

COMOX STRATHCONA
REGIONAL HOSPITAL DISTRICT



FINANCIAL STATEMENTS
Year ended December 31, 2014

Comox-Strathcona Regional Hospital District

2014 Board of Directors

Area A Baynes Sound-Denman/Hornby	B. Jolliffe (Vice Chair)
Area A Kyuquot/Nootka-Sayward	G. Whalley
Area B Cortes Island	N. Anderson
Area B Lazo North	J. Gillis
Area C Discovery Islands - Mainland Inlets	J. Abram
Area C Puntledge - Black Creek	E. Grieve
Area D Oyster Bay - Buttle Lake	B. Leigh
City of Campbell River	R. Kerr
City of Campbell River	C. Moglove (Chair)
City of Campbell River	M. Storry
City of Campbell River	A. Adams
City of Campbell River	L. Samson
City of Courtenay	J. Ambler
City of Courtenay	E. Theos
City of Courtenay	S. Winchester
Town of Comox	P. Fletcher
Town of Comox	T. Grant
Village of Cumberland	R. Kishi (Alternate)
Village of Gold River	C. Anderson
Village of Sayward	J. MacDonald/D. Mason
Village of Tahsis	J. Schooner
Village of Zeballos	E. Lewis/J. Colborne

**Comox-Strathcona Regional Hospital District
Financial Statements
Year ended December 31, 2014**

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Comox-Strathcona Regional Hospital District

Management's Responsibility for Financial Reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under Significant Accounting Policies in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary schedules.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

The board of directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

BDO Canada LLP, the hospital district's independent auditor, have conducted an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.

A handwritten signature in black ink, appearing to read 'E. Dunlop', is written over a light grey rectangular background.

E.J. Dunlop, CGA
Officer responsible for Financial Administration,
pursuant to Section 199 of the Local Government Act

June 11, 2015



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

Independent Auditor's Report

To the Board of Directors Comox-Strathcona Regional Hospital District

We have audited the accompanying financial statements of the Comox-Strathcona Regional Hospital District, which comprise the Statement of Financial Position as at December 31, 2014, and the Statement 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.

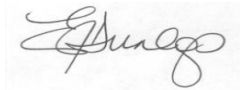
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Comox-Strathcona Regional Hospital District as at December 31, 2014, and the results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

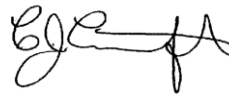
Chartered Accountants
Vancouver, British Columbia
June 11, 2015

Comox-Strathcona Regional Hospital District
Statement of Financial Position
As at December 31, 2014

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash and temporary investments (Note 3)	\$ 40,495,829	\$ 77,644,273
Accounts receivable	<u>302,907</u>	<u>299,289</u>
Total Financial Assets	<u>40,798,736</u>	<u>77,943,561</u>
Liabilities		
Accounts payable	281,240	391,784
Accrued interest	41,678	54,809
Long-term debenture debt (Schedule D) (Note 4)	<u>1,327,308</u>	<u>2,148,745</u>
Total Liabilities	<u>1,650,226</u>	<u>2,595,338</u>
Accumulated Surplus (Note 6)	<u>\$ 39,148,510</u>	<u>\$ 75,348,223</u>

Commitments (Schedule F) (Note 7)


E.J. Dunlop, CGA
Officer responsible for Financial Administration



C. Cornfield
Chair

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

Comox-Strathcona Regional Hospital District
Statement of Operations
Year ended December 31, 2014

