



Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, May 8, 2024

1:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

1. TERRITORIAL ACKNOWLEDGEMENT

2. APPROVAL OF THE AGENDA

3. ADOPTION OF MINUTES

3.1. [24-444](#) Minutes of the April 10, 2024 Capital Regional Hospital District Board Meeting

Recommendation: That the minutes of the Capital Regional Hospital District Board meeting of April 10, 2024 be adopted as circulated.

Attachments: [Minutes - April 10, 2024](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

The public are welcome to attend CRD Board meetings in-person.

Delegations will have the option to participate electronically. Please complete the online application at www.crd.bc.ca/address no later than 4:30 pm two days before the meeting and staff will respond with details.

Alternatively, you may email your comments on an agenda item to the CRD Board at crdboard@crd.bc.ca.

6. CONSENT AGENDA

6.1. [24-279](#) Capital Regional Hospital District 2023 Audit Findings Report and Audited Financial Statements

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2023 Audited Financial Statements be approved.
(NWA)

Attachments: [Staff Report: CRHD 2023 Audit Findings Report and Financial Statements](#)
[Appendix A: Financial Statements](#)
[Appendix B: Audit Findings Report](#)
[Appendix C: Other Financial Statement Analysis](#)
[Appendix D: Financial Performance Indicators](#)

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

9. BYLAWS

10. NOTICE(S) OF MOTION

11. NEW BUSINESS

12. ADJOURNMENT

Voting Key:

NWA - Non-weighted vote of all Directors

NWP - Non-weighted vote of participants (as listed)

WA - Weighted vote of all Directors

WP - Weighted vote of participants (as listed)

Meeting Minutes

Capital Regional Hospital District Board

Wednesday, April 10, 2024

1:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

DIRECTORS: K. Murdoch (Chair), C. McNeil-Smith (Acting Chair), P. Brent, S. Brice, J. Brownoff, J. Caradonna, C. Coleman, Z. de Vries, B. Desjardins, S. Goodmanson, G. Holman, P. Jones, S. Kim (for M. Alto), D. Kobayashi (EP), M. Little, D. Murdock, C. Plant, L. Szpak, M. Tait, D. Thompson, S. Tobias (EP), A. Wickheim, K. Williams, R. Windsor

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; A. Fraser, General Manager, Integrated Water Services; L. Hutcheson, Acting General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; D. Elliott, Senior Manager, Regional Housing; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Director M. Alto

The meeting was called to order at 1:09 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

A Territorial Acknowledgement was provided in the preceding meeting.

2. APPROVAL OF THE AGENDA

MOVED by Director McNeil-Smith, **SECONDED** by Director Szpak,
That the agenda for the April 10, 2024 Session of the Capital Regional Hospital District Board be approved.
CARRIED

3. ADOPTION OF MINUTES

3.1. [24-363](#) Minutes of the March 13, 2024 Capital Regional Hospital District Board Meeting

MOVED by Director McNeil-Smith, **SECONDED** by Director Szpak,
That the minutes of the Capital Regional Hospital District Board meeting of March 13, 2024 be adopted as circulated.
CARRIED

4. REPORT OF THE CHAIR

There were no Chair's remarks.

5. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

6. CONSENT AGENDA

There were no consent agenda items.

7. ADMINISTRATION REPORTS

There were no administration reports.

8. REPORTS OF COMMITTEES

8.1. [24-336](#) 2024 Minor Capital Projects and Equipment - Approval of Capital Bylaw

K. Lorette spoke to Item 8.1.

Discussion ensued regarding equipment funding and requirements for electric vehicles.

MOVED by Director McNeil-Smith, **SECONDED** by Director Desjardins,

1. That the recommended 2024 Minor Capital Projects totalling \$3,750,000 be approved and expensed from the 2024 requisition;

2. That the recommended 2024 equipment grants of \$30,000 to Mount St. Mary Hospital and \$2,925,000 to Island Health be approved and expensed from the 2024 requisition.

CARRIED

MOVED by Director McNeil-Smith, **SECONDED** by Director Brice,

3. That Bylaw No. 426, "Capital Regional Hospital District Bylaw No. 195, 2024", be introduced and read a first, second and third time.

CARRIED

MOVED by Director McNeil-Smith, **SECONDED** by Director Brice,

4. That Bylaw No. 426 be adopted.

CARRIED

9. BYLAWS

There were no bylaws for consideration.

10. NOTICE(S) OF MOTION

There were no notice(s) of motion.

11. NEW BUSINESS

There was no new business.

12. ADJOURNMENT

MOVED by Director McNeil-Smith, **SECONDED** by Director Brice,
That the April 10, 2024 Capital Regional Hospital District Board meeting be
adjourned at 1:14 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 01, 2024**

SUBJECT **Capital Regional Hospital District 2023 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Regional Hospital District (CRHD) 2023 Audit Findings Report and requests approval of the Audited Financial Statements.

BACKGROUND

The CRHD was established in 1967 by the provincial government (*Hospital District Act*) to provide the local share of capital funding for healthcare infrastructure in the capital region. The CRHD shares the same boundaries, board of directors and administrative staff as the Capital Regional District (CRD).

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 2023 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS), as required by the Public Sector Accounting Board (PSAB).

Partnering with Island Health and community stakeholder agencies, the CRHD supports a healthy region by investing in strategic priorities in healthcare. These include new construction, upgrades, renewals and expansion of health facilities and medical equipment. More recently, CRHD also contributes by developing land and health facilities for Island Health to occupy for health authority purposes. Financial activities include strategies and actions to raise the local cost share of funding for capital projects directed by Island Health and 100% for CRHD directed development and construction initiatives.

Under PSAB regulations, the CRHD is required to present four statements with accompanying notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Change in Net Debt
4. Statement of Cash Flows

The CRHD 2023 Audited Financial Statements are attached as Appendix A and include Schedule A which provides a listing of contributions paid to district hospitals.

The Audit Findings Report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations and audit results. The report confirms there have been no significant changes in the audit approach from the Audit Planning Report previously presented to the Board on January 10, 2024. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRHD as of December 31, 2023.

ALTERNATIVES

Alternative 1

That the Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2023 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2023 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

NEW ACCOUNTING STANDARDS

Asset Retirement Obligations

As identified on page 7 of the Audit Findings Report (Appendix B), new accounting standard PS 3280 Asset Retirement Obligations (AROs) came into effect for the year ended December 31, 2023. This standard requires the recognition, measurement, presentation and disclosure of any legal obligations associated with the retirement of tangible capital assets in a future period. PS 3280 was implemented in 2023 through the recognition of an ARO on December 31, 2023, and retroactive application through the restatement of the 2022 comparative figures.

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: financial assets, financial liabilities and non-financial assets. As of December 31, 2023, the CRHD is in a net debt financial position of \$(64.9) million with an accumulated surplus of \$39.6 million.

Financial Assets

Financial assets as of December 31, 2023, totalled \$38.4 million, an increase of \$7.1 million from 2022. Table 1 summarizes financial assets as of December 31, 2023 and provides the change year over year.

Table 1 – Change in Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2023	2022	\$ Change	% Change
Financial Assets				
Cash and Cash Equivalents	10.2	18.6	(8.4)	(45%)
Investments	24.0	9.0	15.0	167%
Due from CRD	0.1	0.1	-	-
Other Receivables	1.3	0.3	1.0	333%
Restricted Cash – MFA DRF*	2.8	3.3	(0.5)	(15%)
Total Financial Assets	\$38.4	\$31.3	\$7.1	23%

*Municipal Finance Authority (MFA) Debt Reserve Fund (DRF)

Cash and cash equivalents include cash on hand, bank deposits and short-term highly liquid investments. Cash and cash equivalents decreased by \$(8.4) million primarily due to the transfer of cash to investments in the year. Investments increased by \$15.0 million due to an investment strategy which moved funds on hand into longer-term holdings. Further details on changes are included in Section 4 (Statement of Cash Flows) of Appendix C.

Other receivables increased by \$1.0 million due to accrued interest receivable on investment holdings and the recovery of insurance costs from Island Health for The Summit long-term care home. Restricted cash decreased by \$(0.5) million due to debt maturities exceeding new debt issuances in the year, therefore reducing the MFA DRF.

Financial Liabilities

Financial liabilities as of December 31, 2023, totalled \$103.3 million, a decrease of \$(14.8) million from 2022. Table 2 summarizes financial liabilities as of December 31, 2023, and provides the change year over year.

Table 2 – Change in Financial Liabilities Year over Year

Statement of Financial Position (\$ millions)	2023	2022 Restated	\$ Change	% Change
Financial Liabilities				
Accounts Payable and other	3.8	3.2	0.6	19%
Deferred Revenue	0.4	0.4	-	-
Long-Term Debt	98.5	114.0	(15.5)	(14%)
Asset Retirement Obligation	0.6	0.5	0.1	20%
Total Financial Liabilities	\$103.3	\$118.1	(\$14.8)	(13%)

Accounts payable increased by \$0.6 million primarily due to the timing of claims made by Island Health on active major capital projects. Long-term debt decreased by \$(15.5) million due to debt maturities exceeding new debt borrowings in 2023.

