicates 'East Kootenay'
Island Health	Mount Waddington	1,187,073,386	0.3240	0.0519059	
Island Health	Nanaimo	27,047,636,469	0.2181	0.1036486	
	North Okanagan			0.0353586	1982 regulation has two separate RHDS, current structure is merged North Okanagan Columbia Shuswap
	Columbia Shuswap			0.4800350	1982 regulation has two separate RHDS, current structure is merged North Okanagan Columbia Shuswap
Interior Health	North Okanagan Columbia Shuswap	22,106,728,583	0.2818		Combined 1982 regulation tax rate would equal .5153936
Northern Health	North West	8,516,001,040	0.4364	0.4271226	1982 Regulation refers to this area as 'Kitimat Stikine'.
Northern Health	Northern Rockies	2,312,748,375	0.0447	0.0598032	
Interior Health	Okanagan-Similkameen	14,929,476,391	0.3181	0.1645235	
Northern Health	Peace River	14,510,952,289	0.5999	0.4109541	
Vancouver Coastal	Powell River	3,016,437,296	0.2492	0.4557523	
	Greater Vancouver			0.0356105	1982 regulation name
	Squamish-Lillooet			0.0373670	1982 regulation name
Vancouver Coastal	Sea to Sky	16,669,086,651	0.0442		Name not included in 1982 regulation
	Buckley-Nechako			0.3400706	1982 regulation name
Northern Health	Stuart-Nechako	2,127,962,034	0.5610		Not included in 1982 Regulation.
Vancouver Coastal	Sunshine Coast	8,525,119,431	0.1517	0.0345659	
	Skeena-Queen Charlotte			0.2683779	1982 regulation name
Interior Health	Thompson	21,691,340,346	0.4574	0.1262574	1982 regulation references Thompson - Nicola.
	Central Kootenay			0.0317692	1982 regulation name
Interior Health	West Kootenay-Boundary	12,571,786,188	0.2986	0.0523568	1982 regulation name is 'Kootenay-Boundary'.

B.C. Reg. 406/82
O.C. 1635/82

Deposited September 7, 1982

This consolidation is current to May 2, 2017.

Hospital District Act

HOSPITAL DISTRICT ACT REGULATION

[includes amendments up to B.C. Reg. 24/2016, April 5, 2016]

Contents

- 1 Prescribed date
- 2 Tax rate relationships
- 3 Limits on amount specified by minister
- 4 Spent
- 5 Tla'amin Nation vote under section 9 (1) of the Hospital District Act

Schedule

Prescribed date

- 1 The date prescribed for the purposes of section 23 (1) of the *Hospital District Act* is December 31, except for the 1996 budget which must be submitted by January 31, 1996.

[am. B.C. Regs. 312/87; 544/95.]

Tax rate relationships

- 2 If the council of a municipality raises a tax under section 26 of the Act, the relationships between tax rates on each property class to the tax rate on Class 1 must be the relationships in the following Schedule:

SCHEDULE	
<i>Class of Property</i>	<i>Ratio to Class 1 Rate</i>
1	1.0 : 1
2	3.5 : 1
3	1.0 : 1
4	3.4 : 1
5	3.4 : 1
6	2.45 : 1
7	3.0 : 1
8	1.0 : 1
9	1.0 : 1

Limits on amount specified by minister

- 3 For the purpose of section 20 (3) of the Act, the amount to be specified by the minister shall not exceed in the aggregate whichever is the greater of
 - (a) \$200 000, or
 - (b) the product of the rate set out in Column 2 of the schedule opposite the regional hospital district set out in Column 1 per thousand dollars of the assessed value of land and improvements in the district.

[en. B.C. Reg. 61/85.]

Spent

- 4 Authority Repealed. [1998-30-84.]

Tla'amin Nation vote under section 9 (1) of the Hospital District Act

- 5 (1) Despite section 9 (1) of the *Hospital District Act*, the Tla'amin Nation may participate in a vote under that section by the board of the Powell River Regional Hospital District.
- (2) The number of votes to which the Tla'amin Nation is entitled is
 - (a) the number obtained by dividing the population of the Tla'amin Nation by the voting unit specified in the letters patent for the Powell River Regional Hospital District, or
 - (b) if the quotient under paragraph (a) is not an integer, the next greater integer to the quotient.
- (3) A change in the population of the Tla'amin Nation established by census, for the purposes of subsection (2), takes effect in the year following the year in which that census was taken.