Revenue	2014 <u>Budget</u> (Note 10)	2014 <u>Actual</u>	2013 <u>Actual</u>
Requisitions (Schedule E)	\$ 16,700,000	\$ 16,699,999	\$ 16,029,778
Grants in lieu of taxes	82,000	291,182	281,064
Interest revenue	60,000	1,044,339	1,034,586
Debenture refunds and other revenue	-	167,117	521,925
Total Revenue	<u>16,842,000</u>	<u>18,202,636</u>	<u>17,867,353</u>
Expenses			
Net debenture debt interest	432,186	169,174	265,764
Administration and governance	334,100	193,138	195,369
Grants to health care facilities (Schedule F) (Note 9)	<u>66,090,505</u>	<u>54,040,037</u>	<u>7,338,151</u>
Total Expenses	<u>66,856,791</u>	<u>54,402,349</u>	<u>7,799,284</u>
Annual Surplus (Deficit)	(50,014,791)	(36,199,713)	10,068,069
Accumulated Surplus, beginning of year	<u>75,348,223</u>	<u>75,348,223</u>	<u>65,280,154</u>
Accumulated Surplus, end of year	<u>\$ 25,333,432</u>	<u>\$ 39,148,510</u>	<u>\$ 75,348,223</u>

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

Comox-Strathcona Regional Hospital District
Statement of Cash Flows
Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Operating Transactions		
Annual Surplus (Deficit) (Statement 2)	\$ (36,199,713)	\$ 10,068,069
Changes in non-cash operating balances		
Accounts receivable	(3,619)	(25,427)
Accounts payable	(110,544)	(495,548)
Accrued interest	(13,131)	(81,844)
Item not utilizing cash		
Actuarial adjustment	<u>(249,880)</u>	<u>(355,118)</u>
Cash Provided by Operating Transactions	<u>(36,576,887)</u>	<u>9,110,132</u>
Financing Transactions		
Debt principal repayments	<u>(571,557)</u>	<u>(685,811)</u>
Cash Applied to Financing Transactions	<u>(571,557)</u>	<u>(685,811)</u>
Change in Cash and Temporary Investments	(37,148,444)	8,424,321
Cash and Temporary Investments, beginning of year	77,644,273	69,219,952
Cash and Temporary Investments, end of year	<u>\$ 40,495,829</u>	<u>\$ 77,644,273</u>

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

Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2014

1. Purpose

British Columbia Hospital Districts

The Comox-Strathcona Regional Hospital District was incorporated in 1967 under the Hospital District Act. The letters patent were amended in 2008, subsequent to the restructure of the Comox Strathcona Regional District, to recognize directors of both the Comox Valley Regional District and Strathcona Regional District as members of the board of the Comox-Strathcona Regional Hospital District. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Comox Valley and Strathcona regional districts. These activities are funded through property taxes and debenture debt.

2. Significant Accounting Policies

a) **Basis of Presentation**

The financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada.

b) **Reserve for Future Expenditures and Future Major Projects**

Reserve funds are held for future grants of capital equipment and capital construction projects.

c) **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 the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of grant in lieu revenue, actuarial adjustments and collectability of accounts receivable. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

d) **Financial Instruments**

The regional hospital district's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, accrued interest and long-term debenture debt. Unless otherwise noted, it is management's opinion that the regional hospital district is not exposed to significant interest, currency or credit risks arising from these financial instruments.

e) **Revenue Recognition**

The regional hospital district recognizes 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 regional 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.

3. Cash and Temporary Investments

Included in cash and temporary investments is \$11,719,909 (2013 - \$59,620,488) of temporary investments held with the Municipal Finance Authority in the money market and intermediate funds. These investments are carried at market value which approximates cost and are being held in reserve for the north island hospitals project requirements. The approximate net rate of return earned on the regional hospital district's portfolio in 2014 was between 1.09% and 4.01% depending on the fund composition during the year (2013-1.47% overall). The term of the investments in the MFA pooled investment fund range up to 7 years.

**Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2014**

4. Long-Term Debenture Debt

Details of long-term debt, including maturity dates, interest rates and outstanding amounts, are summarized on Schedule D – Schedule of Long-Term Debenture Debt.

