



CENTRAL OKANAGAN REGIONAL HOSPITAL DISTRICT BOARD MEETING AGENDA

Thursday, July 9, 2020

9:00 a.m.

Woodhaven Board Room
1450 K.L.O. Road, Kelowna, BC

Pages

1. **CALL TO ORDER**

Chair Given acknowledged that this meeting is being held on the traditional territory of the syilx/Okanagan peoples.

2. **ADDITION OF LATE ITEMS**

3. **ADOPTION OF THE AGENDA**

(All Directors - Unweighted Corporate Vote - Simple Majority - LGA 208.1)

Recommended Motion:

THAT the agenda be adopted.

4. **ADOPTION OF THE MINUTES**

4.1 **Regional Hospital District Meeting Minutes - March 23, 2020**

1 - 3

(All Directors - Unweighted Corporate Vote - Simple Majority - LGA 208.1)

Recommended Motion:

THAT the Regional Hospital District meeting minutes of March 23, 2020 be adopted.

5. **NEW BUSINESS**

5.1 **BDO Auditors Report - Year Ended December 31, 2019**

4 - 7

M. Rilkoff, Director of Finance and BDO Auditor, Markus Schrott

Recommended Motion:

THAT BDO's Central Okanagan Regional Hospital District Final Audit Report for the year ended December 31, 2019 be received.

5.2 **CORHD Financial Statements - Year Ended December 31, 2019 - Approval**

8 - 25

(All Directors - Unweighted Corporate Vote - Simple Majority - LGA 208.1)

Recommended Motion:

THAT the Central Okanagan Regional Hospital District Audited Financial Statements – year ended December 31, 2019 be approved.

6. ADJOURN

**Minutes of the *MEETING* of the Central Okanagan Regional Hospital District
Inaugural Meeting held in the Woodhaven Board Room, Regional District Offices
on Monday, March 23, 2020**

Directors:

J. Baker (District of Lake Country)
M. Bartyik (Central Okanagan East Electoral Area)
C. Basran (City of Kelowna) *(via electronic attendance)*
W. Carson (Central Okanagan West Electoral Area)
M. DeHart (City of Kelowna)
C. Fortin (District of Peachland) *(via electronic attendance)*
G. Given (City of Kelowna)
C. Hodge (City of Kelowna) *(via electronic attendance)*
G. Milsom (City of West Kelowna) *(via electronic attendance)*
B. Sieben (City of Kelowna) *(via electronic attendance)*
L. Stack (City of Kelowna)
L. Wooldridge (City of Kelowna) *(via electronic attendance)*
J. Coble (Westbank First Nation) *(via electronic attendance)*

Absent:

S. Johnston (City of West Kelowna)

Staff:

B. Reardon, Chief Administrative Officer
M. Rilkoff, Director of Financial Services *(via electronic attendance)*
M. Drouin, Manager - Corporate Services (recording secretary)

1. CALL TO ORDER

Chair Given called the meeting to order at 7:03 p.m.

It was acknowledged that this meeting is being held on the traditional territory of the Syilx/Okanagan Peoples.

Roll call was taken as some board members were in attendance electronically.

Chair Given recognized the passing of former RDCO Board chair, Jim Stuart.

2. ADDITION OF LATE ITEMS

There were no late items.

3. ADOPTION OF THE AGENDA

(All Directors - Unweighted Corporate Vote - Simple Majority - 208.1)

#H11/20

STACK/BAKER

THAT the agenda be adopted.

CARRIED unanimously

4. ADOPTION OF THE MINUTES

- 4.1 Regional Hospital District Board Meeting Minutes – March 12, 2020 (*All Directors - Unweighted Corporate Vote - Simple Majority - 208.1*)

#H12/20 STACK/BAKER

THAT the Regional Hospital District Board meeting minutes of March 12, 2020 be adopted.

CARRIED unanimously

5. FINANCIAL SERVICES

- 5.1 2020-2024 Central Okanagan Regional Hospital District 5-Year Financial Plan

Director of Financial Services, Marilyn Rilkoff, presented the final draft of the 2020-2024 Financial Plan as directed by the Board at its March 12th meeting. The budget proposes annual increases of 3% due to a long term financial planning strategy to set aside reserves.

