

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2017**

Contents

Management's Responsibility for Financial Reporting	3
Independent Auditor's Report	4
Financial Statements	
Statement of Financial Position	5
Statement of Financial Operations	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to Financial Statements	9-12

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Central Okanagan Regional Hospital District have been approved by the Board. The preparation of these financial statements are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Certain amounts used in the preparation of the financial statements are based on management's best estimates and judgements. Actual results could differ as additional information becomes available in the future. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects. Management has reviewed these financial statements and has taken responsibility for them.

The Hospital District maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The financial statements have been audited by BDO Canada LLP Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Board. The independent auditors report expresses their opinion on these financial statements. The auditor's have full and free access to the accounting records and to the Board of the Central Okanagan Regional Hospital District.



Chief Administration Officer



Director of Financial Services

May 10, 2018



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BDO Canada LLP
1631 Dickson Avenue, Suite 400
Kelowna BC V1Y 0B5 Canada

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, 2017, and the statements of financial operations 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 public sector 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 controls 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, 2017, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vernon, British Columbia
May 10, 2018

Central Okanagan Regional Hospital District Statement of Financial Position

December 31	2017	2016
Financial Assets		
Cash (Note 1)	\$ 7,811,710	\$ 5,301,312
Investment funds - Municipal Finance Authority (Note 2)	<u>4,522,765</u>	<u>4,495,022</u>
	<u>12,334,475</u>	<u>9,796,334</u>
Financial Liabilities		
Accounts payable and accrued liabilities	345,153	169,481
Due to Regional District of Central Okanagan (Note 3)	-	37,000
Long Term Debt (Note 4)	95,010,171	99,885,696
Reserve - Municipal Finance Authority (Note 2)	<u>3,072,458</u>	<u>3,072,458</u>
	<u>98,427,782</u>	<u>103,164,635</u>
Accumulated deficit	\$ (86,093,307)	\$ (93,368,301)

Approved on behalf of the Board:



Chairperson

Central Okanagan Regional Hospital District Statement of Financial Operations

For the year ended December 31	2017 Actual	2017 Budget (Note 5)	2016 Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 11,530,108	\$ 11,530,690	\$ 11,453,987
City of West Kelowna	2,568,146	2,567,231	2,580,702
District of Lake Country	1,106,156	1,106,429	1,059,487
District of Peachland	450,167	450,399	450,864
Electoral areas	607,724	607,552	601,959
	<u>16,262,301</u>	<u>16,262,301</u>	<u>16,146,999</u>
Debenture refund and actuarial earnings	820,965	820,965	634,414
Interest and grants in lieu	110,486	-	97,991
	<u>17,193,752</u>	<u>17,083,266</u>	<u>16,879,404</u>
Expenses			
Long term debt issue expense and interest	4,499,056	4,545,465	4,499,056
Hospital and Other Grants - minor capital	954,200	954,200	928,300
Capital funding expenditure	4,404,445	10,737,743	7,560,670
Interest on borrowings	14,201	50,000	12,562
Administration	38,000	38,000	37,000
Professional fees	8,856	9,000	8,398
	<u>9,918,758</u>	<u>16,334,408</u>	<u>13,045,986</u>
Annual surplus	7,274,994	748,858	3,833,418
Accumulated deficit, beginning of year	(93,368,301)	(93,368,301)	(97,201,719)
Accumulated deficit, end of year	\$ (86,093,307)	\$ (92,619,443)	\$ (93,368,301)

Central Okanagan Regional Hospital District Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Cash from tax requisitions	\$ 16,262,301	\$ 16,146,999
Cash from MFA actuarial additions	820,965	634,414
Cash paid to suppliers and for grants	(9,743,086)	(12,893,213)
Interest and grants received	110,486	97,991
	<u>7,450,666</u>	<u>3,986,191</u>
Investing Activities		
Change in MFA cash reserves	<u>(27,743)</u>	<u>(38,681)</u>
Financing Activities		
Repayment of MFA long term debt	(4,875,525)	(4,688,975)
Repayment from related parties	(37,000)	(27,439)
	<u>(4,912,525)</u>	<u>(4,716,414)</u>
Change in cash during the year	2,510,398	(768,904)
Cash, beginning of year	<u>5,301,312</u>	<u>6,070,216</u>
Cash, end of year	<u>\$ 7,811,710</u>	<u>\$ 5,301,312</u>

