



Capital Regional  
Hospital District

# 2016 Financial Statements

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Capital Regional Hospital District  
Board of Directors

Capital Regional Hospital District	2017	2016
Chair	Councillor Marianne Alto	Director David Howe
Acting Chair	Mayor Barb Desjardins	Mayor Barb Desjardins
<b>Electoral Area Directors:</b>		
Area F - Salt Spring Island	Director Wayne McIntyre	Director Wayne McIntyre
Area G - Southern Gulf Islands	Director David Howe	Director David Howe
Area H - Juan de Fuca	Director Mike Hicks	Director Mike Hicks
<b>Municipal Directors:</b>		
District of Central Saanich	Mayor Ryan Windsor	Mayor Ryan Windsor
City of Colwood	Mayor Carol Hamilton	Mayor Carol Hamilton
Township of Esquimalt	Mayor Barb Desjardins (Alternate during Provincial election period is Councillor Lynda Hundleby)	Mayor Barb Desjardins
District of Highlands	Mayor Ken Williams	Mayor Ken Williams
District of Langford	Councillor Denise Blackwell Councillor Lanny Seaton	Councillor Denise Blackwell Councillor Lanny Seaton
District of Metchosin	Mayor John Ranns	Mayor John Ranns
District of North Saanich	Mayor Alice Finall	Mayor Alice Finall
District of Oak Bay	Mayor Nils Jensen	Mayor Nils Jensen
District of Saanich	Mayor Richard Atwell Councillor Susan Brice Councillor Judy Brownoff Councillor V. Derman (d. March 2017) replaced by Councillor Dean Murdock, April 24, 2017 Councillor Colin Plant	Mayor Richard Atwell Councillor Susan Brice Councillor Judy Brownoff  Councillor Vic Derman Councillor Colin Plant
Town of Sidney	Mayor Steve Price	Mayor Steve Price
District of Sooke	Councillor Rick Kasper	Councillor Rick Kasper
City of Victoria	Mayor Lisa Helps Councillor Marianne Alto Councillor Ben Isitt Councillor Geoff Young	Mayor Lisa Helps Councillor Marianne Alto Councillor Ben Isitt Councillor Geoff Young
Town of View Royal	Mayor David Screech	Mayor David Screech
<b>Total Number of Directors</b>	<b>24</b>	<b>24</b>

Capital Regional Hospital District  
Staff & Statistics

Senior Administration Staff
Chief Administrative Officer - Robert Lapham
General Manager, Planning and Protective Services - Kevin Lorette
Chief Financial Officer - Nelson Chan

Statistics
Incorporated October 17, 1967
Total Area: 2,446 Square Kilometers
Population: 378,232 (2015 Estimate)
Total 2016 Assessments (Hospital Converted): 9,875,481,087
Total 2016 Assessments (Hospital Actual): 83,496,044,662
Bank: Royal Bank of Canada (RBC)
Auditors: KPMG LLP
Solicitors: Stewart McDannold Stuart



KPMG LLP  
 St. Andrew's Square II  
 800-730 View Street  
 Victoria BC V8W 3Y7  
 Telephone (250) 480-3500  
 Fax 250-480-3539

## INDEPENDENT AUDITORS' REPORT

*To the Chair and Directors of the Capital Regional Hospital District*

We have audited the accompanying financial statements of the Capital Regional Hospital District, which comprise the statement of financial position as at December 31, 2016, the statements of operations, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Regional Hospital District as at December 31, 2016, and its results of operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

June 14, 2017  
 Victoria, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Capital Regional District  
 625 Fisgard Street, PO Box 1000  
 Victoria, BC V8W 2S6

T: 250.360.3000  
 F: 250.360.3023  
 www.crd.bc.ca

## Capital Regional Hospital District

### MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Capital Regional Hospital District Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Finance Committee of the Board.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the *Financial Information Act*. The independent Auditors' Report outlines the scope of the audit for the year ended December 31, 2016.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, CPA, CMA  
 Chief Financial Officer \*  
 June 14, 2017

\* For municipalities, the officer assigned responsibility for financial administration signs Prepared pursuant to Financial Information Regulation, Schedule 1, section 9