#H13/20 BAKER/CARSON

THAT the Regional Hospital District Board receive for information the Director of Financial Services report regarding Draft 3 of the 2020-2024 Hospital District Financial Plan.

CARRIED unanimously

- 5.2 Central Okanagan Regional Hospital District 2020-2024 Financial Plan Bylaw 1, 2020 (*All Directors - Weighted Vote - LGA 210.1*) [Section 228 2/3 Vote for Adoption]

#H14/20 BAKER/BARTYIK

THAT Central Okanagan Regional Hospital District 2020 – 2024 Financial Plan Bylaw No. 1- 2020 be given first, second and third readings and adopted.

CARRIED unanimously

5.3 Temporary Borrowing Resolution (*All Directors - Weighted Vote - LGA 210.1*)

#H15/20 BAKER/DEHART

NOW THEREFORE BE IT RESOLVED THAT the Board of the Central Okanagan Regional Hospital District borrow, pursuant to Section 31 of the *Hospital District Act*, a sum or sums of money, the outstanding total of which shall not exceed \$19,000,000 at any one time for the purpose of paying debt retirement, bank interest charges, and no capital expenditures.

CARRIED unanimously

5.4 Central Okanagan Regional Hospital District Capital Expenditure Bylaw (*All Directors - Weighted Vote - LGA 210.1*) [*Section 228 2/3 Vote for Adoption at same meeting*]

#H14/20 STACK/BAKER

THAT the Central Okanagan Regional Hospital District Board give first, second and third readings and adopt the following bylaws:

- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 238
- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 239
- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 240
- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 241
- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 242
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- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 247
- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 248
- Central Okanagan Regional Hospital District Capital Expenditure Bylaw No. 249

CARRIED unanimously

6. ADJOURN

There being no further business the meeting was adjourned at 7:15 p.m.

CERTIFIED TO BE TRUE AND CORRECT

G. Given (Chair)

B. Reardon (Chief Administrative Officer)



Regional Hospital District Board Report

TO: Regional Hospital District Board

FROM: Marilyn Rilkoff
Director of Financial Services

DATE: June 26, 2020

SUBJECT: BDO's 2019 Final CORHD Audit Report to the Board

Voting Entitlement: All Directors – Unweighted Corporate Vote – Simple Majority – LGA 208.1

Purpose: To provide the 2019 Final CORHD Audit Report from BDO to the Board.

Executive Summary:

BDO will present their Final Audit Report which resulted in the following 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, 2019, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards."

RECOMMENDATION:

THAT BDO's Central Okanagan Regional Hospital District Final Audit Report for the year ended December 31, 2019 be received.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read "M. Rilkoff".

Marilyn Rilkoff
Director of Financial Services

Approved for Board's Consideration

A handwritten signature in black ink, appearing to read "Brian Reardon".

Brian Reardon, CAO

Attachment: Audit of the Financial Statements of CORHD for year ended December 31, 2019



Tel: 250 763 6700
Fax: 250 763 4457
www.bdo.ca

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

Private & Confidential

July 9, 2020

Members of the Board of Directors
Central Okanagan Regional Hospital District
1450 KLO Road
Kelowna BC V1W 3Z4

Dear Sirs/Mesdames:

Re: Audit of the Financial Statements of Central Okanagan Regional Hospital District
For the year ended December 31, 2019

The purpose of our report is to summarize certain aspects of the audit that we believe would be of interest to the Board of Directors and should be read in conjunction with the financial statements and our report thereon.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Independence

At the core of the provision of external audit services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and Central Okanagan Regional Hospital District and its related entities that, in our professional judgment, may reasonably be thought to have influenced our independence during the audit engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/ordre covering such matters as the following:

- holding of a financial interest, either directly or indirectly in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the external audit engagement.

