

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT**

DECEMBER 31, 2012

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2012**

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Independent Auditor's Report

To the Directors of
Central Okanagan Regional Hospital District

We have audited the accompanying financial statements of the Central Okanagan Regional Hospital District, which comprise the statement of financial position as at December 31, 2012, and the statements of financial activities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Central Okanagan Regional Hospital District as at December 31, 2012, and its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Kelowna, British Columbia

June 24, 2013

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**Central Okanagan Regional Hospital District
Statement of Financial Position**

December 31	2012	2011
Financial Assets		
Cash	\$ 1,267,357	\$ 1,322,382
Temporary investments (Note 1)	5,866,030	16,131,673
Investment funds - Municipal Finance Authority (Note 2)	<u>3,724,712</u>	<u>3,922,442</u>
	<u>10,858,099</u>	<u>21,376,497</u>
Financial Liabilities		
Accounts payable and accrued liabilities	150,718	8,000
Due to Regional District of the Central Okanagan (Note 3)	164,236	158,951
Long term debt (Note 4)	87,348,640	91,136,510
Reserve - Municipal Finance Authority (Note 2)	<u>2,655,033</u>	<u>2,826,257</u>
	<u>90,318,627</u>	<u>94,129,718</u>
Accumulated deficit	<u>\$ (79,460,528)</u>	<u>\$ (72,753,221)</u>

Approved on behalf of the Board:



Chairperson

Central Okanagan Regional Hospital District Statement of Financial Activities

For the year ended December 31	2012	2012	2011
	Actual	Budget (Unaudited)	Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 10,305,508	\$ 10,305,508	\$ 9,627,872
District of Lake Country	946,887	946,887	887,699
District of Peachland	425,035	425,035	402,513
District of West Kelowna	2,416,044	2,416,044	2,316,153
Electoral areas	621,526	621,526	610,491
	<u>14,715,000</u>	<u>14,715,000</u>	<u>13,844,728</u>
Debtenture refund and actuarial earnings	1,139,174	-	1,341,148
Interest	144,615	-	134,608
	<u>15,998,789</u>	<u>14,715,000</u>	<u>15,320,484</u>
Expenditures			
Long term debt issue expense and interest	4,184,200	7,499,927	3,287,685
Hospital Grant - minor capital	907,600	907,600	903,200
Hospital Grant - capital expenditure	17,432,843	22,559,455	46,600,139
Interest	3,805	50,000	201,104
Administration	35,251	35,000	30,000
Audit	13,160	10,000	12,376
Drug policy coordinator	129,237	120,000	128,951
	<u>22,706,096</u>	<u>31,181,982</u>	<u>51,163,455</u>
Annual deficit	(6,707,307)	(16,466,982)	(35,842,971)
Accumulated deficit, beginning of year	(72,753,221)	(72,753,221)	(36,910,250)
Accumulated deficit, end of year	\$ (79,460,528)	\$ (89,220,203)	\$ (72,753,221)

**Central Okanagan Regional Hospital District
Statement of Financial Activities**

<u>For the year ended December 31</u>	<u>2012</u>	<u>2011</u>
Operating Activities		
Cash from tax requisitions and MFA refunds	\$ 15,880,681	\$ 14,636,756
Cash paid to employees and suppliers	(22,563,381)	(51,052,177)
Interest received	144,615	134,608
	<u>(6,538,085)</u>	<u>(36,280,813)</u>
Investing Activities		
Sale (purchase) of temporary investments	<u>10,265,644</u>	<u>(9,378,626)</u>
Financing Activities		
Proceeds from issuance of MFA long term debt	-	47,464,431
Repayment of MFA long term debt	(3,787,870)	(2,398,560)
Advances from related parties	5,286	27,363
	<u>(3,782,584)</u>	<u>45,093,234</u>
Decrease in cash during the year	(55,025)	(566,205)
Cash, beginning of year	<u>1,322,382</u>	<u>1,888,587</u>
Cash, end of year	<u>\$ 1,267,357</u>	<u>\$ 1,322,382</u>

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

December 31, 2012

Nature of Business	The Central Okanagan Regional Hospital District ("the District") is responsible for decisions and funding of capital expenditures for the hospital. The District funds a 40% share of hospital facility construction and funding for the purchase of major equipment.
Basis of Presentation	The financial statements of the District are the representations of management and are prepared in accordance with Canadian generally accepted accounting policies for local government entities using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.
Revenue Recognition	Taxation revenues are recognized at the time the property tax requisitions for the fiscal year become receivable. Interest income is recognized as it is earned.
Financial Instruments	It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from financial instruments, unless otherwise noted. The fair values of the District's financial instruments approximate their carrying values, unless otherwise noted.
Use of Estimates	The financial statements of the District have been prepared in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2012

1. Temporary Investments

This balance is invested in money market funds with the Municipal Finance Authority, bearing interest at variable rates, unsecured, with no specific terms of maturity.

2. Investment Funds/Reserve - Municipal Finance Authority

The Central Okanagan Regional Hospital District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund (cash deposits).