[en. B.C. Reg. 24/2016, Sch. s. 1.]

Schedule

[en. B.C. Reg. 120/89; see 1998-30-84; 14/2009.]

Column 1	Column 2
<i>Regional Hospital District</i>	<i>Rates for Section 20 (3) of Act</i>
Alberni-Clayoquot	.4676925
Bulkley-Nechako	.3400706
Capital	.0618850
Cariboo	.2052897
Central Coast	.0433723
Central Fraser Valley	.1044510
Central Kootenay	.0317692
Central Okanagan	.1575625
Columbia Shuswap	.4800350
Comox-Strathcona	.1122445

Cowichan Valley	.1644235
Dewdney-Alouette	.0330258
East Kootenay	.0498969
Northern Rockies	.0598032
Fraser-Cheam	.3420459
Fraser-Fort George	.1869025
Greater Vancouver	.0356105
Kitimat-Stikine	.4271226
Kootenay-Boundary	.0523568
Mount Waddington	.0519059
Nanaimo	.1036486
North Okanagan	.0353586
Okanagan-Similkameen	.1645235
Peace River	.4109541
Powell River	.4557523
Skeena-Queen Charlotte	.2683779
Squamish-Lillooet	.0373670
Sunshine Coast	.0345659
Thompson-Nicola	.1262574

[Provisions relevant to the enactment of this regulation: [Hospital District Act](#), R.S.B.C. 1996, c. 202, sections 20 (3) and 23 (1) and 51]

Hospital District Act		
Section		Review/update/modernize
Part 1 Definitions	Hospital	Hospital Act section 49
	Hospital facilities	Further define ‘things’. A more complete current list would modernize the legislation ie: for the purposes of cost sharing capital equipment, projects in Acute care hospitals; diagnostic and treatment centres; complex, multi-purpose and extended care facilities; client/patient information technology projects or any other project permitted by Ministry of Health Services as defined in Ministry policy (or regulation).
	Secretary	Consider establishing a more independent organization or updating definition to reflect LGA and Community Charter ‘officers’
Part 2 Hospital Districts and Boards	Division 1	Review and modernize – it is not clear on whether sections in this division are still relevant
	Division 2	
	Section 8 (1)	Add: ‘and alternative directors’
	Section 17	Modernize – this section could be updated to reflect either an independent organization governance model or improve clarity with regard to appointments from regional districts.
	Section 17 (6) (b)	ADD: ‘appoint’
	Division 3 and 4	Review and modernize
Part 3 Functioning of Boards	Division 1 Section 20 (1)(a)	Modernize the role of RHDs, ie: <ul style="list-style-type: none"> • Represent the RHDs interest in the capital planning process and to work with the health authority to establish capital priorities; • Determine the level of support available for capital projects sponsored by the health authority, and • Raise revenue for health capital contributions to assist the health authority. Purposes - Propose new definition ie: (a) To cost share towards the establishment, acquisition, construction, reconstruction of hospitals and hospital facilities.
	Section 20 (1) (c)	Review intent of section
	Sections 20 (1) (d);(e)	Modernize – no longer seem applicable
	Section 20 (3)	Modernize – does not align with current practice. Could delete ‘an amount which must not be greater in aggregate than a prescribed amount’. Each RHD is taxing and establishing their budgets based on local needs.
	Section 20 (4)	Modernize – Align with current practice. Delete ‘and must be reported to the minister’
	Section 20 (6)	Modernize – may no longer be applicable
	Section 22	Modernize – align with current practice. Delete section as RHDs establish their own policies.
	Section 23 (1)	Delete ‘a prescribed date’ Replace with ‘December 31 st ’
	Section 27 (3)	Modernize – align with current practice. Delete (a). Review all and update
Part 4 General	Section 51 (2)	Modernize – align with current practice. Delete (a). Review all and update.