Payments of principal and actuarial on issued debt of the regional hospital district are approximately as follows:

2015	\$ 468,531
2016	427,764
2017	93,380
2018	97,115
2019	26,103
Future years	214,415
	\$1,327,308

Interest on long-term debt, net of actuarial adjustments, recorded in the Statement of Operations in 2014 is \$169,174 (2013 - \$265,764).

5. Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority (MFA) requires the regional hospital district to establish a fund equal to one-half the annual installment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal with the remainder made up of a non-interest bearing demand note.

Monies paid into the debt reserve fund and interest earned thereon are obligations of MFA to the regional hospital districts. Due to their contingent nature, neither the asset nor liability is recorded in the financial statements. These amounts as at December 31, 2014 amounted to \$322,237 (2013 – \$551,127).

6. Accumulated Surplus

	2014	2013
Revenue Fund (Schedule A)	\$ 293,790	\$ 266,832
Reserve Fund (Schedule B)	40,499,980	77,532,591
Capital and Loan Fund (Schedule C)	(1,645,260)	(2,451,200)
Accumulated Surplus, end of year	\$39,148,510	\$75,348,223

The amount of the Capital and Loan Fund, which includes debt incurred to finance the capital construction projects and capital equipment purchases for the health care facilities within the regional districts, will be recovered from future tax requisitions.

7. Commitments

As at December 31, 2014, commitments in connection with various capital grants amounted to \$181,350,321 (2013 - \$233,660,137) as detailed on Schedule F. This represents the Comox-Strathcona Regional Hospital District portion, which is 40% of the total capital cost and includes a commitment of \$180,411,910 for the construction of two hospitals, one sited in the Comox Valley and one in Campbell River, collectively referred to as the north island hospitals project. The hospitals are currently under construction with a projected completion date of 2017. During construction, the regional hospital district's 40% cost share will be funded through short-term loans from the Municipal Finance Authority. Upon completion, the short term loans will be repaid with long term debt.

Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2014

8. Related Party Transactions

Related parties consist of the municipalities and electoral areas listed on Schedule E. Included in accounts receivable are amounts from related party municipalities totaling \$263,213 (2013 - \$251,835). During the year, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2013 - \$151,000).

9. Grants to Health Care Facilities

	<u>2014</u>	<u>2013</u>
Campbell River & District General Hospital	\$ 548,952	\$ 450,477
Cortes Health Centre	13,115	2,500
Cumberland Regional Laundry Society	76,208	2,500
Gold River Health Clinic	(764)	15,107
Kyuquot Health Centre	16,796	2,500
North Island Hospitals Project	51,971,925	5,384,000
Sayward Primary Healthcare Clinic	2,500	2,500
St. Joseph's General Hospital	1,406,305	1,385,698
Tahsis Health Centre	2,500	2,500
Vancouver Island Health Authority – Mobile MRI	-	87,869
Zeballos Health Centre	2,500	2,500
	<u>\$54,040,037</u>	<u>\$7,338,151</u>

10. Restatement of 2014 Budget

The budget amounts presented throughout these financial statements represent the budget bylaw approved by the regional hospital district board on February 13, 2014.

The budget bylaw was prepared on a modified accrual basis while Canadian public sector accounting standards require financial statements to be prepared on a full accrual basis. The budget bylaw anticipated use of surpluses and reserves accumulated in prior years to reduce current year expenditures in excess of current year revenues.

The summary below reconciles the 2014 adopted budget to the Statement of Operations.

Budget bylaw, surplus for the year	\$	-
Add:		
Debt principal payments		571,557
Transfers to future expenditure reserve		1,672,444
Transfers to major project reserve		13,500,000
Less:		
Transfers from future expenditure reserve		(65,476,463)
Transfers from previous years surplus		(282,329)
Budgeted Annual Surplus, as restated		<u><u>(\$50,014,791)</u></u>

11. Statement Presentation

Since the regional hospital district does not have non-financial assets, a Statement of Net Financial Assets has not been presented.