Non-Financial Assets

Non-financial assets as of December 31, 2023, totalled \$104.5 million, a decrease of \$(2.9) million from 2022. As shown in Table 3, non-financial assets consist solely of tangible capital assets.

Table 3 – Change in Non-Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2023	2022 Restated	\$ Change	% Change
Non-Financial Assets				
Tangible Capital Assets	\$104.5	\$107.4	(\$2.9)	(3%)

Tangible capital assets decreased \$(2.9) million due to \$(3.2) million in amortization expense partially offset by \$0.3 million in renovations and structural modifications at The Summit.

Additional detail is presented in Note 6 of the 2023 Financial Statements.

2. Statement of Operations

The Statement of Operations reports the annual results of the entity's financial activities, presenting revenues less expenses and net surplus/(deficit).

Revenue

Revenue as of December 31, 2023, totalled \$38.6 million, an increase of \$0.3 million from 2022. Table 4 summarizes revenue as of December 31, 2023, and provides the change year over year.

Table 4 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2023	2022	\$ Change	% Change
Requisition	26.5	26.5	-	-
Payments in Lieu of Taxes	0.7	0.8	(0.1)	(13%)
Lease and other Property Revenue	4.9	4.4	0.5	11%
Interest Income	1.8	0.8	1.0	125%
DRF	0.2	0.3	(0.1)	(33%)
Actuarial Adjustment of Long-Term Debt	4.5	5.5	(1.0)	(18%)
Total Revenue	\$38.6	\$38.3	\$0.3	1%

Interest income increased by \$1.0 million. This was due to the CRHD carrying larger reserve balances throughout the year, combined with favourable interest rates earned on reserve funds plus working capital held in guaranteed investment certificates (GICs) and high interest savings accounts. Lease and other property revenue increased by \$0.5 million due to the recovery of insurance costs at The Summit from Island Health.

These increases were partially offset by a decrease in the actuarial adjustment of long-term debt of \$(1.0) million and a decrease in surplus earned on DRF of \$(0.1) million. Both decreases were

due to a decrease in the debt portfolio held by the CRHD as debt maturities exceeded new debt borrowings in 2023. Payments in lieu of taxes also decreased by \$(0.1) million in 2023.

Expenses

Expenses as of December 31, 2023, totalled \$19.6 million, an increase of \$1.6 million from 2022. Table 5 summarizes revenue as of December 31, 2023, and provides the change year over year.

Table 5 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2023	2022 Restated	\$ Change	% Change
Contributions to Island Health	8.8	6.6	2.2	33%
Interest on Debt	6.3	6.9	(0.6)	(9%)
Amortization and Accretion	3.1	3.1	-	-
Operating Expenses	1.4	1.4	-	-
Total Expenses	\$19.6	\$18.0	\$1.6	9%

Contributions to Island Health increased by \$2.2 million. These contributions vary year over year depending on the timing of claims submitted by Island Health for capital initiatives. Of the \$8.8 million paid in 2023, \$6.5 million was contributed to minor capital projects and capital equipment grants in the region and \$2.3 million to major capital projects. Notable projects in 2023 include the redevelopment of Lady Minto Hospital Emergency Department, Victoria General Hospital's High Acuity Unit, and the new long-term care facility at Royal Bay.

The decrease in interest on debt of \$(0.6) million is due to lower balances payable because of debt maturities outpacing new debt issuances in 2023.

2023 Annual Surplus

The accumulated surplus represents the sum of annual surpluses and deficits to date for the CRHD. The accumulated surplus or net book value of equity for the CRHD is \$39.6 million, indicating the organization has assets (financial and non-financial) of greater value than what it owes (financial liabilities).

The annual surplus is the excess of revenues over expenses for the current year. In 2023, operations resulted in an annual surplus of \$19.1 million, a decrease of \$(1.2) million over the prior year. The decrease in surplus is due to an increase in contributions paid to Island Health for capital initiatives.

Surplus funds are used to pay for capital and other commitments through reserve funds for future use and for repayment of current outstanding debt principal.

3. Other Financial Statement Analysis

Appendix C contains an analysis of the remaining two statements (Change in Net Debt and Cash Flow) and Schedule A (Grants to District Hospitals).

4. Financial Indicators

Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators and indicators included in Appendix D, measure CRHD's performance and financial sustainability.

4.1 Debt Service Ratio – Debt Service Costs as a Percentage of Revenue

The debt service ratio is an indicator of the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for the repayment of debt. As the CRHD's primary mandate is to secure borrowing and provide capital contributions for health facility infrastructure, a high debt servicing ratio is expected. CRHD's debt servicing costs as percentage of revenue as of December 31, 2023, is 52% (2022: 54%).

A comparison of the CRHD and hospital districts on Vancouver Island and the southern mainland of British Columbia is outlined in Appendix C.

4.2 Current Ratio – Current Assets Versus Current Liabilities

The current ratio is a measure of the liquidity of an organization, meaning the CRHD's ability to meet current obligations using current assets (cash, accounts receivable, short-term investments). A high ratio indicates a greater ability to meet both planned and unexpected expenditures. The CRHD's current ratio as of December 31, 2023, is 5.7 to 1 (2022: 7.3 to 1), indicating CRHD's current assets are sufficient to pay current liabilities 5.7 times.

4.3 Interest Coverage Ratio – Interest Costs as a Percentage of Total Revenues

This ratio is an indicator of the percentage of revenue committed to the payment of interest on temporary and long-term debt. A high percentage indicates greater use of revenues for servicing interest on outstanding debt. The CRHD's interest coverage ratio on December 31, 2023, is 6.1 (2022: 5.6), indicating the CRHD's revenue is sufficient to repay interest expense 6.1 times.

CONCLUSION

Board approval of the CRHD 2023 Audited Financial Statements is required by the *Hospital District Act* and the *Local Government Act*. Audited financial statements must be available for the Ministry of Health and Municipal Finance Authority. KPMG has completed the annual audit and as noted in the Auditor's Report, it is the auditor's opinion these Financial Statements present fairly the financial position of CRHD at December 31, 2023 and the results of the financial activities for the year then ended are in accordance with Canadian PSAS.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2023 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: CRHD 2023 Financial Statements
- Appendix B: CRHD Audit Findings Report [for the year ended December 31, 2023 (KPMG)]
- Appendix C: CRHD Other Financial Statement Analysis
- Appendix D: CRHD Financial Performance Indicators

Capital Regional Hospital District 2023 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2023

Table of Contents

Independent Auditor’s Report 2
Management Report 5

Statements

Statement of Financial Position 6
Statement of Operations 7
Statement of Change in Net Debt 8
Statement of Cash Flows 9

Notes

Notes to Financial Statements 10

Schedules

Grants to District Hospitals 21



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.



Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
_____, 2024

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 Hospitals and Housing Committee of the Board.

The external auditor, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2023.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 8, 2024

Statement of Financial Position

As at December 31, 2023

	2023	2022
		Restated (Note 2)
Financial assets		
Cash and cash equivalents	\$ 10,175,942	\$ 18,607,086
Investments	24,000,000	9,000,000
Accounts receivable		
Due from Capital Regional District	147,180	107,379
Other	1,307,725	281,085
Restricted cash - MFA Debt Reserve Fund (Note 3)	2,788,315	3,288,444
	<u>38,419,162</u>	<u>31,283,994</u>
Financial liabilities		
Accounts payable and other liabilities	3,875,792	3,265,947
Deferred revenue	366,515	366,515
Long-term debt (Note 4)	98,467,559	113,972,340
Asset retirement obligation (Note 5)	566,344	472,839
	<u>103,276,210</u>	<u>118,077,641</u>
Net debt	(64,857,048)	(86,793,647)
Non-financial assets		
Tangible capital assets (Note 6)	104,465,568	107,353,519
Contingent liability (Note 4c & 13)		
Commitments (Note 7)		
Contractual Obligations (Note 8)		
Accumulated Surplus/(Deficit) (Note 11)	\$ \$ 39,608,520	\$ 20,559,872

The accompanying notes are an integral part of these financial statements

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2023

	Budget (Note 12)		2023		2022 Restated (Note 2)
Revenue					
Taxation - Municipalities	\$ 24,297,119	\$	24,297,119	\$	24,291,188
Taxation - Electoral Areas	2,060,817		2,060,817		2,068,029
Taxation - First Nations	104,616		104,616		101,619
Payments in lieu of taxes	699,157		699,157		834,368
Lease and other property revenue	4,419,813		4,936,720		4,421,133
Interest income	100,000		1,782,102		808,282
Debenture maturity refund	603,000		172,114		258,253
Actuarial adjustment on long-term debt	-		4,561,920		5,506,241
	<u>32,284,522</u>		<u>38,614,565</u>		<u>38,289,113</u>
Expenses					
Grants to district hospitals (Schedule A)	10,573,603		8,787,670		6,565,342
Interest on long-term debt	6,161,585		6,138,095		6,856,743
Interest on short-term debt	51,000		46,498		8,438
Amortization	-		3,142,214		3,123,841
Accretion	-		21,561		20,621
Operating expenses	2,058,039		1,429,879		1,419,454
	<u>18,844,227</u>		<u>19,565,917</u>		<u>17,994,439</u>
Annual surplus	13,440,295		19,048,648		20,294,674
Accumulated surplus, beginning of year	20,559,872		20,559,872		265,198
Accumulated surplus, end of year	<u>\$ 34,000,167</u>	\$	<u>39,608,520</u>	\$	<u>20,559,872</u>