Statement of Financial Position

For the year ended December 31, 2016

	2016	2015
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 18,290,610	\$ 13,812,400
Accounts receivable		
Capital Regional District	104,184	21,557
Other	104,927	141,285
Restricted cash - MFA Debt Reserve Fund (Note 3)	3,461,923	3,254,487
Land for resale (Note 4)	898,037	898,037
	<u>22,859,681</u>	<u>18,127,766</u>
<b>Financial liabilities</b>		
Accounts payable and other liabilities	3,941,401	2,744,960
Temporary borrowings (Note 5)	696,342	50,885
Long-term debt (Note 6)	146,170,672	148,111,503
	<u>150,808,415</u>	<u>150,907,348</u>
<b>Net debt</b>	(127,948,734)	(132,779,582)
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	19,388,257	9,153,180
Contingent liability (Note 6)		
Commitments (Note 8)		
<b>Accumulated Deficit (Note 10)</b>	<u>\$ (108,560,477)</u>	<u>\$ (123,626,402)</u>

The accompanying notes are an integral part of these financial statements



Nelson Chan, MBA, CPA, CMA  
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2016

	Budget (Note 11)	2016	2015
<b>Revenue</b>			
Taxation - Municipalities	\$ 26,529,624	\$ 26,529,624	\$ 26,197,900
Taxation - Electoral Areas	2,130,708	2,130,708	2,158,219
Taxation - First Nations	84,378	84,378	88,591
Payments in lieu of taxes	1,042,980	1,042,981	1,051,202
Interest income	50,000	223,945	215,148
Debenture maturity refund	-	77,681	18,210
Actuarial adjustment on long-term debt	-	4,259,156	4,020,253
	<u>29,837,690</u>	<u>34,348,473</u>	<u>33,749,523</u>
<b>Expenses</b>			
Grants to district hospitals (Schedule 1)	12,585,890	9,559,007	8,518,510
Interest on long-term debt	9,390,680	9,080,777	9,251,875
Interest on temporary borrowings	40,480	16,651	19,590
Debenture issue expense	-	-	54,308
Operating expenses	735,910	626,113	563,458
	<u>22,752,960</u>	<u>19,282,548</u>	<u>18,407,741</u>
Annual surplus	7,084,730	15,065,925	15,341,782
Accumulated deficit, beginning of year	(123,626,402)	(123,626,402)	(138,968,184)
<b>Accumulated deficit, end of year</b>	<u>\$ (116,541,672)</u>	<u>\$ (108,560,477)</u>	<u>\$ (123,626,402)</u>

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2016

	Budget (Note 11)	2016	2015
<b>Annual surplus</b>	\$ 7,084,730	\$ 15,065,925	\$ 15,341,782
Acquisition of tangible capital assets	(11,965,020)	(10,235,077)	(732,294)
Reclassification of land held for sale to TCA	-	-	(1,913,640)
<b>Change in net debt</b>	(4,880,290)	4,830,848	12,695,848
<b>Net debt, beginning of year</b>	(132,779,582)	(132,779,582)	(145,475,430)
<b>Net debt, end of year</b>	\$ (137,659,872)	\$ (127,948,734)	\$ (132,779,582)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Annual surplus	\$ 15,065,925	\$ 15,341,782
Items not involving cash:		
Actuarial adjustment on long-term debt	(4,259,156)	(4,020,253)
Change in non-cash assets and liabilities		
Accounts receivable	36,358	(136,047)
Accounts payable and accrued liabilities	1,196,441	(756,095)
Due to/(from) Capital Regional District	(82,627)	(66,967)
Restricted cash	(207,436)	(48,622)
<b>Net change in cash from operating activities</b>	11,749,505	10,313,798
<b>Capital activities:</b>		
Cash used to acquire tangible capital assets	(10,235,077)	(732,294)
<b>Net change in cash from capital activities</b>	(10,235,077)	(732,294)
<b>Investing activities:</b>		
Investments	-	8,550,534
<b>Net change in cash from investing activities</b>	-	8,550,534
<b>Financing activities:</b>		
Temporary borrowings increase	8,445,124	2,841,877
Temporary borrowings repaid	(7,799,668)	(3,914,273)
Long-term debt borrowings	15,348,238	9,051,347
Repayment of long-term debt	(13,029,912)	(13,132,979)
<b>Net change in cash from financing activities</b>	2,963,782	(5,154,028)
<b>Net change in cash and cash equivalents</b>	4,478,210	12,978,010
Cash and cash equivalents, beginning of year	13,812,400	834,390
<b>Cash and cash equivalents, end of year</b>	\$ 18,290,610	\$ 13,812,400
Cash paid for interest	\$ 9,114,435	\$ 9,288,472
Cash received for interest	214,260	205,463

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

For the year ended December 31, 2016

**GENERAL**

The Capital Regional Hospital District (the "Hospital District") is incorporated under letters patent issued October 17, 1967. The Hospital District provides Capital Region hospitals with funding for capital project construction and the purchase of moveable equipment.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hospital District are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Hospital District are as follows:

**a) Basis of Accounting**

The Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

**b) Taxation**

Each Municipality, Electoral Area and First Nations within the Regional District is requisitioned for their portion of the Hospital District service. These funds are then levied by the Municipalities, First Nations and the Province (for Electoral Areas) to individual taxpayers and remitted to the Hospital District by August 1 of each year.