Comox-Strathcona Regional Hospital District
Schedule of Revenue Fund Transactions
Year ended December 31, 2014

	2014 Budget (Note 10)	2014 Actual	2013 Actual
Revenue			
Requisitions (Schedule E)	16,700,000	16,699,999	\$ 16,029,778
Grants in lieu of taxes	82,000	291,182	281,064
Interest revenue	60,000	1,044,339	1,034,586
Debenture refunds and other revenue		167,117	521,925
Total Revenue	16,842,000	18,202,636	17,867,353
Expenses			
Debenture debt interest (Schedule D)	432,186	419,054	620,882
Administration and governance costs	334,100	193,138	195,369
Contribution to reserves for future major projects	13,500,000	14,331,510	13,366,486
Contribution to reserves for future expenditures	1,672,444	2,538,366	2,992,831
Total Expenses	15,938,730	17,482,069	17,175,568
Net Revenue	903,270	720,567	691,785
Financing Transactions			
Grants funded by operating	(598,545)	(122,053)	(34,269)
Debt principal repayments (Schedule D)	(571,557)	(571,557)	(685,811)
Total Financing Transactions	(1,170,102)	(693,610)	(720,080)
Change in Fund Balance	(266,832)	26,958	(28,295)
Fund Balance, beginning of year	266,832	266,832	295,127
Fund Balance, end of year	\$ -	\$ 293,790	\$ 266,832

Comox-Strathcona Regional Hospital District
Schedule of Reserve Fund Transactions
Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Fund Balance, beginning of year	\$ 77,532,591	\$ 68,460,557
Add:		
Transfer from Revenue Fund for future major projects (Schedule A)	14,331,510	13,366,486
Transfer from Revenue Fund for future expenditures (Schedule A)	2,538,366	2,992,831
Less:		
Grants funded by reserves	<u>(53,902,487)</u>	<u>(7,287,283)</u>
Fund Balance, end of year	<u>\$ 40,499,980</u>	<u>\$ 77,532,591</u>

Comox-Strathcona Regional Hospital District
Schedule of Capital and Loan Fund
Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Fund Balance, beginning of year	\$ (2,451,200)	\$ (3,475,530)
Add:		
Debt principal repayments (Schedule D)	571,557	685,811
Actuarial additions (Schedule D)	249,880	355,118
Less:		
Grants funded by long-term debt	<u>(15,497)</u>	<u>(16,599)</u>
Fund Balance, end of year	<u>\$ (1,645,260)</u>	<u>\$ (2,451,200)</u>

**Comox-Strathcona Regional Hospital District
Schedule of Long-term Debenture Debt
Municipal Finance Authority (MFA)
As at December 31, 2014**

MFA#	Issue Date	Yrs	Int Rate	Beginning Balance	Principal Payments	Actuarial Additions	Ending Balance	Interest Expense
71	Oct 07/99	15	5.71%	150,520	82,412	68,108	-	86,637
71	Oct 07/99	15	3.15%	29,629	16,222	13,407	-	9,417
73	Nov 7/00	15	6.35%	63,675	17,863	13,274	32,538	22,774
95	Oct 13/05	10	4.17%	44,005	15,762	5,809	22,434	7,891
99	Nov 7/06	10	4.43%	696,274	169,500	53,550	473,224	90,152
99	Nov 7/06	20	4.43%	356,724	16,304	5,151	335,269	21,508
103	Apr 23/08	10	4.65%	333,425	50,597	10,962	271,866	28,248
105	Apr 21/09	5	3.55%	150,743	128,856	21,887	-	10,487
622	Jan 05/94	20	7.50%	12,416	4,804	7,612	-	5,430
624	Nov 29/96	27	7.88%	285,762	58,625	35,160	191,977	122,764
626	Oct 31/94	20	9.63%	25,572	10,612	14,960	-	13,746
				\$ 2,148,745	\$ 571,557	\$ 249,880	\$ 1,327,308	\$ 419,054