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2023

	Budget (Note 12)	2023	2022 Restated (Note 2)
Annual surplus	\$ 13,440,295	\$ 19,048,648	\$ 20,294,674
Acquisition of tangible capital assets	(10,560,000)	(182,319)	(3,303,702)
Revaluation of asset retirement obligation	-	(71,944)	-
Amortization of tangible capital assets	-	3,142,214	3,123,841
Change in net debt	2,880,295	21,936,599	20,114,813
Net debt, beginning of year	(86,793,647)	(86,793,647)	(106,908,460)
Net debt, end of year	\$ (83,913,352)	\$ (64,857,048)	\$ (86,793,647)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
		Restated (Note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 19,048,648	\$ 20,294,674
Items not involving cash:		
Actuarial adjustment on long-term debt	(4,561,920)	(5,506,241)
Amortization	3,142,214	3,123,841
Accretion	21,561	20,621
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	(1,026,640)	(193,662)
Accounts payable and accrued liabilities	609,844	817,982
Deferred revenue	-	(486)
Due to/(from) Capital Regional District	(39,801)	23,422
Restricted cash	500,129	318,701
Net change in cash from operating activities	17,694,035	18,898,852
Capital activities:		
Cash used to acquire tangible capital assets	(182,319)	(3,303,702)
Net change in cash from capital activities	(182,319)	(3,303,702)
Investing activities:		
Acquisition of investments	(24,000,000)	(9,000,000)
Proceeds from investments	9,000,000	5,000,000
Net change in cash from investing activities	(15,000,000)	(4,000,000)
Financing activities:		
Temporary borrowings repaid	-	(1,819,000)
Additions to long-term debt	2,919,437	5,060,362
Repayment of long-term debt	(13,862,297)	(13,900,587)
Net change in cash from financing activities	(10,942,860)	(10,659,225)
Net change in cash and cash equivalents	(8,431,144)	935,925
Cash and cash equivalents, beginning of year	18,607,086	17,671,161
Cash and cash equivalents, end of year	\$ 10,175,942	\$ 18,607,086
Cash paid for interest	\$ 6,184,593	\$ 6,832,708
Cash received for interest	1,782,102	808,282

The accompanying notes are an integral part of these financial statements

Capital Regional Hospital District

Notes to Financial Statements

For the year ended December 31, 2023

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 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 Nation 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 less than 90 days at acquisition.

d) Asset Retirement Obligations

An asset retirement obligation (ARO) is a legal obligation to incur costs to retire a tangible capital asset in a future period. AROs are measured at the present value of expected future cash flows including an estimate for inflation. Future cash flows are based on the best information available at the financial reporting date. Accretion expense is recorded annually to reflect the cost associated with an increase in the present value of the ARO over time. The carrying amount of the liability is reassessed annually and updated as new information becomes available. Changes in estimates are recorded prospectively and the liability is derecognized when retirement activities are completed.

The asset retirement cost at initial recognition is capitalized along with the related tangible capital asset and amortized in accordance with the Hospital District's tangible capital asset policy Note 1 e).

e) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life
Building and building fixtures	10 to 50 Years

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization is charged annually, in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

- 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.
- iv. Impairment
Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to produce goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

f) Long-Term Debt

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

g) Debenture Issue Cost

Debenture issue costs are recorded as an expense in operations as incurred.

h) Section 20(3) Reserve

As permitted by section 20(3) of the Hospital District Act, funds are raised for the future purchase of land, equipment, minor renovations to hospitals, and related studies. The unspent balance of the reserve is a component of the Hospital District Accumulated Surplus.

i) Grants to District Hospitals

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.

j) Financial Instruments

Financial instruments are classified into two categories; fair value or cost.

- i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense.
- ii. Cost category: portfolio investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial assets are assessed for impairment on an annual basis.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

2. ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2023, the Hospital District adopted Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on a modified retroactive basis and prior year balances have been restated to conform to new reporting requirements. The accounting policy is disclosed in Note 1 d) and ARO balances disclosed in Note 5.

In accordance with the provisions of the new standard, the Corporation reflected the following adjustments for the year ended December 31, 2022:

	2022 Previously Stated	Adjustment	2022 Restated
Statement of Financial Position			
Financial liabilities			
Asset retirement obligations	\$ -	\$ 472,839	\$ 472,839
Non-financial assets			
Tangible capital assets	107,097,097	256,422	107,353,519
Accumulated Surplus	20,776,289	(216,417)	20,559,872
Statement of Operations			
Expenses			
Amortization	3,110,364	13,477	3,123,841
Accretion	-	20,621	20,621
Annual Surplus			
Annual surplus	20,328,772	(34,098)	20,294,674
Accumulated surplus, beginning of year	447,517	(182,319)	265,198
Accumulated surplus, end of year	20,776,289	(216,417)	20,559,872
Statement of Change in Net Debt			
Annual surplus	20,328,772	(34,098)	20,294,674
Amortization of tangible capital assets	3,110,364	13,477	3,123,841
Net debt, beginning of year	(106,456,242)	(452,218)	(106,908,460)
Net debt, end of year	(86,320,808)	(472,839)	(86,793,647)
Statement of Cash Flows			
Annual surplus	20,328,772	(34,098)	20,294,674
Amortization	3,110,364	13,477	3,123,841
Accretion	-	20,621	20,621
Tangible Capital Assets (Note 6)			
Cost – Buildings	79,818,906	348,741	80,167,647
Accumulated amortization – Buildings	9,271,950	92,319	9,364,269
Net book value – Buildings	70,546,956	256,422	70,803,378
Accumulated Surplus (Note 11)			
Other	(4,773,808)	(216,417)	(4,990,225)
Accumulated Surplus	20,776,289	(216,417)	20,559,872

3. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (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. Should this occur, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2023 is \$2,788,315 (2022: \$3,288,444)

4. LONG-TERM DEBT**a) Debt**

Long-term debt represents gross debt borrowings of \$214,472,641 (2022: \$251,214,060) net of repayments and actuarial adjustments of \$116,005,082 (2022: \$137,241,720).

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 members of the MFA.

The following principal payments are payable over the next five years and thereafter:

2024	2025	2026	2027	2028	Thereafter
\$ 12,233,749	\$ 9,201,093	\$ 7,577,569	\$ 6,393,081	\$ 4,790,815	\$52,326,103

b) Interest Rates of Long-Term Debt Borrowings Issued in the Year

2023	2022
3.90% to 4.97%	3.07% to 3.82%

The long-term debt bears interest at rates ranging from 0.91% to 4.97%. The weighted average interest rate at December 31, 2023 is 2.73% (2022: 2.69%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$6,912,749 (2022: \$8,311,279). 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.

5. ASSET RETIREMENT OBLIGATION

The Hospital District owns a building that contains hazardous materials including asbestos and lead. The Hospital District is legally obligated to remove these materials in a prescribed manner when they are disturbed. These costs are expected to be incurred in 18 years as the building is demolished or renovated. The retirement costs are estimated to include all costs directly attributable to the abatement of the hazardous materials, including overhead costs.

The Hospital District uses the Municipal Finance Authority (MFA) long-term borrowing rate as the discount rate. The 10-year average B.C. consumer price index is used to estimate inflation and aligns with the Bank of Canada's target inflation range of 1.00% to 3.00%.

	2022 Restated (Note 2)	ARO Additions	ARO Settlements	Revisions to Estimate	Accretion Expense	2023
Hazardous materials	\$ 472,839	-	-	71,944	21,561	566,344

All estimated cash flows have been discounted to present value. Discount and inflation rates in the future are estimates and subject to change. These changes can impact ARO values significantly when being applied over an extended duration.

	2023	2022
Discount rate	4.17%	4.56%
Inflation rate	2.54%	2.15%
Settlement timing	18 years	19 years

6. TANGIBLE CAPITAL ASSETS – Restated (Note 2)

	Cost			Accumulated Amortization			Net Book Value at December 31, 2023
	Balance at December 31, 2022 (Restated)	Additions	Transfers	Balance at December 31, 2022 (Restated)	Amortization Expense	Balance at December 31, 2023	
Work in Progress	\$ -	-	-	-	-	-	\$ -
Land	36,550,141	-	-	-	-	-	36,550,141
Buildings	80,167,647	254,263	-	9,364,269	3,142,214	12,506,483	67,915,427
	\$ 116,717,788	254,263	-	9,364,269	3,142,214	12,506,483	\$ 104,465,568

	Cost			Accumulated Amortization			Net Book Value at December 31, 2022 (Restated)
	Balance at December 31, 2021 (Restated)	Additions	Transfers	Balance at December 31, 2021 (Restated)	Amortization Expense	Balance at December 31, 2022 (Restated)	
Work in Progress	\$ 1,985,691	-	(1,985,691)	-	-	-	\$ -
Land	31,642,375	2,922,075	1,985,691	-	-	-	36,550,141
Buildings	79,786,020	381,627	-	6,240,428	3,123,841	9,364,269	70,803,378
	\$ 113,414,086	3,303,702	-	6,240,428	3,123,841	9,364,269	\$ 107,353,519

a) The Heights Long-Term Care Facility Site

In 2012, the Hospital District approved a 27-year land lease with the Baptist Housing Mount View Heights Care Society for the site owned by the Hospital District at 3814 Carey Road. The land has a historical cost of \$1,913,640.