HOSPITAL DISTRICT ACT – LEGISLATIVE REVIEW/MODERNIZATION

General Summary – The Hospital District Act is 35 pages in length and generally does not reflect current practice of either the Ministry of Health or Regional Hospital Districts. The Hospital District Act requires a full review and modernization.



Comox Valley Regional District

RECEIVED

File:

DEC 05 2016

To:

CC: 1073943

DEC 01 2016

Ms. Debra Oakman
 Chief Administrative Officer
 Comox Strathcona Regional Hospital District
 600 Comox Road
 Courtenay, BC V9N 3P6

Dear Ms. Oakman:

This letter is further to my letter of October 20, 2016, regarding the *Hospital District Act* (HDA) Regulation implementation.

The Ministry of Health (the Ministry) recognizes that the HDA Regulation has not been amended since its enactment in 1982 and is in need of updating to reflect current practices. The Ministry is working with the Ministry of Justice to determine the best mechanism for updating the HDA regulation and will be recommending that changes be made to the Regulation at the earliest opportunity. In the meantime, there is no expectation that regional hospital districts change their current practices with respect to the setting of tax rates.

If you require any further information, please contact Joel Palmer, Executive Director, Capital Services Branch, at 250-952-1102 or Joel.Palmer@gov.bc.ca.

I appreciate the opportunity to respond.

Yours truly,

Manjit Sidhu, CPA, CA
 Assistant Deputy Minister
 Finance and Corporate Services

pc: Mr. Joel Palmer, Executive Director, Capital Services, Ministry of Health



STAFF REPORT TO THE BOARD

DATE OF REPORT June 15, 2017
MEETING TYPE & DATE Hospital Board Meeting of June 28, 2017
FROM: Finance Division
 Corporate Services Department
SUBJECT: 2016 Financial Statements and Audit Results
FILE:

PURPOSE/INTRODUCTION

The purpose of this report is to present to the Board the Cowichan Valley Regional Hospital District's 2016 Financial Statements and Audit Results.

RECOMMENDED RESOLUTION

That BDO Canada LLP's Audit Results and Communication Report be received and the 2016 Cowichan Valley Regional Hospital District's 2016 Financial Statements be approved.

BACKGROUND

Canadian auditing standards require that the financial statements of an organization be approved by the Board of Directors prior to the signing of the auditor's report. The format and presentation of these Financial Statements is dictated by the Chartered Professional Accountants of Canada. The Chartered Professional Accountants of Canada also requires that audit firms communicate their role and responsibility, their method of performing the audit as well as their findings to the Board of Directors as well as to management. The Cowichan Valley Regional Hospital District's 2016 Financial Statements were audited by BDO Canada LLP who has submitted the attached audit result report. The auditor has advised in the report that they did not encounter any significant items to bring to management's attention during the course of the 2016 audit.

ANALYSIS

The Financial Statements for the Cowichan Valley Regional Hospital District are comprised of the following:

- Statement of Financial Position
- Statement of Operations
- Statement of Cash Flows
- Notes to the Financial Statements
- Schedules for Revenue, Reserve, Capital, Debt & Grants

It should be noted that the financial statements are prepared using the accounting standards and reporting model prescribed by the Public Sector Accounting Board (PSAB), which requires the elimination of Transfer to/from Reserves. Also, the Hospital District only provides for contributions to Health Care Facilities for minor capital projects and equipment and for borrowing for major capital construction. We do not participate in the operating or wage costs of the Health Care Facilities.

In summary, at December 31, 2016, the Hospital District has \$27,196,656 in Restricted Reserves for funding the future hospital. In 2016 \$2,955,442 was spent to purchase the site for the new hospital and in the future this expenditure will be included as part of the CVRHD's 40% contribution. The long-term outstanding debt is \$511,775, details of which can be found in Schedule D.