Comox-Strathcona Regional Hospital District
Schedule of Revenue from Requisitions
Year ended December 31, 2014

	2014 Budget (Note 10)	2014 Actual	2013 Actual
Member Municipalities			
City of Courtenay	\$ 4,018,806	\$ 4,052,091	\$ 3,812,923
Town of Comox	1,831,289	1,834,183	1,761,569
Village of Cumberland	426,329	427,164	408,182
City of Campbell River	4,073,483	4,071,201	3,800,838
Village of Gold River	100,960	96,300	105,215
Village of Sayward	25,808	25,466	28,761
Village of Tahsis	35,722	35,610	38,154
Village of Zeballos	13,719	13,046	13,322
Electoral Areas			
Baynes Sound/Denman-Hornby Islands (Area A)	\$ 1,662,895	\$ 1,631,757	\$ 1,624,041
Lazo North (Area B)	1,136,474	1,138,987	1,117,309
Puntledge-Black Creek (Area C)	1,472,885	1,474,344	1,440,424
Kyuquot-Nootka/Sayward (Area A)	298,778	294,263	294,672
Cortes (Area B)	257,033	257,796	248,264
Discovery Islands-Mainland Inlets (Area C)	619,079	619,669	619,860
Oyster Bay-Buttle Lake (Area D)	726,740	728,122	716,244
Total Revenue from Requisitions	\$ 16,700,000	\$ 16,699,999	\$ 16,029,778

Comox-Strathcona Regional Hospital District
Schedule of Projects and Commitments
As at December 31, 2014
(Unaudited)

Project	RHD Portion Approved	Paid Prior Years	Paid 2014	Balance of Committed Funds
All Facilities				
2012 Allocation	\$ 423,624	\$ (127,341)	\$ (296,283)	\$ -
2013 Allocation	777,250	-	(656,021)	121,229
2014 Allocation	295,559	-	-	295,559
North Island Hospitals Project				
Comox Valley & Campbell River hospitals	240,700,000	(8,316,165)	(51,971,925)	180,411,910
Campbell River & District General Hospital				
4 Negative Pressure Rooms	320,000	(304,503)	(55)	-
Anesthesia machine including monitor	275,377	-	(213,480)	61,897
Asbestos Remediation	66,000	(62,042)	(10)	-
MIN-C-Arm Fluoroscopy Machine	90,616	-	(19,683)	70,933
Nurse call/duress system replacement	206,000	(1,810)	(937)	203,253
Repair to Building Fabric & Finishes	272,800	(170,036)	(53,736)	-
Upgrade Elevator Controls	160,000	(142,955)	(9,414)	-
St Joseph's General Hospital				
Additional Space for clinical programs	89,800	(16,769)	(56,808)	16,223
Anaesthetic machines (5 machines)	325,550	-	(275,716)	49,834
Eagleview Building Envelope - Phase 1	110,000	-	-	110,000
Fuel Storage tank upgrade	58,400	(10,439)	(47,961)	-
Remote Digital Rad/Flouroscopy Unit	345,120	-	(335,638)	9,482
Sterrad Sterilizer	84,870	-	(84,870)	-
Urology fluoroscopy table	207,873	(92,414)	-	-
Cortes Health Centre				
2014 Allocation	2,500	-	(2,500)	-
Cumberland Regional Hospital Laundry Society				
2014 Allocation	2,500	-	(2,500)	-
Gold River Health Clinic				
2014 Allocation	2,500	-	(2,500)	-
Kyuquot Health Centre				
2014 Allocation	2,500	-	(2,500)	-
Sayward Primary Healthcare Clinic				
2014 Allocation	2,500	-	(2,500)	-
Tahsis Health Centre				
2014 Allocation	2,500	-	(2,500)	-
Zeballos Health Centre				
2014 Allocation	2,500	-	(2,500)	-
Total Commitments	\$ 244,826,339	\$ (9,244,473)	\$ (54,040,037)	\$ 181,350,321