7. COMMITMENTS

a) The Hospital District has the following approved and active capital bylaws:

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2022	Funded in Current Year (Schedule A)	Funded to December 31, 2023	Remaining Commitment	Planned Approved Funding 2024 - 2028
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 2,955,000	\$ 2,955,000	\$ -	\$ 2,955,000	\$ 2,955,000	\$ -	\$ -
CBL 173	MCP 2019	19,030,688	3,750,000	3,670,423	79,577	3,750,000	-	-
CBL 176	MCP 2020	17,556,299	3,750,000	3,362,700	382,164	3,744,864	5,136	5,136
CBL 180	MCP 2021	16,172,312	3,750,000	1,190,278	813,603	2,003,881	1,746,119	1,746,119
CBL 182	Victoria UPCC #2	4,998,639	1,499,592	1,246,340	7,851	1,254,191	-	-
CBL 183	Emergency Dept. Redevelopment - LMH	12,800,000	3,738,000	1,137,307	1,860,746	2,998,053	739,947	739,947
CBL 184	MCP 2022	17,784,582	3,750,000	5,006	710,362	715,368	3,034,632	3,034,632
CBL 185	High Acuity Unit - VGH	3,397,183	1,019,155	790,941	228,214	1,019,155	-	-
CBL 187	MCP 2023	31,574,761	3,750,000	-	1,542,942	1,542,942	2,207,058	2,207,058
CBL 188	Relocate MHSU ACT Teams	2,000,000	600,000	-	60,000	60,000	-	-
CBL 189	Medical Device Reprocessing Dept. Expansion	4,240,000	1,272,000	-	17,552	17,552	1,254,448	1,254,448
CBL 191	New Long-Term Care-Royal Bay	223,694,000	67,108,200	-	129,659	129,659	66,978,541	66,978,541
Total Commitments		\$ 356,203,464	\$ 96,941,947	\$ 11,402,995	\$ 8,787,670	\$ 20,190,665	\$ 75,965,881	\$ 75,965,881

Minor Capital Projects (MCP) are defined as projects valued between \$100,000 and \$2.0 million to sustain existing infrastructure, replace building components and improve functionality. Major Capital Projects are defined as projects valued at greater than \$2.0 million and modify, expand/enhance or replace health service/program spaces. Island Health's Project Cost is based on their capital plan and various funders. CRHD cost shares a maximum of 30% for Major Capital project expenditures up to the approved bylaw amount. When a major or minor capital project is completed and no further claims are expected, the remaining commitment is reported as nil.

7. COMMITMENTS (continued)

b) Hospital District approved, planned, and active capital projects detailed by Hospital Facility:

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2022	Funded in Current Year (Schedule A)	Funded to December 31, 2023	Remaining Commitment	Planned Approved Funding 2024 - 2028
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
191	2023	New Long-Term Care – Royal Bay	\$ 223,694,000	\$ 67,108,200	\$ -	\$ 129,659	\$ 129,659	\$ 66,978,541	\$ 66,978,541
Vancouver Island Health Authority									
Multiple	2019-2023	Minor Capital	11,008,759	2,780,029	1,069,701	679,230	1,748,931	1,031,098	1,031,098
Sec 20(3)	2023	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
182	2021	Victoria UPCC #2	4,998,639	1,499,592	1,246,340	7,851	1,254,191	-	-
Mount St. Mary Hospital									
Sec 20(3)	2023	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2019-2023	Minor Capital	6,389,362	1,032,167	676,788	28,954	705,742	326,425	326,425
Juan de Fuca Hospital									
Multiple	2019-2023	Minor Capital	6,805,964	1,693,549	1,382,614	186,883	1,569,497	124,052	124,052
Lady Minto Hospital									
Multiple	2019-2023	Minor Capital	213,036	47,314	44,950	-	44,950	2,364	2,364
183	2021	Emergency Dept. Redevelopment	12,800,000	3,738,000	1,137,307	1,860,746	2,998,053	739,947	739,947
Queen Alexandra Hospital									
Multiple	2019-2023	Minor Capital	2,897,750	766,562	216,788	166,157	382,945	383,617	383,617
Royal Jubilee Hospital									
Multiple	2019-2023	Minor Capital	32,248,948	5,814,170	2,360,765	1,324,570	3,685,335	2,128,835	2,128,835
188	2023	Relocation MHSU ACT Teams	2,000,000	600,000	-	60,000	60,000	-	-
Saanich Peninsula Hospital									
Multiple	2019-2023	Minor Capital	2,952,763	762,596	334,556	42,928	377,484	385,112	385,112
Victoria General Hospital									
Multiple	2019-2023	Minor Capital	39,602,060	5,853,613	2,142,245	1,099,926	3,242,171	2,611,442	2,611,442
185	2022	High Acuity Unit	3,397,183	1,019,155	790,941	228,214	1,019,155	-	-
189	2023	MDRD Expansion	4,240,000	1,272,000	-	17,552	17,552	1,254,448	1,254,448
Total Commitments			\$ 356,203,464	\$ 96,941,947	\$ 11,402,995	\$ 8,787,670	\$ 20,190,665	\$ 75,965,881	\$ 75,965,881

8. CONTRACTUAL OBLIGATIONS

The Hospital District has \$89,343 in outstanding contractual obligations as at December 31, 2023 (2022: \$nil).

9. CONTRACTUAL RIGHTS

- a. The Hospital District financed the capital cost of the Summit at Quadra Village, a complex care facility. The facility was substantially completed by December 31, 2019 and residents moved in July 2020. Under the agreement, Island Health contributes through annual lease payments over a 25-year period. Lease payments commenced February 1, 2020 and are \$4,338,178 annually.
- b. The Hospital District has an agreement with Fido Solutions to operate a temporary cellular site on the lands at 2251 Cadboro Bay Rd. for a term of five years until March 31, 2026. The annual rent is \$20,000.

10. RELATED PARTY TRANSACTIONS

The Hospital District is a related party to the Capital Regional District (CRD). The Board of Directors for each entity is comprised of the same individuals. As legislated by the Hospital District Act, the officers and employees of the CRD are the corresponding officers and employees of the Hospital District. The CRD 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, \$947,496 (2022: \$883,575) of administrative support and project management services from the CRD, of which \$nil (2022: \$nil) was capitalized.

The Regional Housing First Program (RHFP) is a partnership between the CRD, the Provincial and Federal governments to provide capital funding to affordable housing projects in the region. The CRD, Capital Region Housing Corporation and the Hospital District will invest a combined \$40 million towards projects. In 2018, a RHFP project management office was created to support the delivery of the program. During the year the Hospital District contributed, \$120,653 (2022: \$118,287) to the CRD, to cost share in administrative support and project management services.

11. ACCUMULATED SURPLUS

	2023	2022
		Restated (Note 2)
<u>Surplus/(Deficit):</u>		
Accumulated Surplus/(Deficit)	\$ 8,061,145	\$ (4,990,225)
Reserve funds set aside for specific purposes:		
Debt Management Reserve	7,193,643	3,359,413
Regional Housing First Program Reserve	11,327,857	10,383,057
Summit Management Reserve	1,332,941	891,288
Land Holdings Management Reserve	1,662,088	1,405,013
Minor Capital Projects Reserve	6,992,945	6,771,594
Hospital District Act Section 20(3) Reserve	3,037,901	2,739,732
Accumulated Surplus	<u>\$ 39,608,520</u>	<u>\$ 20,559,872</u>

12. BUDGET DATA

The budget data presented in these financial statements is based upon the 2023 operating and capital budgets approved by the Board on March 15, 2023. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 32,678,573
Less:	
Transfers from reserve	(394,051)
Revenue per Financial Statements	<u>32,284,522</u>
Expense budget	32,678,573
Add:	
Grants to district hospitals	3,868,603
Less:	
Transfers to reserve	(3,783,952)
Debt principal payments	(13,918,997)
Expense per Financial Statements	<u>18,844,227</u>
Annual Surplus	<u>\$ 13,440,295</u>

13. CONTINGENT LIABILITY

From time to time, the Capital Regional Hospital District is subject to claims and other lawsuits that arise in the course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Capital Regional Hospital District has exposure to the following risks from its use of financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital District is subject to credit risk with respect to the accounts receivable, investments, and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

There have been no significant changes to credit risk exposure from 2022.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK (continued)

b) Liquidity risk:

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital District manages its liquidity risk by monitoring its operating requirements; preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to liquidity risk exposure from 2022.

c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital District's income or the value of its holdings of financial instruments. The objective of market risk management is to control risk exposures within acceptable parameters while optimizing return on investment.

i. Foreign exchange risk:

The Hospital District does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk.