The Central Okanagan Regional District Hospital also executes demand notes in connection with each debenture whereby the Central Okanagan Regional Hospital District may be required to loan certain amounts to the Municipal Finance Authority. Demand notes are reflected as an asset and a corresponding liability.

The details of cash deposits and demand notes at year end are as follows:

	Demand Notes	Cash Deposits	2012	2011
Investment funds - Municipal Finance Authority	\$2,655,033	\$1,069,679	\$3,724,712	\$3,922,442
	Demand Notes	Cash Deposits	2012	2011
Reserve - Municipal Finance Authority	\$2,655,033	\$-	\$2,655,033	\$2,826,257

3. Due to Regional District of the Central Okanagan

This balance is due to Regional District of the Central Okanagan, non-interest bearing, unsecured, with no specific terms of repayment.

**Central Okanagan Regional Hospital District
Notes to Financial Statements**

December 31, 2012

4. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2012 Net Debt	2011 Net Debt
19 - 24	537	2012	9.41%	1,170,720	-	93,525
18 - 19	615	2012	9.50%	2,254,003	-	175,243
20	619	2013	8.50%	1,200,000	90,213	176,131
19 - 20	620	2013	8.50%	478,837	37,721	73,645
19 - 33	627	2013	9.60%	303,848	24,962	48,736
19 - 25	613	2013	8.50%	205,088	17,440	34,050
25 - 27	610	2014	9.60%	218,577	33,600	49,210
20 - 24	626	2014	9.63%	2,836,222	435,988	638,538
33	514	2018	8.50%	349,675	132,726	151,309
112	110	2030	4.50%	43,699,187	40,705,498	42,231,692
112	117	2030	4.50%	38,826,220	37,522,367	38,826,220
113	117	2030	4.50%	8,638,211	8,348,125	8,638,211
				\$ 100,180,588	\$ 87,348,640	\$ 91,136,510

Future principal repayments on existing long-term debt:

2013	\$ 3,239,372
2014	3,169,906
2015	3,070,099
2016	3,070,099
2017	3,070,099
Thereafter	<u>71,729,065</u>
	<u>\$ 87,348,640</u>

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2012

5. Budget

The Financial Plan (Budget) By-Law adopted by the Board on March 30, 2012 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards reporting of actual results now requires a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$nil.

There will always be a discrepancy between the budget figures and the actual results for the year. The main purpose of the Regional Hospital District budget is to calculate the tax requisition, and the budget must be prepared on a modified accrual basis to meet the cash flow requirements for minor expenditures, for contributions toward capital projects, and for debt repayments in the year.

Public Sector Accounting Standards require that the Regional Hospital District recognize the full amount of the grants in the year that they are paid to the Interior Health Authority. As the expenditures then belong to the Interior Health Authority, they are not recorded as assets on the balance sheet. The funding for these payments results primarily through taxation and long term debt. The interest portion of the long term debt is expensed in the year it is paid, while the principal payments are recorded as a reduction to the long term debt balance.

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2012

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2013 - 2017 and the projects that are planned for the same period:

<u>Project</u>	<u>Planned Funding</u>
Approved Projects	
Westside Health Centre	\$ 2,000,000
Infrastructure Mod. KGH	1,000,000
Heart and Surgical Centre (2010 - 2017)	91,347,000
Isolation Room Air System	600,000
MDR Renovations	88,000
Microbiology Analyzer	90,000
Wireless Access KGH	100,000
Cooling Tower Replacement	130,000
KGH - Pediatric Space Expansion	200,000
KGH - Boiler Breaching	100,000
Cottonwoods - Renovation of Tub Rooms	48,000
KGH - Domestic Hot Water Tank Replacement	34,000
KGH - Ultrasounds x 3	170,400
KGH - Automated Specimen Planting System	165,800
KGH - Anaesthetic Unit x 2	132,000
KGH - Laser CO2	111,600
KGH - Microbiology Analyzer	84,000
KGH - Monitoring System, Physiological	84,000
KGH - Immunoassay Analyzer	80,000
KGH - Infant Abduction System	62,000
DLJ - Nurse Communication System Vocera	39,600
Minor Equipment	4,823,350
Planned Projects	
KGH - Lake Water Cooling System	140,000
Three Links Manor - Tub Room Renovations	44,000
Cottonwoods - Hot Water Tank Replacement	42,000
DLJ - Reception Area Relocation and Upgrade	36,000
Brookhaven - Water Distribution System	36,000
Cottonwoods - Countertops & Cupboards Replacement	44,000
KGH - CT Scanner	1,120,000
KGH - Nurse Call	200,000
KGH - Automated Auto-Immune Analyzer	128,000
KGH - Ultrasound - Cardiac	108,000
KGH - Maldi - ToF	101,000
KGH - Single Stage Press	102,400
KGH - Unit Dose Packaging Machine	100,000
KGH - Navigation System Neuro	82,000
KGH - Automated Differential Scanner	76,000
KGH - Navigation System ENT	42,000
	<u>\$ 103,891,150</u>