



Capital Regional Hospital District

CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
Notice of meeting to be held on Wednesday, June 11, 2014 at 1:30 pm
in the Board Room, 6th Floor, 625 Fisgard St., Victoria, BC

AGENDA

1. **APPROVAL OF AGENDA**
2. **ADOPTION OF MINUTES OF DECEMBER 11, 2013 AND MAY 14, 2014**
3. **REPORT OF THE CHAIR**
4. **PRESENTATIONS/DELEGATIONS**
5. **REPORTS OF COMMITTEES**
 - 5.1 **FINANCE COMMITTEE – June 4, 2014**
 1. **Capital Regional Hospital District (CRHD) 2013 Audited Financial Statements**
 - That the Capital Regional Hospital District 2013 Audited Financial Statements be approved. (WA)
6. **NEW BUSINESS**
7. **ADJOURNMENT**



Capital Regional Hospital District

**Minutes of a Meeting of the Capital Regional Hospital District Board
Held Wednesday, December 11, 2013, in the Board room, 625 Fisgard Street, Victoria, BC**

PRESENT: Directors: M. Alto, D. Blackwell, S. Brice, J. Brownoff, A. Bryson, L. Cross, T. Daly, V. Derman, P. Gerrard (for L. Wergeland), D. Howe, M. Hicks, L. Hundleby (for B. Desjardins), B. Isitt, N. Jensen, W. McIntyre, J. Mendum, W. Milne, J. Ranns, V. Sanders (for F. Leonard), D. Screech (for G. Hill), L. Seaton, and G. Young

Staff: R. Lapham, Chief Administrative Officer; L. Hutcheson, General Manager, Parks and Environmental Services; M. Rachwalski, Acting General Manager, Planning and Protective Services; T. Robbins, General Manager, Integrated Water Services; R. Sharma, Senior Manager, Finance Services; T. Whiting, Acting General Manager, Planning and Protective Services; A. Orr, Senior Manager, Corporate Communications; S. Santarossa, Corporate Officer, and S. Norton, Deputy Corporate Officer (Recorder)

ABSENT: Directors: J. Cullington (for C. Hamilton) and D. Fortin

INAUGURAL HOSPITAL BOARD MEETING

1. CALL TO ORDER – CHIEF ADMINISTRATIVE OFFICER

R. Lapham called the meeting to order at 2:51 pm.

2. ELECTION OF CHAIR (pursuant to Section 13 of the *Hospital District Act*)

R. Lapham called for nominations for the position of Chair of the Hospital District Board for 2014.

Director Seaton nominated Director Blackwell.

Director Blackwell accepted.

R. Lapham called for nominations a second and third time and hearing none, declared nominations closed and declared Director Blackwell Chair of the Hospital District Board for 2014 by acclamation.

Director Blackwell assumed the Chair.

3. ELECTION OF ACTING CHAIR (pursuant to Section 13 of the *Hospital District Act*)

Chair Blackwell called for nominations for the position of Acting Chair of the Hospital District Board for 2014.

Director Brice nominated Director Bryson.

Director Bryson accepted.

The Chair called for nominations a second and third time and hearing none, declared nominations closed and declared Director Bryson Acting Chair of the Hospital District Board for 2014 by acclamation.

REGULAR HOSPITAL BOARD MEETING

1. APPROVAL OF AGENDA

MOVED by Director Seaton, **SECONDED** by Director Hicks,
That the agenda be approved.

CARRIED

2. ADOPTION OF MINUTES OF NOVEMBER 13, 2013

MOVED by Director Milne, **SECONDED** by Director Seaton,
That the minutes of the meeting of November 13, 2013 be adopted.

CARRIED

3. REPORT OF THE CHAIR - None

4. PRESENTATIONS/DELEGATIONS - None

5. ADMINISTRATION REPORT

5.1 955 HILLSIDE AVENUE – APPROVAL OF CAPITAL BORROWING BYLAW

MOVED by Director Alto, **SECONDED** by Director Derman,
That Bylaw No. 377, "Capital Regional Hospital District Capital Bylaw No. 154, 2011,
Amendment Bylaw No. 1, 2013", for a maximum of \$18,098,000, be introduced and read
a first and second time.

CARRIED

MOVED by Director Alto, **SECONDED** by Director Brice,
That Bylaw No. 377 be read a third time.