There have been no significant changes to foreign exchange risk exposure from 2022.

ii. Interest rate risk:

The Hospital District is exposed to interest rate risk through its investments and debt instruments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk in their investments as they manage this risk through its investment policy which includes restrictions on types and concentration of instruments held.

Exposure to interest rate risk in relation to debt instruments is limited to long term debt renewals and short-term financing. The risk applies only to long term debt when amortization periods exceed the initial locked in term. Short term financing is subject to daily floating rates, which can result in variability over the course of short-term financing. Interest rate risk related to debt instruments is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2022.

Grants to District Hospitals

For the year ended December 31, 2023

	Total grants December 31 2022	Expense 2023	Transfers to completed projects	Total grants December 31 2023
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,770,686	\$ 129,659	\$ -	\$ 1,900,345
Vancouver Island Health Authority	8,652,998	3,612,081	(4,136,661)	8,128,418
Gorge Road Hospital	749,927	28,954	(89,668)	689,213
Juan de Fuca Hospital	1,856,202	186,883	(1,122,548)	920,537
Lady Minto Hospital	1,532,246	1,860,746	(39,735)	3,353,257
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	216,787	166,157	(49,489)	333,455
Royal Jubilee Hospital	9,376,617	1,384,570	(1,199,133)	9,562,054
Saanich Peninsula Hospital	1,261,454	42,928	(273,189)	1,031,193
Victoria General Hospital	4,280,683	1,345,692	(2,097,923)	3,528,452
	<u>29,727,600</u>	<u>8,787,670</u>	<u>(9,038,346)</u>	<u>29,476,924</u>
COMPLETED PROJECTS				
Designated Health Care facilities	22,394,214	-	-	22,394,214
Vancouver Island Health Authority	86,471,323	-	4,136,661	90,607,984
Gorge Road Hospital	8,172,791	-	89,668	8,262,459
Juan de Fuca Hospital	37,810,609	-	1,122,548	38,933,157
Lady Minto Hospital	5,821,332	-	39,735	5,861,067
Mount St. Mary Hospital - Fairfield	15,509,545	-	30,000	15,539,545
Queen Alexandra Hospital	9,469,944	-	49,489	9,519,433
Royal Jubilee Hospital	261,230,991	-	1,199,133	262,430,124
Saanich Peninsula Hospital	20,502,548	-	273,189	20,775,737
Victoria General Hospital	100,464,882	-	2,097,923	102,562,805
	<u>567,848,179</u>	<u>-</u>	<u>9,038,346</u>	<u>576,886,525</u>
	<u>597,575,779</u>	<u>8,787,670</u>	<u>-</u>	<u>606,363,449</u>
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	<u>(126,010,301)</u>	<u>-</u>	<u>-</u>	<u>(126,010,301)</u>
	<u>\$ 471,565,478</u>	<u>\$ 8,787,670</u>	<u>\$ -</u>	<u>\$ 480,353,148</u>

Total grants to date is cumulative since incorporation of the Hospital District in 1967



| **Capital Regional Hospital District**

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Capital Regional Hospital District Audit Findings Report



Capital Regional Hospital District

**Audit Findings Report
for the year ended
December 31, 2023**



Prepared for the Hospitals and Housing Committee meeting on
May 1, 2024

kpmg.ca/audit



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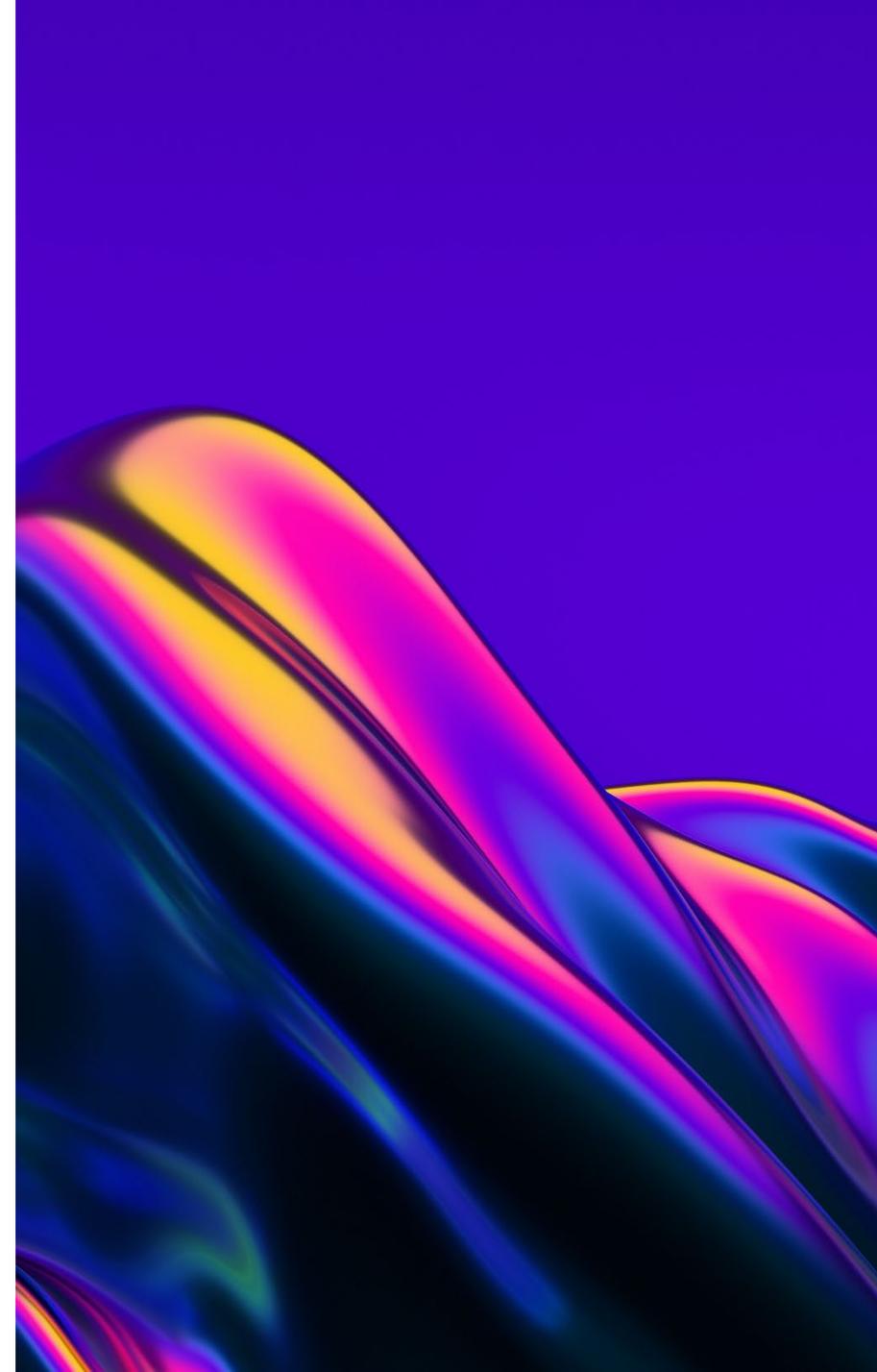


Table of contents

Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

4	Highlights	5	Status	6	Risks and results	11	Misstatements
12	Control deficiencies	13	Policies and practices	14	Appendices		

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Hospitals and Housing Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the financial statements (“financial statements”) of Capital Regional Hospital District (“the Entity” or “CRHD”) as of and for the year ended December 31, 2023, was performed in accordance with Canadian generally accepted auditing standards.

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Risks assessment and results

- Significant risks

No significant risks to report beyond those required by professional standards

- Other risks of material misstatement
- Other procedures
- Going concern matters

Uncorrected misstatements

Uncorrected misstatements

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt. We concur with management’s representation that the difference is not material to the financial statements.

Corrected misstatements

Corrected misstatements

There are no matters to report.

Control observations

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We have provided an update on prior year control observations.

Policies and practices

Accounting policies and practices

Other financial reporting matters



Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Hospitals and Housing Committee
- Obtaining evidence of the Board of Directors' acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of the Board of Directors' acceptance of the financial statements.

We will update the Hospitals and Housing Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is included in the draft financial statements.





Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.



Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates,
- evaluating the business rationale of significant unusual transactions.

Significant findings

- There were no issues noted in our testing.





Other risks of material misstatement and results



Asset Retirement Obligation

The Entity adopted PS 3280 *Asset Retirement Obligations* (“ARO”) for the fiscal year ended December 31, 2023. This accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an entity is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record that future obligation as a corresponding depreciable asset and liability in the statement of financial position today. This significant new accounting standard has implications that have the potential to go beyond financial reporting, and will require organizations to think about how these future obligations will be funded.