**c) Cash Equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

**d) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes amounts directly attributable to acquisition, construction, development or betterment of the asset.

- i. Contributions of tangible capital assets  
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.
- ii. Works of art and cultural and historic assets  
Works of art and cultural and historic assets are not recorded as assets in these financial statements.
- iii. Interest capitalization  
The Hospital District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

**e) Long-Term Debt**

Long-term debt is presented net of related sinking fund balances.

**f) Section 20(3) Reserve**

As permitted by section 20(3) of the Hospital District Act, funds are raised for the future purchase of equipment, minor renovations to hospitals, and related studies.

**g) 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 assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**h) Government Transfers**

Government transfers including grants to district hospitals are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

**i) Investments**

Investments are recorded at cost plus reinvested earnings. Investment income is reported in the period earned.

**2. CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
Bank account	\$18,205,523	\$13,728,018
MFA Money Market	85,087	84,382
	<u>\$18,290,610</u>	<u>\$13,812,400</u>

**3. RESTRICTED CASH – MFA DEBT RESERVE FUND**

The Municipal Finance Authority of British Columbia (the "MFA") is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue 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 MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. When this occurs, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2016 is \$3,461,923 (2015: \$3,254,487).

**4. LAND FOR RESALE**

In 2002, the Hospital District purchased the Carey Road Lot 1 site for \$2,175,556. In 2007, the Hospital District purchased the Carey Road Lot 2 site for \$5,524,000. The Hospital District has approved various uses for the property including: residential care, independent living and affordable housing for seniors; supportive housing for the homeless and affordable family housing. In 2010, the Hospital District transferred a parcel of land (\$576,296) to the Capital Regional District to be used for supportive housing for the homeless and another parcel (\$1,233,038) to the District of Saanich to be used for a public park. In 2011, the Hospital District transferred three parcels of land (\$3,116,681) to the Capital Regional District to be used for affordable family and seniors' housing and future phase development. In 2012, the Hospital District approved a 27 year land lease with the Baptist Housing Mount View Heights Care Society for 3814 Carey Road (book value \$1,913,640). The remaining parcel of land is held for resale and is presented on the Statement of Financial Position as a financial asset at the original cost.

**5. TEMPORARY BORROWINGS**

Temporary borrowings are with the MFA at variable interest rates. The interest rate at year end was 1.44% (2015: 1.38%).

**6. LONG-TERM DEBT**

**a) Debenture Debt**

Long-term debt represents debenture debt principal which is reported net of sinking fund deposits of \$106,325,971 (2015: \$94,020,572).

The loan agreements with the MFA provide that, if at any time the scheduled payments provided for in the agreements for the Hospital District and other authorities are not sufficient to meet the MFA's obligation in respect to such borrowings, the resulting deficiency becomes a liability of the Hospital District and other authorities to the MFA.

The following sinking fund payments are payable over the next five years:

	2017	2018	2019	2020	2021
\$	13,751,707	12,964,422	12,417,141	11,707,476	10,896,816

**b) Interest Rates of MFA Debentures Issued in the Year**

	2016	2015
	1.50% to 2.60%	1.45% to 2.75%

The long-term debt bears interest at rates ranging from 1.45% to 5.15%. The weighted average interest rate in 2016 is 3.59%

**c) Demand Notes – Contingent Liability**

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$10,038,093. The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

**7. TANGIBLE CAPITAL ASSETS**

**a) The Heights Residential Care Facility Site**

In 2012, the Hospital District approved a 27 year land lease with the Baptist Housing Mount View Heights Care Society for 3814 Carey Road. The land has a book value of \$1,913,640.

**b) The Summit at Quadra Village Residential Care Project**

In 2013, the Hospital District purchased land at the Hillside site for \$6,507,246. The Hospital District has approved the building of 320 residential care beds at this site. Anticipated completion is Spring, 2019. The property is to be leased to Island Health and be utilized as a residential health facility.