Central Okanagan Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2017

Nature of Business	The Central Okanagan Regional Hospital District ("The District") is responsible for granting aid for the establishment, acquisition, reconstruction, enlargement, operation and maintenance of hospitals and hospital facilities in accordance with the Hospital District Act. The District typically funds a 40% share of projects and major equipment purchases to the Interior Health Authority for projects within the Region.
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 Chartered Professional Accountants.
Temporary Investments	Temporary investments consist of deposits held at financial institutions.
Revenue Recognition	Taxation revenues are recognized at the time of the property tax requisitions for the fiscal year become receivable. Interest income is recognized as it is earned.
Government Transfers	Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.
Financial Instruments	The District's financial instruments consist of cash, investment funds, accounts payable and accrued liabilities, amounts due to the Regional District of Central Okanagan, and long term debt. Unless otherwise noted, it is management's opinion that the District is not exposed to the significant interest, currency liquidity, or credit risks arising from these financial instruments.
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, 2017

1. Cash

Cash is held at a financial institution earning interest at a rate of 1.40% per annum.

2. Investment Funds/Reserve - Municipal Finance Authority

The 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.

The District also executes demand notes in connection with each debenture whereby the 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	2017	2016
Investment funds - Municipal Finance Authority	\$ 3,072,458	\$ 1,450,307	\$ 4,522,765	\$ 4,495,022
	Demand Notes	Cash Deposits	2017	2016
Reserve - Municipal Finance Authority	\$ 3,072,458	\$ -	\$ 3,072,458	\$ 3,072,458

3. Due to Regional District of Central Okanagan

The balance is due to the Regional District of the Central Okanagan and is non-interest bearing, unsecured, and without specific terms of repayment.

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2017

4. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2017 Net Debt	2016 Net Debt
112	110	2030	4.50%	\$ 43,699,187	\$ 32,108,478	\$ 33,965,326
112	117	2031	3.25%	38,826,220	30,177,799	31,764,134
113	117	2031	3.25%	8,638,211	6,714,076	7,067,011
113	126	2033	3.85%	10,071,396	8,635,178	9,015,624
113	127	2034	3.30%	13,500,000	12,084,811	12,575,159
113	133	2035	2.75%	5,700,000	5,289,829	5,498,442
				<u>\$ 120,435,014</u>	<u>\$ 95,010,171</u>	<u>\$ 99,885,696</u>

Future principal repayments on existing long-term debt:

2017	\$ 4,054,561
2018	4,054,561
2019	4,054,561
2020	4,054,561
2021	4,054,561
Thereafter	<u>74,737,367</u>
	<u>\$ 95,010,171</u>

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2017

5. Budget

The budget data presented in these financial statements is based upon the 2017 - 2021 Financial Plan Bylaw, approved by the District Board on March 27, 2017. The legislative requirement of the Financial Plan are that the cash inflows for the period must at a minimum equal cash outflows.

Budgeted cash inflows include transfers from prior year surplus carried forward, and the assumption of new long term debt. These transactions are not recognized as revenues in the District's statement of operations as they do not meet the inclusion requirements under PSAB.

PSAB requires that budget amounts be presented in the financial statements on the same basis of accounting for actual amounts. The reconciliation below shows the difference between the operating budgets per the approved Financial Plan and the budget figures reported in these statements.