CARRIED

MOVED by Director Alto, **SECONDED** by Director Brice,
That No. 377 be adopted.

CARRIED

MOVED by Director Alto, **SECONDED** by Director Brice,
That Bylaw No. 378, "Capital Regional Hospital District Capital Bylaw No. 160, 2013", in
the amount of \$76,429,370, representing the full cost of the 320-bed Residential Care
Replacement Project, be introduced and read a first and second time.

CARRIED

MOVED by Director Alto, **SECONDED** by Director Brice,
That Bylaw No. 378 be read a third time.

CARRIED

MOVED by Director Alto, **SECONDED** by Director Brice,
That Bylaw No. 378 be adopted.

CARRIED

6. **NEW BUSINESS** - None

7. **ADJOURNMENT**

MOVED by Director Alto, **SECONDED** by Director Bryson,
That the meeting be adjourned at 2:54 pm.

CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER



Capital Regional Hospital District

**Minutes of a Meeting of the Capital Regional Hospital District Board
Held Wednesday, May 14, 2014, in the Board Room, 625 Fisgard Street, Victoria, BC**

PRESENT: **Directors:** D. Blackwell (Chair), A. Bryson (Acting Chair), M. Alto, S. Brice, J. Brownoff, T. Daly, V. Derman, B. Desjardins, D. Fortin, C. Hamilton, M. Hicks, D. Howe, B. Isitt (1:32), N. Jensen, W. McIntyre, J. Mendum, W. Milne, J. Ranns, D. Screech (for G. Hill), L. Seaton, L. Wergeland and G. Young
Staff: R. Lapham, Chief Administrative Officer; L. Hutcheson, General Manager, Parks and Environmental Services; D. Lokken, General Manager, Finance and Technology; K. Lorette, General Manager, Planning and Protective Services; T. Robbins, General Manager, Integrated Water Services; M. Rachwalski, Senior Manager, Health and Capital Planning Strategies; S. Santarossa, Corporate Officer; and S. Norton, Deputy Corporate Officer (Recorder)

ABSENT: **Directors:** L. Cross, N. Jensen, F. Leonard

The Chair called the meeting to order at 1:30 pm.

1. APPROVAL OF AGENDA

MOVED by Director Seaton, **SECONDED** by Director Alto,
That the agenda be approved as circulated.

CARRIED

2. ADOPTION OF MINUTES OF MARCH 26, 2014

MOVED by Director Derman, **SECONDED** by Director Alto,
That the minutes of the meeting of March 26, 2014 be adopted.

CARRIED

3. REPORT OF THE CHAIR

Chair Blackwell advised that, subject to approval today, there will be a joint media release with Island Health regarding over \$5 million in funding to support capital projects that improve and upgrade the region's health care facilities.

4. PRESENTATIONS/DELEGATIONS - None

5. REPORTS OF COMMITTEES

**5.1 PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE –
April 23, 2014**

1. **2014 Minor Capital Projects – Capital Borrowing Bylaw 161, 2014 (PPS/HCPS 2014-01)**

MOVED by Director Desjardins, **SECONDED** by Director Derman,
That the recommended 2014 minor capital projects listed in Appendix A of the staff report totalling \$3.75M be approved based on \$2.0M expensed from the 2014 requisition.

CARRIED

MOVED by Director Desjardins, **SECONDED** by Director Derman,
That CRHD Bylaw No. 379, "Capital Regional Hospital District Capital Bylaw No. 161, 2014", to borrow \$1,750,000 with a financing term of five years, be introduced and read a first and second time.

CARRIED

MOVED by Director Desjardins, **SECONDED** by Director Derman,
That CRHD Bylaw No. 379 be read a third time

CARRIED

Director Isitt entered the meeting at 1:32 pm.

MOVED by Director Desjardins, **SECONDED** by Director Derman,
That CRHD Bylaw No. 379 be adopted.

CARRIED

2. **Royal Jubilee Hospital – Microbiology Lab Redesign Project Major Project Funding Request (PPS/HCPS 2014-02)**

MOVED by Director Desjardins, **SECONDED** by Director Wergeland,
That CRHD funding in the amount of \$1.29M be approved for the Royal Jubilee Hospital Total Lab Automation Project at 30% of the total project cost of \$4.3M.

