

**CENTRAL OKANAGAN REGIONAL  
HOSPITAL DISTRICT  
Financial Statements  
For the year ended December 31, 2010**

**Contents**

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## Independent Auditor's Report

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### 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, 2010, 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, 2010, and its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

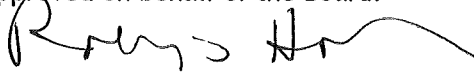
Chartered Accountants

Kelowna, British Columbia  
May 12, 2011

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

December 31	2010	(restated) 2009
<b>Financial Assets</b>		
Cash	\$ 1,888,587	\$ 621,044
Temporary investments (Note 1)	6,753,046	-
Investment funds - Municipal Finance Authority (Note 2)	2,596,232	1,191,786
	<b>11,237,865</b>	<b>1,812,830</b>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	8,000	5,500
Due to Regional District of the Central Okanagan (Note 3)	131,588	271,271
Due to Municipal Finance Authority	-	2,220,000
Long term debt (Note 4)	46,070,639	3,667,952
Reserve - Municipal Finance Authority (Note 2)	1,937,888	918,061
	<b>48,148,115</b>	<b>7,082,784</b>
<b>Accumulated deficit</b>	<b>\$ (36,910,250)</b>	<b>\$ (5,269,954)</b>

Approved on behalf of the Board:



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Chairperson

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

<b>For the year ended December 31</b>	<b>2010</b>	<b>2010</b>	<b>(restated) 2009</b>
	<b>Actual</b>	<b>Budget (Unaudited)</b>	<b>Actual</b>
<b>Revenue</b>			
Requisition on Member Municipalities			
City of Kelowna	\$ 9,019,084	\$ 9,019,084	\$ 7,517,772
District of Lake Country	845,886	845,886	727,737
District of Peachland	383,858	383,858	319,110
District of West Kelowna	2,162,600	2,162,600	1,854,732
Electoral areas	588,573	588,573	492,020
	<b>13,000,001</b>	<b>13,000,001</b>	<b>10,911,371</b>
Debenture refund and actuarial earnings	1,499,477	-	806,094
Interest	145,036	-	28,456
	<b>14,644,514</b>	<b>13,000,001</b>	<b>11,745,921</b>
<b>Expenditures</b>			
Long term debt issue expense and interest	2,749,420	3,371,368	1,686,853
Hospital Grant - minor capital	889,000	915,670	889,000
Hospital Grant - capital expenditure	42,489,071	6,691,235	14,994,655
Interest	12,836	20,000	7,800
Administration	30,000	30,000	30,000
Audit	12,895	6,000	4,770
Drug policy coordinator	101,588	90,000	91,757
	<b>46,284,810</b>	<b>11,124,273</b>	<b>17,704,835</b>
<b>Annual deficit</b>	<b>(31,640,296)</b>	<b>1,875,728</b>	<b>(5,958,914)</b>
<b>Accumulated surplus (deficit), beginning of year, as previously stated</b>	<b>(5,543,679)</b>	<b>(5,269,954)</b>	<b>415,235</b>
Correction of prior period error (Note 6)	273,725	-	273,725
<b>Accumulated surplus (deficit), beginning of year, as restated</b>	<b>(5,269,954)</b>	<b>(5,269,954)</b>	<b>688,960</b>
<b>Accumulated deficit, end of year</b>	<b>\$ (36,910,250)</b>	<b>\$ (3,394,226)</b>	<b>\$ (5,269,954)</b>

**Central Okanagan Regional Hospital District  
Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Operating Activities</b>		
Cash receipts from grants and other governments	\$ 13,894,032	\$ 11,066,577
Cash paid to employees and suppliers	(46,020,111)	(17,792,293)
Interest received	125,649	28,456
	<u>(32,000,430)</u>	<u>(6,697,260)</u>
<b>Investing Activities</b>		
Purchase of temporary investments	<u>(6,753,048)</u>	-
<b>Financing Activities</b>		
Proceeds from issuance of MFA long term debt	43,699,186	2,220,000
Repayment of MFA long term debt	(3,538,482)	(631,742)
Advances from (to) related parties	<u>(139,683)</u>	<u>121,757</u>
	<u>40,021,021</u>	<u>1,710,015</u>
<b>Increase (decrease) in cash during the year</b>	<b>1,267,543</b>	<b>(4,987,245)</b>
<b>Cash, beginning of year</b>	<u><b>621,044</b></u>	<u><b>5,608,289</b></u>
<b>Cash, end of year</b>	<u><b>\$ 1,888,587</b></u>	<u><b>\$ 621,044</b></u>

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## Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

**December 31, 2010**

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<b>Nature of Business</b>	The Central Okanagan Regional Hospital District ("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.
<b>Basis of Presentation</b>	The financial statements of the Central Okanagan Regional Hospital District ("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.
<b>Temporary Investments</b>	Temporary investments are recorded at the lower of cost and market value.
<b>Revenue Recognition</b>	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.
<b>Financial Instruments</b>	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.
<b>Use of Estimates</b>	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.