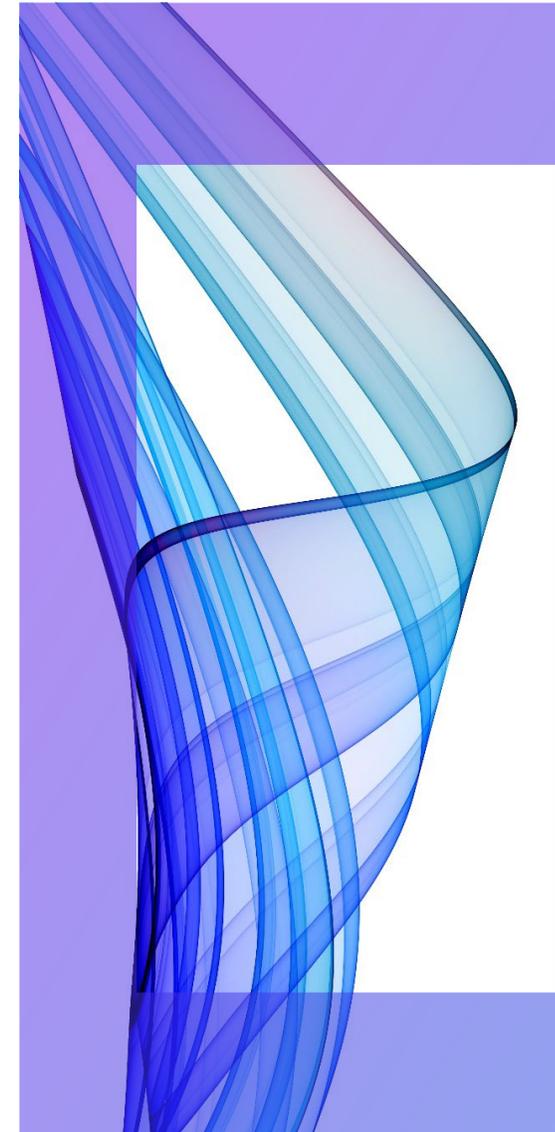
Management implemented the new standard on a modified retroactive basis which resulted in a liability of \$472,839 being recognized on adoption at January 1, 2023. The liability relates to asbestos containing materials in one building. The change in value between the adoption date and year end was \$93,505, with a liability of \$566,344 at December 31, 2023.

Our response

- We obtained an understanding of management’s process for adopting the standard through discussion with management and review of their scoping and measurement analysis.
- We tested completeness of in-scope identified assets, through discussions with internal experts, review of external hazardous materials reports (where applicable), and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including sampling a number of buildings and validating the appropriateness of inputs and assumptions that feed into the calculations.
- We reviewed the related financial statement disclosures and accounting policies.

Findings

There were no issues noted in our testing. Because the prior year comparative balances were restated, our auditor’s report includes emphasis of matter and other matter paragraphs noting the change in the comparative balances and our audit of the restatement.





Other risks of material misstatement and results



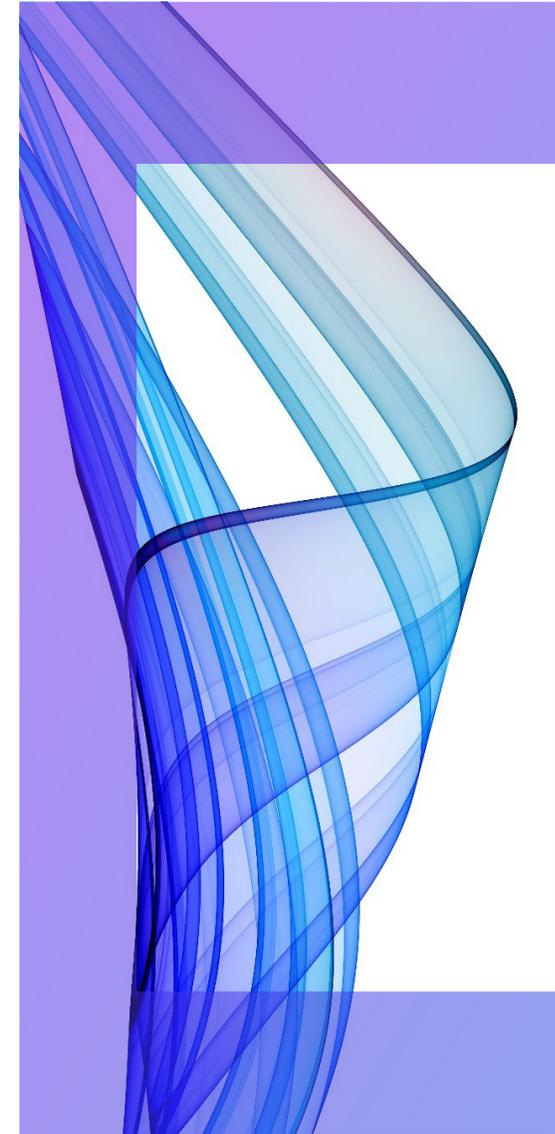
Tangible Capital Assets

Our response

- We obtained an updated understanding of the capital asset process.
- We obtained the continuity schedule of opening balances, additions, disposals, amortization and closing balances and validated the mathematical accuracy of the schedule.
- We assessed management's accounting and disclosures for capital commitments.
- We verified the accuracy of amortization expense and inquired about any changes to the amortization policy or processes.

Findings

- There were no issues noted in our testing.





Other procedures performed



Cash, investments and debt

Response and findings

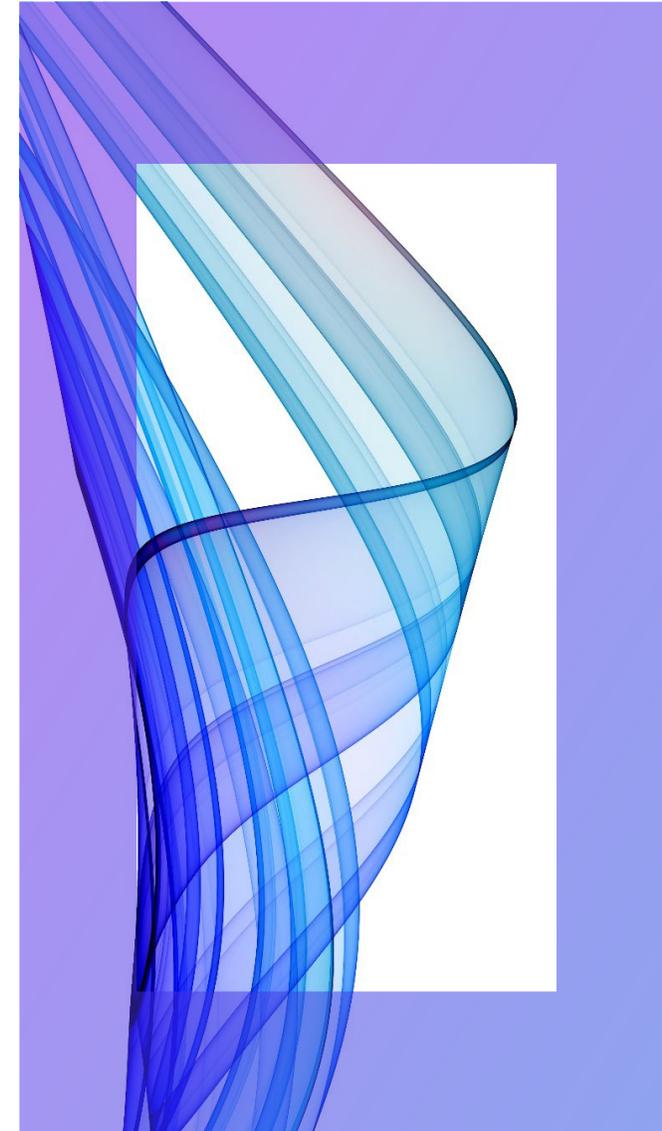
- We confirmed the balances with the respective financial institutions.
- We tested subsequent payments to determine if they were recorded in the correct accounting period.
- No issues were noted in our testing.



Revenue and expenses

Response and findings

- We completed a test of details over lease revenue and taxation revenue, agreement amounts to budget, contracts and cash receipt.
- Grants to Island Health were tested by comparing actual expenses to approved bylaws, cash payments and classification by nature and facility. A sample of expenses were tested to underlying vendor invoice noting the applicable facility and project being funded.
- No issues were noted in our testing.