The following attachments are provided for your information:

- Attachment A – CVRHD Draft Financial Statements
- Attachment B – BDO Canada LLP Audit Results

FINANCIAL CONSIDERATIONS

N/A

COMMUNICATION CONSIDERATIONS

Once approved the Audited Financial Statements will be submitted to the Province.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

N/A

Referred to (upon completion):

- Community Services (*Island Savings Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Public Safety, Facilities & Transit*)
- Corporate Services (*Finance, Human Resources, Legislative Services, Information Technology, Procurement*)
- Engineering Services (*Environmental Services, Water Management, Recycling & Waste Management*)
- Land Use Services (*Community & Regional Planning, Development Services, Inspection & Enforcement, Economic Development, Parks & Trails*)
- Strategic Services

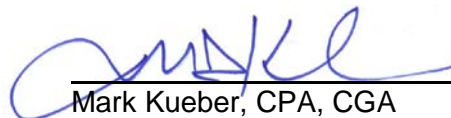
Prepared by:

Reviewed by:



Sharon Moss, CPA, CGA
Manager

Not Applicable
Not Applicable



Mark Kueber, CPA, CGA
General Manager

Reviewed for Form and Content and Approved for Submission to the Board:

Chief Administrative Officer's Comments / Concurrence


Brian Carruthers
Chief Administrative Officer

ATTACHMENTS:

Attachment A – CVRHD Draft Financial Statements
Attachment B – BDO Canada LLP Audit Results



**COWICHAN VALLEY
REGIONAL HOSPITAL DISTRICT**

**DRAFT
FINANCIAL STATEMENTS
December 31, 2016**

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2016

BOARD OF DIRECTORS

City of Duncan	S. Jackson
Town of Ladysmith	A. Stone
Town of Lake Cowichan	B. Day (Vice-chair)
District of North Cowichan	T. Walker
District of North Cowichan	J. Lefebure (Chair)
District of North Cowichan	K. Marsh
Electoral Area "A" – Mill Bay/Malahat	K. Davis
Electoral Area "B" – Shawnigan Lake	S. Furstenuau
Electoral Area "C" – Cobble Hill	M. Clement
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
Electoral Area "G" – Saltair/Gulf Island	M. Dorey
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 -	M. Kueber

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS DECEMBER 31, 2016

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Management's Responsibility
Independent Auditor's Report

FINANCIAL STATEMENTS

- 1 Statement of Financial Position
- 2 Statement of Operations
- 3 Statement of Cash Flows

Notes to the Financial Statements

SUPPORTING SCHEDULES

- A Schedule of Revenue Fund Activities
- B Schedule of Reserve Fund Activities
- C Schedule of Capital Fund Activities
- D Schedule of Debenture Debt
- E Schedule of Grants to Health Care Facilities



175 Ingram Street
Duncan, BC V9L 1N8
www.cvrd.bc.ca

Office: 250.746.2500
Fax: 250.746.2513
Toll Free: 1.800.665.3955

Management's Responsibility

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.

Brian Carruthers
Chief Administrative Officer

Sharon Moss, CPA, CGA
Finance Manager

Independent Auditor's
Report

Insert following Board
Financial Statement Approval

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
Financial Assets		
Cash	\$ 5,930,534	\$ 5,687,555
Cash - Restricted	14,194,041	22,496,492
Portfolio Investments - Restricted (Note 3)	13,002,615	-
Land - Future Hospital Site (Note 4)	<u>3,228,063</u>	<u>272,621</u>
Total Financial Assets	<u>36,355,253</u>	<u>28,456,668</u>
Liabilities		
Accounts Payable	18,600	-
Accrued Interest Payable	2,744	7,263
Long-Term Debt (Schedule D)	<u>511,775</u>	<u>620,602</u>
Total Liabilities	<u>533,119</u>	<u>627,865</u>
Accumulated Surplus (Note 8)	<u>\$ 35,822,134</u>	<u>\$ 27,828,803</u>

 Sharon Moss, CPA, CGA
 Finance Manager

 Jon Lefebure
 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, 2016

	Budget (Note 10)	2016	2015
Revenue			
Tax Requisition	\$ 9,289,633	\$ 9,289,633	\$ 8,289,632
Grants	-	5,423	5,645
Cash Distribution Surplus	-	37,435	90,935
Interest and Other Revenue	<u>50,000</u>	<u>248,638</u>	<u>215,922</u>
Total Revenue	<u>9,339,633</u>	<u>9,581,129</u>	<u>8,602,134</u>
Expenses			
Debenture Debt Interest	71,507	30,095	32,868
Administrative Support (Note 6)	60,000	60,000	60,022
Grants to Health Care Facilities (Schedule E)	<u>5,000,000</u>	<u>1,497,703</u>	<u>1,506,336</u>
Total Expenses	<u>5,131,507</u>	<u>1,587,798</u>	<u>1,599,226</u>
Annual Surplus	4,208,126	7,993,331	7,002,908
Opening, accumulated surplus	<u>27,828,803</u>	<u>27,828,803</u>	<u>20,825,895</u>
Ending, accumulated surplus	<u>\$ 32,036,929</u>	<u>\$ 35,822,134</u>	<u>\$ 27,828,803</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, 2016