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**December 31, 2010**  
**Notes to Financial Statements**

**December 31, 2010**

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**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.

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**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	2010	2009
Investment funds - Municipal Finance Authority	\$1,937,888	\$658,344	<b>\$2,596,232</b>	\$1,191,786
	Demand Notes	Cash Deposits	2010	2009
Reserve - Municipal Finance Authority	\$1,937,888	\$-	<b>\$1,937,888</b>	\$918,061

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**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.



**December 31, 2010**  
**Notes to Financial Statements**

**December 31, 2010**

**4. Long Term Debt**

Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	2010 Net Debt	2009 Net Debt
73	2010	3.18%	\$ 1,221,374	\$ -	\$ 150,641
526	2010	4.89%	374,000	-	29,383
527	2010	5.18%	1,239,200	-	98,297
528	2010	5.41%	520,000	-	41,261
530	2010	5.24%	770,400	-	62,172
532	2010	5.47%	354,000	-	28,017
533	2011	5.00%	640,000	51,650	100,840
534	2011	4.91%	520,000	41,856	81,717
535	2011	4.93%	346,000	27,598	53,883
519	2011	5.38%	2,317,200	174,022	339,757
537	2012	4.71%	1,170,720	182,595	267,425
615	2012	4.75%	2,254,003	342,141	501,091
619	2013	4.25%	1,200,000	257,957	335,887
620	2013	4.25%	478,837	107,859	140,444
627	2013	4.80%	303,848	71,378	92,942
613	2013	4.25%	205,088	49,869	64,934
610	2014	4.80%	218,577	64,075	78,235
626	2014	4.81%	2,836,222	831,443	1,015,162
514	2018	4.25%	349,675	169,009	185,864
110	2030	4.50%	43,699,187	43,699,187	-
			<b>\$ 61,018,331</b>	<b>\$46,070,639</b>	<b>\$ 3,667,952</b>

**Future principal repayments on existing long-term debt:**

2011	\$ 1,875,124
2012	1,756,402
2013	1,645,433
2014	1,575,968
2015	1,476,161
Thereafter	<u>37,741,551</u>
	<u><b>\$46,070,639</b></u>

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**December 31, 2010**  
**Notes to Financial Statements**

**December 31, 2010**

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**5. Budget**

The Financial Plan (Budget) By-Law adopted by the Board on March 26, 2010 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.

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**6. Correction of prior period error**

In the prior year, an adjustment has been made to correct an error in accounting for the debt reserve fund liability that arose from the issuance of long term debt. The adjustment decreased the Municipal Finance Authority reserve and decreased the opening accumulated deficit by \$273,725 respectively.

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**7. Comparative Figures**

Certain comparative figures have been restated to conform to the presentation adopted for the current year.

**December 31, 2010**  
**Notes to Financial Statements**

**December 31, 2010**

**8. Approved and Planned Capital Expenditures**

The following table outlines the capital costs for bylaw approved projects from 2011 - 2015 and the projects that are planned for the same period:

<u>Project</u>	<u>Planned Funding</u>
<b>Approved Projects</b>	
Westside Health Centre	\$ 2,000,000
Adult Psychiatric	754,733
Community Ambulatory Care/Diabetes Clinic	129,740
Surgical Services Relocation (planning)	200,000
Infrastructure Mod. KGH	1,573,318
SPECT CT	440,000
Gen Radiographic Room	280,000
Chemistry Analyzer	70,000
CONNEX	698,000
Cardiology Picture Archiving Comm. System	23,873
Telehome Care Monitoring	344,400
Ambulatory Care Project (2008-2012)	47,908,464
Heart and Surgical Centre (2010-2017)	79,363,000
Cooling Tower Replacement	34,600
Physiological Monitoring System (ICU)	6,518
Physiological Monitoring System (Cardiac Care)	17,976
KGH Pacs Equipment	8,574
David Lloyd Jones Home Nurse Call Upgrade	39,600
Minor Equipment	2,792,000
<b>Planned Projects</b>	
Isolation Room Air System	600,000
MDR Renovations	88,000
Nurse Call KGH	400,000
Physiological Monitoring System KGH	160,000
Microbiology Analyzer	90,000
Nurse Call Brookhaven	80,000
David Lloyd Jones Residential Bus	44,000
Three Links Manor Residential Bus	44,000
Wireless Access KGH	100,000
Cooling Tower Replacement Additional Amount	60,800
	<u>\$ 138,351,596</u>