Other procedures performed

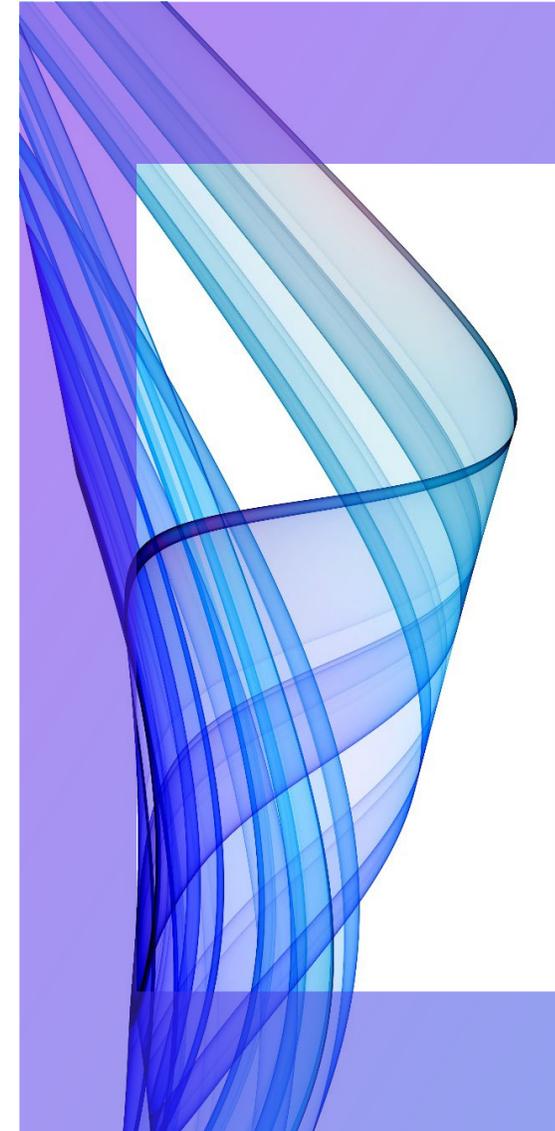


Concluding and reporting

Response and findings

We performed the following procedures as part of the overall conclusion and reporting phases of the audit:

- Evaluated management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure was evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions were evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes were evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.





Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure misstatements.



Impact of uncorrected misstatements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt.

This results in a timing difference that will decline in value over the term of the debt. The uncorrected difference results in an overstatement of debt and understatement of accumulated surplus of \$88,200.

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.



Accounting policies and practices

We also highlight the following:



Significant accounting policies



- Management adopted PS 3280 Asset Retirement Obligations during the year using the modified retroactive method. There were no issues noted as a result of adoption.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of CRHD's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transactions and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.



Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Appendices

1

Required
communicated

2

Management
representation letter

3

Audit quality

4

Changes in accounting
standards

5

Audit and Assurance
Insights

6

Environmental, social
and governance (ESG)





Appendix 1: Required communications



Auditor's report

Refer to the draft report attached to the financial statements.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Independence

As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2023 up until the date of this report.

Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.



Appendix 2: Management representation letter

(Letterhead of Client)

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

May X, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Capital Regional Hospital District ("the Entity") as at and for the period ended December 31, 2023.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also 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:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 9, 2022, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

- c) providing you with unrestricted access to such relevant information.
- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Ted Robbins, Chief Administrative Officer

Nelson Chan, Chief Financial Officer

Kevin Lorette, General Manager, Planning and Protective Services

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have

Attachment II – Summary of Audit Misstatements Schedule(s)**Uncorrected Misstatement**

Presented in dollars	Statement of operations effect	Statement of financial position effect		
Description of individually significant misstatements	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated surplus (Decrease) Increase
To recognize debt issuance expense over the term of the debt instead of in the year of issuance	(\$88,200)	-	(\$88,200)	-
Total misstatements	(\$88,200)	-	(\$88,200)	-



Appendix 3: Audit quality - How do we deliver audit quality?

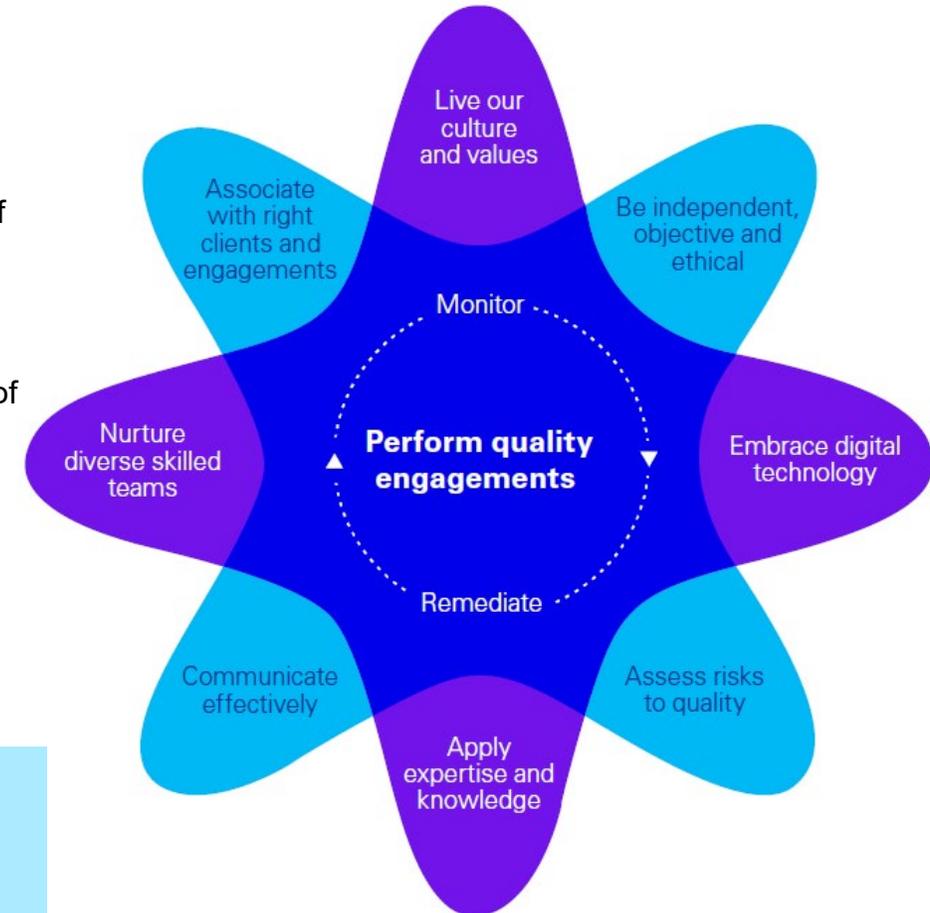
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendix 4: Changes in accounting standards

Standard	Summary and implications
Revenue <div data-bbox="206 486 443 544" style="border: 1px solid blue; border-radius: 15px; padding: 2px 10px; display: inline-block;">Effective FY2024</div>	<ul style="list-style-type: none"> • The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles <div data-bbox="206 736 443 793" style="border: 1px solid blue; border-radius: 15px; padding: 2px 10px; display: inline-block;">Effective FY2024</div>	<ul style="list-style-type: none"> • The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix 5: Audit and assurance insights

Our latest thinking on the issues that matter most to the Finance and Audit Committee, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2023

The key issues driving the audit committee agenda in 2023.

Momentum

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.



Appendix 6: How we can help along your ESG reporting journey

Preparing for ESG reporting in accordance with regulatory standards will take substantial time and resources – it is a journey. The end goal is implementing and sustaining ESG external reporting in compliance with the applicable reporting frameworks in such a way that the ESG information and metrics reported can be verified and assured.

As your financial statement auditor, we are able to support you across a number of activities throughout your ESG reporting journey, prior to undertaking assurance readiness or formal assurance on your reported ESG information and metrics.



Establish

- Findings and observations with respect to **materiality assessment**, governance structure, reporting strategy
- **Gap assessment** to global reporting standards (e.g., IFRS S1 and S2)
- **Peer benchmarking and insights** on industry best practices



Implement / Report

- ESG reporting **training** to Board and Management



Assess

- Feedback on **current state operating model**, including processes, people, technology, service delivery model and data
- Review existing **data and estimation methodologies**



Design

- Provide management with feedback on the **reporting roadmap**
- Findings and observations on draft **external disclosures** based on leading practice





Appendix 6: Why your auditors should be engaged in the reporting journey

We are one-team at KPMG.

With KPMG's one-team approach, you will benefit from the efficiencies gained by having members of your financial statement audit team engaged in your ESG reporting journey along with our ESG subject matter experts.



We know you

It is important to have a general understanding of the entity and its control environment (e.g., IT systems and underlying processes) to best support you in your ESG reporting journey



Coordinated approach

Management meetings are carried out once and leveraged across your financial statement and ESG journey process, wherever possible



Synergies gained

Key messages and reports to management and the audit committee will be consistent and include both financial and ESG information



Connected to financial statements

Increased demand for consistency between ESG reporting and financial reporting puts us in the best position to support you



Single point of contact

Having KPMG as your ESG service provider – your key audit points of contacts will enable you to get clear perspectives on all your reporting needs when you need them



Future efficiencies

Engaging us in the reporting process today will be an investment that will lead to efficiencies when undergoing limited assurance in the future



Appendix 6: IFRS Sustainability disclosure standards

Environmental, social and governance (“ESG”)

First IFRS Sustainability Disclosure Standards

The arrival of the first two IFRS Sustainability Disclosure Standards marks a key milestone in sustainability reporting and is a significant step towards creation of a global baseline for stakeholder-focused sustainability reporting that local jurisdictions can build on. **Although the standards are not required to be adopted by CRHD, the new IFRS sustainability standards provide key insights into what the future of sustainability reporting may look like for CRHD. The Canadian Sustainability Standards Board released the first proposed Canadian standards for public comments due by June 10, 2024.**

Summary of the recently released standards

The standards build on the four-pillar structure of the **Task Force on Climate-related Financial Disclosures**.