	2016	2015
Operating Transactions		
Annual Surplus (Statement 2)	\$ 7,993,331	\$ 7,002,908
Change in GST receivable	-	1,205
Change in accounts payable	18,600	-
Change in accrued interest	(4,519)	(8,195)
Debt actuarial adjustments	<u>(43,911)</u>	<u>(62,366)</u>
Net increase in cash from operations	<u>7,963,501</u>	<u>6,933,552</u>
Investing Transactions		
Investments in portfolios	(13,002,615)	-
Land future contributions	<u>(2,955,442)</u>	<u>(181,429)</u>
Net increase/(decrease) in cash from investing	<u>(15,958,057)</u>	<u>(181,429)</u>
Financing Transactions		
Principal debt repayments (Schedule D)	<u>(64,916)</u>	<u>(94,844)</u>
Net decrease in cash from financing	<u>(64,916)</u>	<u>(94,844)</u>
Increase/(Decrease) in Cash	(8,059,472)	6,657,279
Cash - Beginning of Year	<u>28,184,047</u>	<u>21,526,768</u>
Cash - End of Year	<u>\$ 20,124,575</u>	<u>\$ 28,184,047</u>
Breakdown of Cash		
Cash	\$ 5,930,534	\$ 5,687,555
Cash - Restricted	<u>14,194,041</u>	<u>22,496,492</u>
	<u>\$ 20,124,575</u>	<u>\$ 28,184,047</u>

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

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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) Sinking Fund

The Hospital District records net long-term debt in accordance with amortization schedules issued at the inception of debenture issues. Sinking fund assets are recorded at the cost amount of the contributions made, plus required actuarial amounts. No adjustment for sinking fund surpluses due to market experience is recorded until realized at extinguishment of debenture debt.

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, 2016
3. Portfolio Investments

Portfolio investments are Municipal Finance Authority (MFA) Money Market funds of \$13,002,615 (2015 - \$ 0). 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 2016 was .81%.

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 long term 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. Long term 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, supplementary information to these consolidated financial statements.

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

2017	2018	2019	2020	2021	Total
\$ 40,323	\$ 40,551	\$ 40,785	\$ 41,025	\$ 41,271	\$ <u>203,955</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 (2015 - \$60,000) were charged to the Cowichan Valley Regional Hospital District (CVRHD) from the Cowichan Valley Regional District (CVRD). In addition, staff resources were supplied by the CVRD to the CVRHD to assist with purchasing a potential hospital site totaled \$3,327 (2015 - \$50,000).

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
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 elsewhere in the financial statements and as at December 31, 2016 amounted to \$ 58,966 (2015 - \$ 96,345).

	2016	2015
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 20,438	\$ 32,590
Demand Notes - Cowichan Valley Regional Hospital District	<u>38,528</u>	<u>63,755</u>
	<u>\$ 58,966</u>	<u>\$ 96,345</u>

8. Accumulated Surplus

The Accumulated Surplus of \$35,822,134 (2015 - \$27,828,803) is made up of the following individual fund equity amounts.