CARRIED

MOVED by Director Desjardins, **SECONDED** by Director Wergeland,
That CRHD Bylaw No. 380, "Capital Regional Hospital District Capital Bylaw No. 162, 2014", for a maximum of \$1.29M for the Royal Jubilee Hospital Total Lab Automation Project, be introduced and read a first and second time.

CARRIED

MOVED by Director Desjardins, **SECONDED** by Director Wergeland,
That CRHD Bylaw No. 380 be read a third time.

CARRIED

MOVED by Director Desjardins, **SECONDED** by Director Wergeland,
That CRHD Bylaw No. 380 be adopted.

CARRIED

6. **NEW BUSINESS – None.**

7. ADJOURNMENT

MOVED by Director Brice, **SECONDED** by Director Alto,
That the meeting be adjourned at 1:34 pm.

CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER



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Item 5

Finance Committee's Report

Victoria, BC June 4, 2014

To the Chair and Directors of the Capital Regional Hospital District Board:

The Finance Committee reports and recommends as follows:

1. Capital Regional Hospital District (CRHD) 2013 Audited Financial Statements

That the Capital Regional Hospital District 2013 Audited Financial Statements be approved.

(Background information can be found in the attached staff report.)



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Item 5.1

**REPORT TO FINANCE COMMITTEE
MEETING OF JUNE 4, 2014**

**SUBJECT CAPITAL REGIONAL HOSPITAL DISTRICT (CRHD) 2013 AUDITED
FINANCIAL STATEMENTS**

ISSUE

To request approval of the Capital Regional Hospital District (CRHD) 2013 Audited Financial Statements

BACKGROUND

Section 17 of the Hospital District Act and Section 814 of the Local Government Act require that audited financial statements be prepared each year. The 2013 Statements of Financial Information have been prepared by management in accordance with Canadian public sector accounting standards (PSAB), as recommended by the Canadian Institute of Chartered Accountants.

Under PSAB regulations, governments are required to present four statements with explanatory notes - Statement of Financial Position, Statement of Operations, Statement of Net Debt and Statement of Cash Flows. It is important to note that these statements, prepared in accordance with PSAB, contain some differences relative to how the annual CRHD budget is presented, which is prepared to determine the annual revenue requirements to meet budgeted obligations.

The draft CRHD 2013 audited financial statements are attached as Appendix 1 and are available online at: www.crd.bc.ca/about/financial-accountability.

HIGHLIGHTS

Statement of Financial Position

During the year the CRHD purchased a piece of land on Hillside Avenue for \$6.5 million and has approved the development of 320 residential care beds at this site. The land value has been recorded on the Statement of Financial Position as a non-financial asset (tangible capital asset). In addition the CRHD currently owns land for resale at the Mount View site at a book value of \$2.8 million.

The net financial assets (debt) of the CRHD are (\$152.3 million) which represents the total financial assets less total financial liabilities. The overall position is in a deficit since the CRHD borrows funds and in turn grants them to district hospitals. The grants are recorded as expenses rather than assets of the CRHD.

Statement of Operations

Overall there is not a significant change in the statement of operations of CRHD. The taxation revenue has slightly increased as a result of a small budget increase approved for fiscal 2013 of \$564,295 and the remainder of the increase in revenues relates to the actuarial adjustment of long-term debt.

ALTERNATIVES

These financial statements are a statutory requirement prepared in accordance to specific accounting principles. The statements have been audited by KPMG and are ready for Board's approval. No alternatives are therefore presented.

FINANCIAL IMPLICATIONS

Approved financial statements are required to be filed with the Ministry of Health, Municipal Finance Authority, our bankers and other institutions. Unapproved financial statements may have a negative impact on our ability to borrow funds.

SUMMARY

The financial statements as presented have been audited by KPMG and are ready for approval.

RECOMMENDATION

That the Finance Committee recommends to the Capital Regional Hospital District Board that:


The Capital Regional Hospital District 2013 Audited Financial Statements be approved.