The **general requirements standard (IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard (IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Visit KPMG’s Sustainability Reporting website for more information, including a comprehensive summary of the new requirements and KPMG’s insights and illustrative examples for the new standards.

[Click here](#) to access KPMG’s portal



Appendix 6: ESG: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

How the 'S' in ESG is changing the way we do business

The social component of ESG calls for more heart, empathy and interconnectedness

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

Climate change, human rights and institutional investors

The adverse impacts to people from a changing climate will create risks for institutional investors throughout the value chain

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

The numbers that are changing the world

Revealing the growing appetite for responsible investing



This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.



Appendix 6: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.



Intentional adoption of smart, digital, experience-centric solutions have become indispensable in overcoming today’s challenges and aligning city services to the future needs and well-being of the public. We invite you to explore this report on KPMG’s global research and insights on The future of local government.



The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

[Click here](#) to access KPMG’s portal.

A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report ([click here](#)) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.



<https://kpmg.com/ca/en/home.html>

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Capital Regional Hospital District Other Financial Statement Analysis

CRHD Other Financial Statement Analysis

The 2023 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements.

3. Statement of Change in Net Debt

The Statement of Change in Net Debt summarized in Table 7 is designed to explain the difference between the CRHD's annual surplus reported on the Statement of Operations and the change in net debt.

Table 7 – Change in Net Debt Year over Year

Statement of Change in Net Debt (\$ millions)	2023	2022 Restated
Annual Surplus	19.1	20.3
Acquisition of Tangible Capital Assets	(0.2)	(3.3)
Revaluation of Asset Retirement Obligation	(0.1)	-
Amortization of Tangible Capital Assets	3.1	3.1
Change in Net Debt	21.9	20.1
Net Debt, Beginning of Year	(86.8)	(106.9)
Net Debt, End of Year	\$(64.9)	\$(86.8)

In 2023, the CRHD's net debt position of \$(86.8) million decreased by \$21.9 million over prior year. The change in net debt in 2023 is due to an annual surplus of \$19.1 million and the amortization of capital assets of \$3.1 million. These were partially offset by the acquisition of tangible capital assets of \$(0.2) million related to capital additions at The Summit, and the annual revaluation of the asset retirement obligation of \$(0.1) million related to the future retirement of the property at 950 Kings Road.

The annual surplus of \$19.1 million resulted in a net increase in cash, investments, and receivables, and the repayment of long-term debt undertaken to finance CRHD and Island Health capital initiatives.

4. Statement of Cash Flows

The Statement of Cash Flows reports the sources and uses of cash during the period and Table 8 displays the total cash flow activity by category from the statement:

Table 8 – Change in Cash and Cash Equivalents Year over Year

Statement of Cash Flows (\$ millions)	2023	2022 Restated
Operating Activities	17.7	18.9
Capital Activities	(0.2)	(3.3)
Investing Activities	(15.0)	(4.0)
Financing Activities	(10.9)	(10.7)
Net Change in Cash and Cash Equivalents	(8.4)	0.9
Cash and Cash Equivalents, Beginning of Year	18.6	17.7
Cash and Cash Equivalents, End of Year	\$10.2	\$18.6

Cash and cash equivalents decreased by \$(8.4) million due to cash from operating activities of \$17.7 million, offset by the acquisition of tangible capital assets of \$(0.2) million, a net increase in the holdings of guaranteed investment certificates of \$(15.0) million and the repayment of long-term debt of \$(10.9) million.

5. Schedule A: Grants to District Hospitals

Schedule A summarizes the amounts raised for capital grants which are approved in the annual financial plan. These include equipment grants, both major and minor capital projects which are cash flowed over 10 years. Capital grant expenses in 2023 was \$8.8 million and the value of projects completed during the year was \$9.0 million.

As shown in Note 7 to the financial statements, the CRHD cost shares between 30-40% of approved project costs on major capital projects, and the CRHD share of authorized projects at December 31, 2023, is \$96.9 million (2022: \$31.8 million).

Appendix D provides graphical presentation of the 2023 total grants expense by facility.

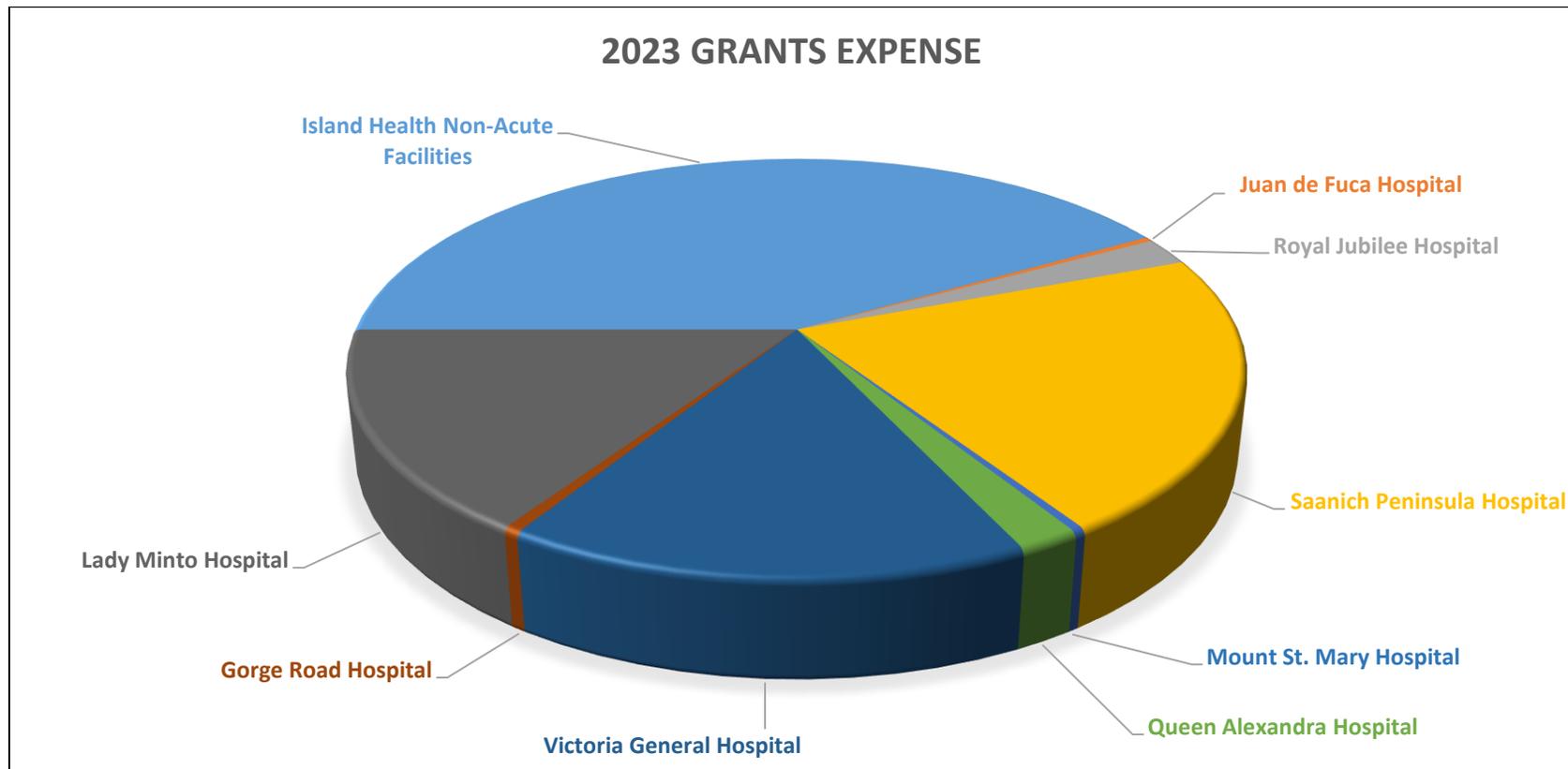
Capital Regional Hospital District Financial Performance Indicators

British Columbia, Canada
Fiscal year ended December 31, 2023

CRHD Financial Performance Indicators

1. 2023 Grants to District Hospitals

In 2023, the CRHD provided \$8.8 million in capital grants to hospital facilities in the district. Further to the information provided in the Audited Financial Statements (Note 7, Schedule A) the distribution of 2023 total grants expense is illustrated below, showing the relative share of total grants received by each facility during the year. Island Health non-acute facilities received \$3.6 million in grants; \$2.9 million of this is attributed to the annual minor equipment grant, which is prioritized by Island Health and distributed to facilities in the district.



2. Debt Service Ratio Comparison

Based on the 2022 financial results of other hospital districts on Vancouver Island and southern British Columbia displayed in the graph, the average debt service costs as a percentage of revenue is 56%. At 52% for 2023 and 54% for 2022, the CRHD's debt service cost as a percentage of revenue is slightly below the average. The CRHD's debt service ratio increased from the prior year as a result of net decreased revenue in 2022 primarily due to lower tax requisition.

Current year comparison data is not yet available.