	2016	2015
Revenue Fund Deficit (Schedule A)	\$ 2,949,063	\$ 65,519
Reserve Fund (Schedule B)	33,384,846	28,383,886
Capital Fund (Schedule C)	<u>(511,775)</u>	<u>(620,602)</u>
Accumulated Surplus	<u>\$ 35,822,134</u>	<u>\$ 27,828,803</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, 2016

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 9, 2016 . 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)	\$ 4,208,126
Add:	
Transfer from Reserves	3,200,000
Less:	
Debt Principal Repayments	(64,915)
Transfer to Reserves	<u>(7,343,211)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 140	\$ <u> -</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF REVENUE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(unaudited)**

	Budget	2016	2015
Revenue			
Tax Requisition	\$ 9,289,633	\$ 9,289,633	\$ 8,289,632
Grants	-	5,423	5,645
Cash Distribution Surplus	-	37,435	90,935
Interest and Other Revenue	<u>50,000</u>	<u>66,371</u>	<u>55,185</u>
Total Revenue	<u>9,339,633</u>	<u>9,398,862</u>	<u>8,441,397</u>
Expenses			
Debenture Debt Interest	71,507	74,006	95,233
Administrative Support (Note 6)	<u>60,000</u>	<u>60,000</u>	<u>60,022</u>
Total Expenses	<u>131,507</u>	<u>134,006</u>	<u>155,255</u>
Operating Surplus	9,208,126	9,264,856	8,286,142
Transfer to Reserve Fund (Schedule B)	5,000,000	1,800,000	1,800,000
Transfer to Restricted Reserve Fund (Schedule B)	7,343,211	7,380,646	6,351,228
Transfer from Reserve Fund (Schedule B)	(3,200,000)	(2,864,250)	(272,621)
Principal Debt Repayments (Schedule D)	<u>64,915</u>	<u>64,916</u>	<u>94,844</u>
	<u>9,208,126</u>	<u>6,381,312</u>	<u>7,973,451</u>
Change in Fund Balance	-	2,883,544	312,691
Beginning Fund Balance	<u>-</u>	<u>65,519</u>	<u>(247,172)</u>
Ending Fund Balance (Note 8)	<u>\$ -</u>	<u>\$ 2,949,063</u>	<u>\$ 65,519</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(unaudited)**

	2016	2015
Fund Balance, Beginning	\$ 28,383,886	\$ 21,850,879
Add:		
Contribution from Revenue Fund (Schedule A)	9,180,646	8,151,228
Interest Earned on Restricted Reserve	182,267	160,736
Less:		
Land - Future Contributions	(2,864,250)	(272,621)
Grants to District Hospitals (Schedule E)	<u>(1,497,703)</u>	<u>(1,506,336)</u>
Fund Balance, Ending (Note 8)	<u>\$ 33,384,846</u>	<u>\$ 28,383,886</u>
 Fund balance is composed of:		
Section 20 Reserve	\$ 6,189,690	\$ 5,887,394
Restricted Reserve	<u>27,195,156</u>	<u>22,496,492</u>
	<u>\$ 33,384,846</u>	<u>\$ 28,383,886</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(unaudited)**

	2016	2015
Fund Balance, Beginning	\$ (620,602)	\$ (777,812)
Principal Debt Repayments (Schedule D)	64,916	94,844
Actuarial Adjustments	<u>43,911</u>	<u>62,366</u>
Fund Balance, Ending (Note 8)	<u>\$ (511,775)</u>	<u>\$ (620,602)</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF DEBENTURE DEBT
AS AT DECEMBER 31, 2016
(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>	
624	97	7.875%	2016	1,649,669	659,868	51,965	24,815	
78	116	3.380%	2022	2,262,532	905,013	19,005	27,370	
78	120	3.380%	2022	330,788	132,315	2,779	4,002	
93	120	5.100%	2025	<u>435,523</u>	<u>174,209</u>	<u>4,776</u>	<u>8,729</u>	
					1,871,405			
Less principal repayments and actuarial adjustments					<u>(1,359,630)</u>			
TOTAL				<u>\$ 4,678,512</u>	<u>\$ 511,775</u>	<u>\$ 78,525</u>	<u>\$ 64,916</u>	
TOTAL DEBT PAYMENT							<u>\$ 143,441</u>	

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES
YEAR ENDED DECEMBER 31, 2016
(unaudited)**

	Total 2015	2016 Grants to health care facilities	Total 2016
	<u> </u>	<u> </u>	<u> </u>
Cowichan District	\$ 30,837,700	\$ 1,415,224	\$ 32,252,924
Nanaimo District	674,834	-	674,834
Chemainus	5,344,902	36,489	5,381,391
Ladysmith	<u>2,348,042</u>	<u>45,990</u>	<u>2,394,032</u>
	<u>\$ 39,205,478</u>	<u>\$ 1,497,703</u>	<u>\$ 40,703,181</u>