We are not aware of any relationships between the organization and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

Likely Aggregate Misstatements

During the audit, we detected no uncorrected misstatements by management.

Management Representations

During the course of the audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.



Management's representations included, but were not limited to:

- matters communicated in discussions with us, whether solicited or unsolicited;
- matters communicated electronically to us;
- schedules, analyses and reports prepared by the entity, and management's notations and comments thereon, whether or not in response to a request by us;
- internal and external memoranda or correspondence;
- minutes of meetings of the Board of Directors or similar bodies such as audit committees and compensation committees;
- a signed copy of the financial statements; and
- a representation letter from management.

We wish to express our appreciation for the co-operation we received during the audit from the organization's management and staff who have assisted us in carrying out our work. We would be pleased to discuss with you the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to read "Markus Schrott", written over a horizontal line.

Markus Schrott, BBA, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

MS\alk



Regional Hospital District Board Report

TO: Regional Hospital District Board

FROM: Marilyn Rilkoff
Director of Financial Services

DATE: June 26, 2020

SUBJECT: 2019 CORHD Financial Statements

Voting Entitlement: All Directors – Unweighted Corporate Vote – Simple Majority – LGA 208.1

Purpose: To report Annual Financial Information to the Hospital District Board and comply with legislative requirements. 2020 Provincial due dates for filing Financial Statements have been extended from May 15th to August 31st, 2020 due to the COVID-19 Pandemic.

Executive Summary:

The attached 2019 Audited Financial Statements are submitted for the Board's approval as required under the *Hospital District Act*.

In the opinion of the auditors, BDO, the financial statements present fairly, in all material respects, the position of the Central Okanagan Regional Hospital District as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

RECOMMENDATION:

THAT the Central Okanagan Regional Hospital District Audited Financial Statements – year ended December 31, 2019 be approved.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read "M. Rilkoff".

Marilyn Rilkoff
Director of Financial Services

Approved for Board's Consideration

A handwritten signature in black ink, appearing to read "Brian Reardon".

Brian Reardon, CAO

Implications of Recommendation:

| | |
|----------------------------|--|
| General: | Legislative Compliance |
| Organizational: | The main purpose of the CORHD is to provide financing for 40% of the region's approved capital projects and equipment purchases. |
| Financial: | Compliance with legislative requirements. Part of Financial Control System. |
| Legal/Statutory Authority: | Expenditures were approved in the 2019–2023 Financial Plan Bylaw 1 – 2019 <i>Hospital District Act</i> |

Background:

The financial statements have been prepared and audited in accordance with PSAB Standards by BDO, and a clean audit opinion has been received.

Once the Board has approved the Financial Statements, the auditors will finalize the audit report and the Final Financial Statements signed copies will be available in the Board's Reader File.

According to the Canadian Audit Standard 560, the date of BDO's audit report is required to be the date that those charged with governance (the Board) formally approve the draft financial statements as presented. The auditors must receive the approval and perform "subsequent events" work up to this date (procedures relating to subsequent events while financial statements are being presented for approval if audit staff have left the premises prior to the date of the report), prior to releasing the final financial statements.

In prior years, the Management Letter has been brought forward to an In Camera meeting as a matter of course. Going forward, the letter will only be brought forward if there are any items identified. This is not a requirement, but simply done for transparency to the Board. The letter is meant to be a confidential communication between the auditors and management to flag any potential discussion items and potential improvements. For 2019 and the past couple of years, there have been no items identified.

If the Board ever has any concerns with the audit, fraud or financial matters, they are invited to submit their concerns to the Chair or BDO.

Financial Considerations:

The accumulated deficit decreased by \$9,517,360 to \$67,350,704 (vs. \$76,868,064 in 2018 – see pages 6 & 7 of financial statements). New projects were funded by the 2019 tax requisitions and, long term debt was paid down. No new debt was added. The deficit is due to the fact that CORHD does not have any assets and pays for its share (40%) of capital contributions through taxation and debt financing.