Rajat Sharma, MBA, CMA
Senior Manager, Financial Services



Diana E. Lokken, CPA, CMA
General Manager, Finance and Technology Dept.
Concurrence



Robert Lapham, MCIP, RPP
Chief Administrative Officer
Concurrence

Attachments: Appendix 1 – Capital Regional Hospital District Audited Financial Statements 2013



Capital Regional Hospital District

Capital Regional Hospital District

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013



BOARD OF DIRECTORS

Capital Regional Hospital District

2014

2013

Chair
Vice Chair

Councillor Denise Blackwell
Mayor Alastair Bryson

Councillor Denise Blackwell
Mayor Alastair Bryson

Electoral Area Directors:

Area F - Salt Spring Island
Area G - Southern Gulf Islands
Area H - Juan de Fuca

Director Wayne McIntyre
Director Dave Howe
Director Mike Hicks

Director Wayne McIntyre
Director Dave Howe
Director Mike Hicks

Municipal Directors:

District of Central Saanich
City of Colwood
Township of Esquimalt
District of Highlands
District of Langford

District of Metchosin
District of North Saanich
District of Oak Bay
District of Saanich

Mayor Alastair Bryson
Mayor Carol Hamilton
Mayor Barb Desjardins
Mayor Jane Mendum
Councillor Denise Blackwell
Councillor Lanny Seaton

Mayor John Ranns
Councillor Ted Daly
Mayor Nils Jensen
Mayor Frank Leonard
Councillor Susan Brice
Councillor Judy Brownoff
Councillor Vic Derman
Councillor Leif Wergeland

Mayor Larry Cross
Mayor Wendal Milne
Mayor Dean Fortin
Councillor Marianne Alto
Councillor Ben Isitt
Councillor Geoff Young
Mayor Graham Hill

Mayor Alastair Bryson
Mayor Carol Hamilton
Mayor Barb Desjardins
Mayor Jane Mendum
Councillor Denise Blackwell
Councillor Lanny Seaton

Mayor John Ranns
Councillor Ted Daly
Mayor Nils Jensen
Mayor Frank Leonard
Councillor Susan Brice
Councillor Judy Brownoff
Councillor Vic Derman
Councillor Leif Wergeland

Mayor Larry Cross
Mayor Wendal Milne
Mayor Dean Fortin
Councillor Marianne Alto
Councillor Ben Isitt
Councillor Geoff Young
Mayor Graham Hill

Total Number of Directors

24

24

STAFF AND STATISTICS

Senior Administration Staff

Chief Administrative Officer - Robert Lapham

General Manager, Planning and Protective Services - Kevin Lorette

Senior Manager, Health and Capital Planning Strategies - Maurice Rachwalski

Senior Manager, Financial Services Division - Rajat Sharma

Statistics

Incorporated October 17, 1967

Total Area: 2,446 Square Kilometers

Population: 375,823 (2013 Estimate)

Total Assessments (Hospital Converted): 9,424,910,093

Total Assessment (Hospital Actual): 80,082,101,750

Bank: Royal Bank of Canada (RBC)

Auditors: KPMG LLP

Solicitors: Stewart McDannold Stuart



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
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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, 2013, the statements of operations and 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, 2013, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

June 11, 2014
Victoria, Canada



Making a difference...together

Corporate Services

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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, 2013.

On behalf of Capital Regional Hospital District

Diana Lokken, CPA, CMA

General Manager, Finance and Technology *

June 5, 2014

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





Capital Regional Hospital District

STATEMENTS

AS AT DECEMBER 31, 2013

Statement of Financial Position**December 31, 2013, with comparative information for 2012**

	2013	2012
Financial assets		
Cash and cash equivalents (Note 2)	\$ 4,039,558	\$ 10,595,796
Accounts receivable		
Capital Regional District	40,648	52,346
Other	57,779	14,132
Investments (Note 3)	11,500,000	-
Restricted cash - MFA Debt Reserve Fund (Note 4)	3,185,040	3,026,879
Land for resale (Note 5)	2,811,677	2,811,677
	<u>21,634,702</u>	<u>16,500,830</u>
Financial liabilities		
Accounts payable and other liabilities	3,649,979	2,760,900
Temporary borrowings (Note 7)	6,797,475	2,177,374
Long-term debt (Note 8)	163,452,924	167,390,193
	<u>173,900,378</u>	<u>172,328,467</u>
Net financial assets (debt)	(152,265,676)	(155,827,637)
Non-financial assets		
Tangible capital assets (Note 6)	<u>6,507,246</u>	<u>-</u>
Accumulated Deficit (Note 11)	\$ (145,758,430)	\$ (155,827,637)