Cowichan Valley Regional Hospital District

Final Report to the Board of Directors for the year ended December 31, 2016

June 20, 2017



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Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

HSR1

June 20, 2017

Members of the Board of Directors
Cowichan Valley Regional Hospital District
175 Ingram Street
Duncan, BC V9L 1N8

Dear Members of the Board of Directors:

We are pleased to present the report on the results of our audits of the financial statements of the Cowichan Valley Regional Hospital District (the "Hospital District") for the year ended December 31, 2016. The purpose of this report is to summarize certain aspects of the audits that we believe to be of interest to the Board of Directors and should be read in conjunction with the draft financial statements and our draft audit report which is included as Appendix A.

We would like to bring to your attention that our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our sincere appreciation for the co-operation we received during the audit from the Hospital District's management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Kristine Simpson, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

KS/mkn



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EXECUTIVE SUMMARY

Audit Findings	<p>Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement.</p> <p>We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Board of Directors dated December 19, 2016.</p> <p>A detailed description of our audit findings has been included on page 6.</p>
Status of Audit	<p>As of the date of this report, we have substantially completed our audit of the year end financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the financial statements:</p> <ul style="list-style-type: none"> • Receipt of the signed management representation letter • Subsequent events review through to financial statement approval date • Approval of financial statements by the Board of Directors
Audit Risks	<p>In accordance with our audit plan, our procedures focused on the following areas that we identified as containing risks of material misstatements:</p> <ul style="list-style-type: none"> • Risk of Management Override • Cash and Investments • Land - Future Hospital Site <p>We have summarized the results of our audit procedures for each of these risk areas, beginning on page 7 of this report.</p>
Internal Control Over Financial Reporting	<p>We did not identify any significant deficiencies in internal controls over financial reporting during the year ended December 31, 2016 that we considered to be material weaknesses.</p>
Fraud and Illegal Activities	<p>We developed procedures within our audit plan as recommended by CAS 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Based on these procedures, we have not encountered any illegal activities or fraudulent events with respect to the Hospital District.</p>
Significant Events	<p>As of the date of this letter, we have not identified any significant events which we believe should be brought to your attention.</p>
Significant Accounting Policies	<p>The Hospital District's significant accounting policies are listed in the financial statements. We believe management's selection of accounting policies is appropriate under Canadian public sector accounting standards.</p>

Estimates	<p>Accounting estimates are an integral part of the financial statements and are based on management’s current judgments. These judgments are based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>Our comments on the significant estimates included in the financial statements are included on page 7 of this report.</p>
Materiality, Audit Adjustments and Unadjusted Differences	<p>Our final materiality level of \$191,000. This has been increased from our preliminary materiality (\$159,000) in our planning letter dated December 19, 2016 to reflect the increase of revenue for the year.</p> <p>There are no audit adjustments or unadjusted differences.</p>
Disclosures	<p>There are no material omissions with respect to the disclosures in the financial statements for the year ended December 31, 2016 that we have noted.</p>
Independence	<p>We confirm that we are still independent as of the date of this letter.</p>
Representation Letter	<p>A draft version of the representation letter to be signed by management is included in Appendix B.</p>
Conclusion	<p>We intend to issue an unmodified audit report on the financial statements for the year ended December 31, 2016 prepared in accordance with the Canadian public sector accounting standards once the outstanding items referred to above are satisfactorily resolved and the financial statements are approved by the Board of Directors.</p>



INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Board of Directors at least annually, all relationships between BDO Canada LLP and its related entities and Client and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Hospital District.

Our annual letter confirming our independence was previously provided to you in our Planning Report to the Board dated December 19, 2016. We know of no circumstances that would cause us to amend the previously provided letter.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As communicated to you in our Planning Report to the Board of Directors, preliminary materiality was \$159,000. Final materiality was increased to \$191,000 to reflect increase of revenue.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Hospital District’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

ACCOUNTING AND AUDIT MATTERS

Management Override of Controls

Risk	Approach	Results
<p>Management is in a unique position to perpetrate fraud because of management’s ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This risk is required for all audits pursuant to Canadian audit standards.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>



Cash and Investments

Risk	Approach	Results
Due to its nature, cash and investments are almost always considered to be a risk area in any audit.	We reviewed the year end reconciliations and obtained third party confirmations.	All audit testing in this area was executed as planned and no issues were noted.