Attachment(s):

- Financial Services Report – Guide to Understanding the Financial Statements
- CORHD 2019 Financial Statements



Regional Hospital District Board

TO: Regional Board

FROM: Marilyn Rilkoff, Director of Financial Services

DATE: June 26, 2020

SUBJECT: Guide to Understanding the Financial Statements

❑ The Financial Reporting Model:

- Statements (the purpose of each is described on the next page):
 - Statement of Financial Position
 - Statement of Operations
 - Statement of Cash Flows
- Summary of Significant Accounting Policies
- Notes to Financial Statements & Schedules
- Exhibits

❑ What does PSAB Do?

- Serves the public interest by setting standards and providing guidance for financial and other performance information reported in the public sector
- All governments in Canada are required, by legislation, to comply with PSA financial reporting requirements

❑ PSAB Vision & Goal:

- Vision: "The public understands and has confidence in public sector accounting"
- Goal: "The public sector produces a decision-useful, multi-dimensional accountability report". (This is a little trickier for Regional Districts because of all the separate service areas, however, these statements do give an overall net picture of the organization – Decision making is typically required for each individual service).

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "M. Rilkoff".

Marilyn Rilkoff, Director of Financial Services

The underlying goal of the Financial Reporting Model is to identify the net economic resources available, their make-up and nature, and changes to them in the reporting period.

Economic Resources are the means to provide services or satisfy liabilities.

- Assets & Liabilities describe the net economic resources available at a point in time
- Revenues and Expenses explain the change in the net economic resources in the period

Reporting Statements - Purpose of Each Report Explained:

Statement of Financial Position (Pg 6)

- **Most important statement – all others tie into numbers on this statement.**
- Shows details of, and changes in, net economic resources. Definitions:
 - o Net Financial Assets/Debt are resources available to finance future operations, “prepaid service potential”
 - o Accumulated Surplus
 - o The sum of Net Financial Assets or liabilities & Non-Financial Assets.

Statement of Financial Operations (Pg 7)

- Shows the extent to which revenues recognized were sufficient to offset the cost of the services provided for the fiscal year.
- Explains the change in net economic resources or Accumulated Surplus (shown on Statement of Financial Position, Page 5)
 - o Revenues – increases in economic resources
 - o Expenses – economic resources consumed to provide services

Statement of Cash Flows (Pg 8)

- Explains the change in Cash & Cash Equivalents (shown on Statement of Financial Position, Page 5)
- Shows how cash requirements were met and activities financed

Summary of Significant Accounting Policies (Pg 9): Disclose significant accounting practices.

Notes to the Financial Statements (Pg 10-13): The Notes form part of the audited statements and provide additional detail and required disclosures.

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2019**

Management's Responsibility for Financial Reporting

3

Independent Auditor's Report

4-5

Financial Statements

Statement of Financial Position

6

Statement of Financial Operations

7

Statement of Cash Flows

8

Summary of Significant Accounting Policies

9

Notes to Financial Statements

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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 Central Okanagan Regional 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 Central Okanagan Regional 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

July 9, 2020

Independent Auditor's Report

To the Directors of Central Okanagan Regional Hospital District

Opinion

We have audited the financial statements of the Central Okanagan Regional Hospital District (the "District"), which comprise the statement of financial position as at December 31, 2019, and the statements of financial operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Okanagan Regional Hospital District as at December 31, 2019, and its financial operations and 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 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.

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

Management is responsible for the preparation and fair presentation of these 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 these 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.

We 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

Kelowna, British Columbia
July 9, 2020

Central Okanagan Regional Hospital District

Statement of Financial Position

| December 31 | 2019 | 2018 |
|---|------------------------|------------------------|
| Financial Assets | | |
| Cash (Note 1) | \$ 15,809,207 | \$ 11,597,410 |
| Investment funds - Municipal Finance Authority (Note 2) | 4,588,835 | 4,554,320 |
| | <u>20,398,042</u> | <u>16,151,730</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 6,825 | 6,669 |
| Long Term Debt (Note 3) | 84,669,463 | 89,940,667 |
| Reserve - Municipal Finance Authority (Note 2) | 3,072,458 | 3,072,458 |
| | <u>87,748,746</u> | <u>93,019,794</u> |
| Accumulated deficit (Note 4) | <u>\$ (67,350,704)</u> | <u>\$ (76,868,064)</u> |