The accompanying notes are an integral part of these financial statements



Rajat Sharma, CMA
Senior Manager
Financial Services Division

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	Budget (Note 10)	2013	2012
Revenue			
Taxation - Municipalities	\$ 25,954,293	\$ 25,954,293	\$ 25,364,646
Taxation - Electoral Areas	2,241,863	2,241,863	2,275,104
Taxation - First Nations	87,774	87,774	88,280
Payments in lieu of taxes	845,770	845,775	837,380
Interest income	50,000	331,088	204,339
Debenture maturity refund	-	623,794	207,502
Actuarial adjustment on long-term debt	-	3,272,831	2,841,186
	29,179,700	33,357,418	31,818,437
Expenses			
Grants to district hospitals (Schedule 1)	23,819,090	12,816,572	11,680,455
Interest on long-term debt	10,223,520	9,873,938	10,226,212
Interest on temporary borrowings	200,000	34,250	75,940
Debenture issue expense	102,520	71,744	85,508
Operating expenses	644,890	491,707	472,572
	34,990,020	23,288,211	22,540,687
Annual surplus (deficit)	(5,810,320)	10,069,207	9,277,750
Accumulated deficit, beginning of year	(155,827,637)	(155,827,637)	(165,105,387)
Accumulated deficit, end of year	\$ (161,637,957)	\$ (145,758,430)	\$ (155,827,637)

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

Year ended December 31, 2013, with comparative information for 2012

	Budget (Note 10)	2013	2012
Annual surplus (deficit)	\$ (5,810,320)	\$ 10,069,207	\$ 9,277,750
Acquisition of tangible capital assets	-	6,507,246	-
Change in net debt	(5,810,320)	3,561,961	9,277,750
Net debt, beginning of year	(155,827,637)	(155,827,637)	(165,105,387)
Net debt, end of year	\$ (161,637,957)	\$ (152,265,676)	\$ (155,827,637)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 10,069,207	\$ 9,277,750
Items not involving cash:		
Actuarial adjustment of long-term debt	(3,272,831)	(2,841,186)
Change in non-cash assets and liabilities		
Accounts receivable	(31,949)	(10,972)
Accounts payable and accrued liabilities	889,079	(433,067)
Restricted cash	(158,161)	(185,113)
Net change in cash from operating activities	7,495,345	5,807,412
Capital activities:		
Cash used to acquire tangible capital assets	(6,507,246)	-
Net change in cash from capital activities	(6,507,246)	-
Investing activities:		
Investments	(11,500,000)	-
Net change in cash from investing activities	(11,500,000)	-
Financing activities:		
Temporary borrowings increase	9,669,047	4,939,873
Temporary borrowings repaid	(5,048,946)	(5,117,810)
Long-term debt borrowings	11,957,325	14,251,346
Repayment of long-term debt	(12,621,763)	(11,788,131)
Net change in cash from financing activities	3,955,663	2,285,278
Net change in cash and cash equivalents	(6,556,238)	8,092,690
Cash and cash equivalents, beginning of year	10,595,796	2,503,106
Cash and cash equivalents, end of year	\$ 4,039,558	\$ 10,595,796
Cash paid for interest	\$ 9,972,100	\$ 10,277,143
Cash received for interest	288,066	195,626

CAPITAL REGIONAL HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2013

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 turned over 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.

CAPITAL REGIONAL HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2013

f) Section 20(3) Reserve

As permitted by section 20(3) of the Hospital District Act, funds are raised for the 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) Change in Accounting Policy

The Hospital District adopted Public Sector Accounting Standard PS 3410, Government Transfers effective January 1, 2013. This standard was adopted on a prospective basis. Under PS 3410, government transfers with stipulations are recognized as revenue or expense in the period the transfer is authorized and all eligibility criteria have been met except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. There were no adjustments as a result of the adoption of this standard.

CAPITAL REGIONAL HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2013

2. CASH AND CASH EQUIVALENTS

	2013	2012
Bank Account Balance	\$3,956,793	\$4,513,930
Bank Term Deposit	0	6,000,000
MFA Money Market	82,765	81,866
	<u>\$4,039,558</u>	<u>\$10,595,796</u>

3. INVESTMENTS

Investments consist of term deposits and have a cost equal to market value. They have stated interest rates ranging from 1.1% - 1.5%.

4. 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, 2013 is \$3,185,040 (2012: \$3,026,879).

