



CORPORATE REPORT

To: CAO for the Fraser Valley Regional Hospital District Board

Date: April 25, 2019

From: Mike Veenbaas, Director of Financial Services

File No: HD1880-25

Subject: 2018 Hospital District Financial Statements

RECOMMENDATION

THAT the Fraser Valley Regional Hospital District Board approve the 2018 DRAFT Financial Statements for the Fraser Valley Regional Hospital District.

BACKGROUND

The financial statements for the Fraser Valley Regional Hospital District (FVRHD) have been audited by KPMG, the Regional Hospital District's auditor. Representatives from KPMG, along with Staff, will be presenting the draft financial statements to the Board and reviewing the Audit Findings Report.

DISCUSSION

The audit report received from KPMG states that the 2018 Financial Statements accurately reflect the financial position of the Hospital District at December 31, 2018.

Highlights from the 2018 audit include:

Financial Position

The most significant change over 2017 is the reduction in the Accumulated Deficit of \$5.6 million resulting from a combination of \$3.0 million in debenture debt principal payments and an increase of \$2.6 million in overall cash and investments.

The debenture debt remaining is \$19.9 million for the Hospital District's share of Abbotsford Regional Hospital and Cancer Centre and \$14.9 million for expansion/redevelopment at Chilliwack General Hospital, representing debt financing from 2006 to 2010. In recent years funds set aside in capital reserves have been the source of capital project financing. Until such time as those funds are needed they are placed in short and midterm investments gaining interest which is returned to the reserves.

Financial Activities

Revenues for 2018 are as expected and in line with the results realized in 2017. As supported by the Board, the requisition level was increased to account for non-market change assessment growth allowing the Board to place funds in an early debt retirement reserve. Increased investment earnings

were realized due to changing interest rates and delays in funds required by Fraser Health for projects the Hospital District Board has committed to financially support.

Following budget adoption, the Board made the decision to allocate funding from the major projects capital reserve for two Fraser Health initiatives, Fraser Cascade's electrical system upgrade and Mission Memorial's Health Centre expansion. While a budget amendment was adopted by the Board, the Financial Statements are required to display the budget that was approved at the time the tax requisitions were issued, hence the significant variance for "Transfer to Fraser Health Authority".

With the reduction in interest rates over the past number of years and scheduled debt refinances at the 10 year mark, the Hospital District has benefited from a reduction in interest payments on long term debt. These savings are also being placed into the early debt retirement reserve per Board directive.

Financial Reserves

At December 31st, 2018 the total appropriated for reserves is:

| | |
|--------------------------|-------------------|
| • Early Debt Retirement | \$ 565,000 |
| • Minor/Medium Capital | 2,246,994 |
| • Major Capital Projects | <u>28,432,674</u> |
| | \$31,244,668 |

In addition, a balance of \$431,449 remains in the Current Fund to be used for unplanned operating expenditures or to be reallocated as an appropriation to a reserve.

COST

There are no costs associated with this recommendation.

CONCLUSION

The 2018 DRAFT Financial Statements are being presented to the Board for approval following a comprehensive audit process completed by KPMG.

COMMENT BY:

Paul Gipps, Chief Administrative Officer

Reviewed and supported.