Approved on behalf of the Board:

Chairperson

Central Okanagan Regional Hospital District

Statement of Financial Operations

For the year ended December 31

| | 2019 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|
| | Actual | Budget (Note 5) | Actual |
| Revenue | | | |
| Requisition on Member Municipalities | | | |
| City of Kelowna | \$ 12,117,710 | \$ 12,116,019 | \$ 11,705,214 |
| City of West Kelowna | 2,658,959 | 2,659,139 | 2,600,869 |
| District of Lake Country | 1,149,348 | 1,149,506 | 1,123,203 |
| District of Peachland | 452,812 | 453,284 | 449,460 |
| Electoral areas | 611,371 | 612,253 | 607,253 |
| | <u>16,990,200</u> | <u>16,990,201</u> | <u>16,485,999</u> |
| Debenture refund and actuarial earnings | 1,216,643 | 1,216,643 | 1,014,943 |
| Interest and grants in lieu | 321,225 | - | 193,382 |
| Other income | 20,594 | - | - |
| | <u>18,548,662</u> | <u>18,206,844</u> | <u>17,694,324</u> |
| Expenses | | | |
| Administration | 38,636 | 38,500 | 38,000 |
| Capital funding expenditure | 3,519,175 | 11,045,894 | 2,961,852 |
| Hospital and Other Grants - minor capital | 965,300 | 965,300 | 961,300 |
| Interest on borrowings | - | 50,000 | - |
| Long term debt issue expense and interest | 4,499,056 | 4,499,056 | 4,499,056 |
| Professional fees | 9,135 | 9,000 | 8,873 |
| | <u>9,031,302</u> | <u>16,607,750</u> | <u>8,469,081</u> |
| Annual surplus | 9,517,360 | 1,599,094 | 9,225,243 |
| Accumulated deficit, beginning of year | (76,868,064) | (76,868,064) | (86,093,307) |
| Accumulated deficit, end of year | \$ (67,350,704) | \$ (75,268,970) | \$ (76,868,064) |

Central Okanagan Regional Hospital District

Statement of Cash Flows

| For the year ended December 31 | 2019 | 2018 |
|---|----------------------|----------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Cash from tax requisitions | \$ 16,990,200 | \$ 16,485,999 |
| Cash from MFA actuarial additions | 1,216,643 | 1,014,943 |
| Cash paid to suppliers and for grants | (9,031,146) | (8,807,565) |
| Interest grants and other income received | 341,819 | 193,382 |
| | <u>9,517,516</u> | <u>8,886,759</u> |
| Investing Activities | | |
| Change in MFA cash reserves | <u>(34,515)</u> | <u>(31,555)</u> |
| Financing Activities | | |
| Repayment of MFA long term debt | <u>(5,271,204)</u> | <u>(5,069,504)</u> |
| Change in cash during the year | 4,211,797 | 3,785,700 |
| Cash, beginning of year | 11,597,410 | 7,811,710 |
| Cash, end of year | \$ 15,809,207 | \$ 11,597,410 |

Central Okanagan Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2019

| | |
|------------------------------|--|
| 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 Chartered Professional Accountants of Canada. |
| 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, 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, 2019

1. Cash

Cash is held at a financial institution earning interest at a rate of 2.25% (2018 - 2.25%) 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 | 2019 | 2018 |
|---|-----------------|------------------|--------------|--------------|
| Investment funds - Municipal Finance Authority | \$ 3,072,458 | \$ 1,516,377 | \$ 4,588,835 | \$ 4,554,320 |

| | Demand Notes | Cash Deposits | 2019 | 2018 |
|--|-----------------|------------------|--------------|--------------|
| Reserve - Municipal Finance Authority | \$ 3,072,458 | \$ - | \$ 3,072,458 | \$ 3,072,458 |