	2016	2015
Capital Budget (including land)	\$86,443,285	\$86,443,285
Less:		
Expenditures to date	(11,647,813)	(7,239,540)
Commitments	(7,213,481)	(3,910,648)
<b>Remaining Balance</b>	<b>\$67,581,991</b>	<b>\$75,293,097</b>

**8. COMMITMENTS**

Several major hospital construction and refurbishing projects have been approved. The Hospital District's share is \$31,720,423 against which grants of approximately \$21,197,641 have been expensed.

**9. RELATED PARTY TRANSACTIONS**

The Hospital District is related to the Capital Regional District since the same individuals are members of the Board of Directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Capital Regional District are the corresponding officers and employees of the Hospital District. Each of the Regional District and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Hospital District purchased, at cost, \$632,511 (2015: \$670,882) of administrative support and project management services from the Capital Regional District.



Grants to District Hospitals

For the year ended December 31, 2016

10. ACCUMULATED DEFICIT

Accumulated deficit consists of individual fund surpluses, deficits and reserves as follows:

	2016	2015
Deficit:		
Other	\$ (112,565,020)	\$ (130,236,696)
Reserve funds set aside for specific purposes:		
Hospital District Act Section 20(3) reserve	4,004,543	6,610,294
<b>Accumulated Deficit</b>	<b>\$ (108,560,477)</b>	<b>\$ (123,626,402)</b>

11. BUDGET DATA

The budget data presented in these financial statements is based upon the 2016 operating and capital budgets approved by the Board. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Operating budget	\$ 29,837,690
Total revenue	29,837,690
Expenses:	
Operating budget	30,523,690
Capital budget – grants to district hospitals	6,380,890
Capital budget – asset acquisition	11,965,020
Less:	
Capital budget – asset acquisition	(11,965,020)
MFA debt reserve fund	(171,710)
Transfers to other funds	(950,000)
Debt principal payments	(13,029,910)
Total expenses	22,752,960
<b>Annual Deficit</b>	<b>\$ 7,084,730</b>

12. SUBSEQUENT EVENTS

On January 19, 2017 the Hospital District executed a 25 year fixed loan in the amount of \$61,250,000 related to Bylaw 160, the Summit Residential Care facility.

13. COMPARATIVE INFORMATION

Certain 2015 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

	Total grants December 31 2015	Expense 2016	Transfers to completed projects	Total grants December 31 2016
<b>PROJECTS IN PROGRESS</b>				
Designated Health Care facilities	\$ 1,542,282	\$ 29,452	\$ (105,270)	\$ 1,466,464
Vancouver Island Health Authority	5,825,044	3,002,309	(2,925,000)	5,902,353
Gorge Road Hospital	987,119	429,411	(406,149)	1,010,381
Juan de Fuca Hospital	1,012,891	225,193	-	1,238,084
Lady Minto Hospital	900,752	53,456	(137,234)	816,974
Mount St. Mary Hospital - Fairfield	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	975,833	93,854	(408,000)	661,687
Royal Jubilee Hospital	10,683,252	3,991,647	(1,011,111)	13,663,788
Saanich Peninsula Hospital	1,249,020	25,540	(347,984)	926,576
Victoria General Hospital - Helmcken	3,672,405	1,678,145	(922,308)	4,428,242
	<u>26,878,598</u>	<u>9,559,007</u>	<u>(6,293,056)</u>	<u>30,144,549</u>
<b>COMPLETED PROJECTS</b>				
Designated Health Care facilities	20,778,944	-	105,270	20,884,214
Vancouver Island Health Authority	62,179,224	-	2,925,000	65,104,224
Gorge Road Hospital	6,308,260	-	406,149	6,714,409
Juan de Fuca Hospital	36,270,766	-	-	36,270,766
Lady Minto Hospital	4,359,288	-	137,234	4,496,522
Mount St. Mary Hospital - Fairfield	15,299,545	-	30,000	15,329,545
Queen Alexandra Hospital	7,689,310	-	408,000	8,097,310
Royal Jubilee Hospital	247,160,890	-	1,011,111	248,172,001
Saanich Peninsula Hospital	19,266,450	-	347,984	19,614,434
Victoria General Hospital - Helmcken	93,876,378	-	922,308	94,798,686
	<u>513,189,055</u>	<u>-</u>	<u>6,293,056</u>	<u>519,482,111</u>
	540,067,653	9,559,007	-	549,626,660
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	(126,010,301)	-	-	(126,010,301)
	<u>\$ 414,057,352</u>	<u>\$ 9,559,007</u>	<u>\$ -</u>	<u>\$ 423,616,359</u>

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