Land - Future Hospital Site

Risk	Approach	Results
Due to significant purchase of lands for the future hospital site, there is a risk of incorrect capitalization.	We reviewed material additions and a sample of non-material additions to third party documentation.	All audit testing in this area was executed as planned and no issues were noted.

SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the Hospital District's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with Canadian public sector accounting standards.

UNADJUSTED DIFFERENCES

There were no significant unadjusted differences or disclosure omissions identified through the course of our audit engagement.

AUDIT ADJUSTMENTS

There were no year-end audit adjustments.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A summary of the representation we have requested from management is set out in the management representation letter included in Appendix B to the report.



FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Board of Directors on an annual basis. Further to the discussion held with the Board of Directors during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Question to Board of Directors
<p>Details of existing oversight processes with regards to fraud.</p>	<p>Based on our discussions during the planning of our audit, the Board of Directors' oversight processes include:</p> <ul style="list-style-type: none"> • Discussions at Board of Directors meetings; • Review of related party transactions; and • Consideration of tone at the top. • Review of significant purchase commitments 	<p>Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?</p>
<p>Knowledge of actual, suspected or alleged fraud.</p>	<p>Currently, we are not aware of any actual, suspected or alleged fraud.</p>	<p>Are you aware of any instances of actual, suspected or alleged fraud affecting the Hospital District?</p>

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Board of Directors dated December 19, 2016.



INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Hospital District’s internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Hospital District’s financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Deficiency	Issue and Impact
None noted	None noted

MANAGEMENT LETTER

During the course of an audit of the financial statements of Cowichan Valley Regional Hospital District for the year ended December 31, 2016, we did not encounter any significant matters related to internal control or business processes which we believe should be brought to your attention.

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated December 19, 2016
2. Our audit strategy and audit scope	✓		Included in our Planning Report dated December 19, 2016
3. Fraud risk factors	✓		Included in our Planning Report dated December 19, 2016.
4. Going concern matters		✓	None.
5. Significant estimates or judgments		✓	See Page 7
6. Audit adjustments		✓	None noted.
7. Unadjusted differences		✓	None noted.
8. Omitted disclosures		✓	None noted.
9. Disagreements with management		✓	There were no disagreements with management.
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement.
11. Major issues discussed with management in regards to retention		✓	None.
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit.
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted.
14. Material written communication between BDO and management		✓	No material written communications were noted.
15. Any relationships which may affect our independence	✓	✓	No independence issues noted.



Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process.
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process.
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted.
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit.
20. Limitations of scope over our audit, if any		✓	None.
21. Written representations made by management		✓	See Appendix B.
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's report included in Appendix A.



BDO RESOURCES

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Board of Directors.

TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#).



APPENDIX A - Draft Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cowichan Valley Regional Hospital District

We have audited the accompanying financial statements of the Cowichan Valley Regional Hospital District, which comprise the Statement of Financial Position as at December 31, 2016, and the Statements of Operations and Cash Flows for the year then ended, and 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the 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 the auditor's 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, the auditor considers 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 the Cowichan Valley Regional Hospital District as at December 31, 2016 and its results of operations and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.



DRAFT - For Discussion Purposes Only

Supplemental Information

The supplementary financial information presented in Schedules A to E is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the main financial statements. The supplementary information has not been subject to audit.

Chartered Professional Accountants

Vancouver, British Columbia
June 28, 2017



APPENDIX B - Management Representation Letter

BDO Canada LLP
Chartered Professional Accountants
600-925 W Georgia Street
Vancouver, BC
V6C 3L2

This representation letter is provided in connection with your audit of the financial statements of Cowichan Valley Regional Hospital District for the year ended December 31, 2016, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 19, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the District use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditors during the audit.



Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the District and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the District's financial statements communicated by employees, former employees, analysts, regulators, or others.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.

Yours truly,

Signature

Position