	<u>2017</u>
Surplus - statement of operations	\$ 748,858
Adjust for budgeted items not included in statement of operations:	
Prior year surplus cash financing	2,300,000
Net cash from new financing	1,826,668
Principal debt reduction from actuarial earnings	(820,965)
Principal portion of debt payments	<u>(4,054,561)</u>
Financial plan Budget	<u>\$ -</u>

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2017

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2018 - 2022 and the projects that are planned for the same period:

	Approved		Planned 2018 - 2022 Funding	
	Bylaw Amount: 40% District Share	Funded in Prior Years		
Approved Capital Projects				
Bylaw				
113	Heart and Surgical Centre (2010 - 2017) and IHSC 4th Floor	\$ 84,690,000	\$ 73,029,000	\$ 2,474,000
150	KGH - Automated Auto-Immune Analyzer	128,000	64,501	63,499
172	KGH - Laboratory Equipment	1,500,000	-	1,500,000
175	Cottonwoods - Building Management System Replacement	240,000	72,727	167,273
177	KGH - Forms on Demand & Patient ID System	207,200	125,161	82,039
178	KGH - Vocera	60,000	58,593	1,407
179	KGH - Radiologist Diagnostic Monitor Replacement	60,000	57,873	2,127
181	KGH - Tissue Processor (x2)	138,400	130,535	7,865
182	KGH - C-Arm	106,000	-	106,000
184	KGH - Image Processing System, Cellavision	61,600	-	61,600
185	KGH Medstations, IH-Wide Infrastructure	55,600	47,769	7,831
188	CHSC Kelowna - Digital Wayfinding & Room Signage	90,000	81,329	8,671
189	KGH - Replace Fire Pump	76,800	41,124	35,676
190	KGH - MRI/DI Sprinkler Piping Replacement	72,000	30,585	41,415
192	KGH - Satellite DI Renovation for Staff Safety	39,600	37,845	1,755
193	KGH - Staff Duress, Code White System	36,000	-	36,000
194	KGH - Emergency Department Renovation - Triage	28,000	-	28,000
195	Regional - IMT Corporate Projects over \$100,000	430,500	183,117	247,383
196	KGH - IMIT - Vocera	80,000	56,027	23,973
197	Regional - IMIT Corporate Project under \$100,000	217,900	96,151	121,749
198	KGH - Wireless Infrastructure Refresh	12,000	-	12,000
199	KGH - Telehealth Infrastructure Refresh	11,000	-	11,000
200	KGH - Medstations, IH-Wide Pyxis Replacement, Ph. 2	1,688,400	1,485,906	202,494
201	KGH - Multi Purpose System	717,600	211,174	506,426
202	KGH - General Radiographic System - Digital	387,600	-	387,600
204	Three Links Manor - Nurse Call	224,400	-	224,400
205	Cottonwoods - Dining Room Renovations	182,000	-	182,000
206	Cottonwoods - Domestic Hot Water Boilers	84,000	-	84,000
207	David Lloyd Jones Home - Air Conditioning, Bernard Wing	36,000	-	36,000
208	Cottonwoods - Patio Replacement for Douglas Fir Unit	34,800	20,841	13,959
209	May Bennett WC - Wireless Infrastructure Expansion	22,000	-	22,000
Planned Projects for 2018				
211	KGH - Surface Parking	540,000	-	540,000
212	Kelowna Community Health Services Centre	360,000	-	360,000
213	West Kelowna Health Care Centre - Leasehold Improvements	300,000	-	300,000
214	KGH - 3 West Medical Inpatient Nursing Unit Renovation	100,000	-	100,000
215	KGH - Increase Pathologist Office Space	39,600	-	39,600
216	KGH - Access Control System Upgrade	24,000	-	24,000
217	Regional IMIT - Various	2,039,600	-	2,039,600
218	Cottonwoods - Vocera Expansion and Integration	72,000	-	72,000
219	KGH - Wireless Infrastructure Refresh	39,600	-	39,600
220	KGH - Vocera Expansion and Integration	20,000	-	20,000
221	Rutland Health Centre - Wireless Infrastructure Expansion	10,000	-	10,000
222	KGH - Ultrasound, Cardiac	92,800	-	92,800
223	KGH - Ultrasound	69,200	-	69,200
224	Minor Equipment Grant	961,300	-	961,300
	Minor Equipment Grant Estimate Future Years	4,006,603	-	4,006,603
	Future Projects estimated by RDCO staff	14,800,000	-	14,800,000
		\$ 115,192,103	\$ 75,830,258	\$ 30,174,845