5. 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.

6. TANGIBLE CAPITAL ASSETS

Hillside Land for Development

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.

7. TEMPORARY BORROWINGS

The MFA holds all Hospital District temporary borrowings with variable interest rates. The interest rate at year end was 1.7% (2012: 1.7%).

CAPITAL REGIONAL HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2013

8. LONG-TERM DEBT

a) Debenture Debt

Debenture debt principal is reported net of sinking fund balances of \$78,906,302 (2012: \$69,881,895).

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:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	12,959,640	12,256,155	11,639,241	11,234,433	10,287,575

b) Interest Rates of MFA Debentures Issued in the Year

<u>2013</u>	<u>2012</u>
2.85% to 3.85%	2.05% to 3.40%

The long-term debt bears interest at rates ranging from 2.05% to 9.63%.

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$9,804,867.

9. COMMITMENTS

Several major hospital construction and refurbishing projects have been approved. The Hospital District's share is \$116,507,393 against which grants of approximately \$27,429,537 have been expensed.

10. 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, \$484,242 (2012: \$467,636) of administrative support services from the Capital Regional District.

CAPITAL REGIONAL HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2013

11. ACCUMULATED DEFICIT

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

	<u>2013</u>	<u>2012</u>
Deficit:		
Other	\$ (149,886,026)	\$ (156,790,463)
Total Deficit	(149,886,026)	(156,790,463)
Reserve funds set aside for specific purposes:		
Section 20(3) reserve	4,127,596	962,826
Accumulated Deficit	\$ (145,758,430)	\$ (155,827,637)

12. BUDGET DATA:

The budget data presented in these financial statements is based upon the 2013 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	\$ 29,179,700
Total revenue	29,179,700
Expenses:	
Operating budget	30,468,550
Capital budget	17,364,090
Less:	
MFA debt reserve fund	(170,860)
Debt principal payments	(12,621,760)
Total expenses	34,990,020
Annual Deficit	\$ (5,810,320)



Capital Regional Hospital District

SCHEDULE

2013

Grants to District Hospitals
Year Ended December 31, 2013

	Total grants December 31 2012	Expense 2013	Transfers to completed projects	Total grants December 31 2013
PROJECTS IN PROGRESS				
Designated Health Care Facilities	\$ 5,280,136	\$ 5,927,670	\$ -	\$ 11,207,806
Vancouver Island Health Authority	7,415,929	3,670,385	(4,339,921)	6,746,393
Gorge Road Hospital	335,126	138,018	(148,000)	325,144
Juan de Fuca Hospital	632,665	306,043	(114,351)	824,357
Lady Minto Hospital	163,595	164,390	(100,000)	227,985
Mount St. Mary Hospital - Fairfield	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	185,290	106,237	(123,081)	168,446
Royal Jubilee Hospital	10,513,182	919,883	(2,692,589)	8,740,476
Saanich Peninsula Hospital	995,559	740,783	(146,410)	1,589,932
Victoria General Hospital - Helmcken	3,253,848	813,163	(1,035,958)	3,031,053
	<u>28,805,330</u>	<u>12,816,572</u>	<u>(8,730,310)</u>	<u>32,891,592</u>
COMPLETED PROJECTS				
Designated Health Care Facilities	3,011,403	-	-	3,011,403
Vancouver Island Health Authority	50,561,893	-	4,339,921	54,901,814
Gorge Road Hospital	5,973,786	-	148,000	6,121,786
Juan de Fuca Hospital	35,893,615	-	114,351	36,007,966
Lady Minto Hospital	4,185,969	-	100,000	4,285,969
Mount St. Mary Hospital - Fairfield	15,209,545	-	30,000	15,239,545
Queen Alexandra Hospital	7,471,466	-	123,081	7,594,547
Royal Jubilee Hospital	240,308,472	-	2,692,589	243,001,061
Saanich Peninsula Hospital	17,916,425	-	146,410	18,062,835
Victoria General Hospital - Helmcken	91,793,361	-	1,035,958	92,829,319
	<u>472,325,935</u>	<u>-</u>	<u>8,730,310</u>	<u>481,056,245</u>
	501,131,265	12,816,572	-	513,947,837
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>\$ 375,120,964</u>	<u>\$ 12,816,572</u>	<u>\$ -</u>	<u>\$ 387,937,536</u>