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2019

3. Long Term Debt

| Borrowing Bylaw | MFA Debt Issue | Maturity Date | Rate | Original Debt Amount | 2019 Net Debt | 2018 Net Debt |
|--------------------|----------------------|------------------|-------|-------------------------|----------------------|----------------------|
| 112 | 110 | 2030 | 4.50% | \$ 43,699,187 | \$ 28,168,987 | \$ 30,177,354 |
| 112 | 117 | 2031 | 3.25% | 38,826,220 | 26,812,228 | 28,528,009 |
| 113 | 117 | 2031 | 3.25% | 8,638,211 | 5,965,291 | 6,347,025 |
| 113 | 126 | 2033 | 3.85% | 10,071,396 | 7,828,023 | 8,239,514 |
| 113 | 127 | 2034 | 3.30% | 13,500,000 | 11,044,490 | 11,574,850 |
| 113 | 133 | 2035 | 2.75% | 5,700,000 | 4,850,444 | 5,073,915 |
| | | | | <u>\$ 120,435,014</u> | <u>\$ 84,669,463</u> | <u>\$ 89,940,667</u> |

Future principal repayments on existing long-term debt:

| | |
|------------|----------------------|
| 2020 | \$ 4,054,561 |
| 2021 | 4,054,561 |
| 2022 | 4,054,561 |
| 2023 | 4,054,561 |
| 2024 | 4,054,561 |
| Thereafter | 64,396,658 |
| | <u>\$ 84,669,463</u> |

4. Accumulated Deficit

The accumulated deficit consists of individual funds as follows:

| | 2019 | 2018 |
|--------------------------------|------------------------|------------------------|
| Unrestricted operating deficit | \$ (72,336,591) | \$ (79,320,417) |
| Unrestricted surplus reserve | 4,985,887 | 2,452,353 |
| | <u>\$ (67,350,704)</u> | <u>\$ (76,868,064)</u> |

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5. Budget

The budget data presented in these financial statements is based upon the 2019 - 2023 Financial Plan Bylaw, approved by the District Board on March 25, 2019 and amended October 10, 2019. 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>2019</u> |
|--|--------------------|
| Surplus - statement of operations | \$ 1,599,094 |
| Adjust for budgeted items not included in statement of operations: | |
| Prior year surplus cash financing | 6,145,057 |
| Principal debt reduction from actuarial earnings | (1,216,643) |
| Principal portion of debt payments | (4,054,560) |
| Transfer to accumulated surplus reserve | <u>(2,472,948)</u> |
| Financial plan Budget | <u>\$ -</u> |

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Notes to Financial Statements

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6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2020 - 2024 and the projects that are planned for the same period:

| | | Approved | | Planned |
|---|--|-----------------------|----------------------|----------------------|
| | | Bylaw Amount: | Funded in | 2020 - 2024 |
| | | Typically 40% | Prior Years | Funding |
| | | District Share | | |
| Approved Capital Projects | | | | |
| Bylaw | | | | |
| 113 | Heart and Surgical Centre (2010 - 2019) and IHSC 4th Floor | \$ 84,690,000 | \$ 73,780,729 | \$ 100,000 |
| 150 | KGH - Automated Auto-Immune Analyzer | 128,000 | 64,501 | 63,499 |
| 195 | Regional - IMT Corporate Projects over \$100,000 | 430,500 | 371,040 | 59,460 |
| 197 | Regional - IMIT Corporate Project under \$100,000 | 217,900 | 211,490 | 6,410 |
| 200 | KGH - Medstations, IH-Wide Pyxis Replacement, Ph. 2 | 1,688,400 | 1,576,109 | 112,291 |
| 204 | Three Links Manor - Nurse Call | 224,400 | 140,812 | 83,588 |
| 207 | David Lloyd Jones Home - Air Conditioning, Bernard Wing | 36,000 | - | 36,000 |
| 208 | Cottonwoods - Patio Replacement for Douglas Fir Unit | 34,800 | 31,537 | 3,263 |
| 209 | May Bennett WC - Wireless Infrastructure Expansion | 22,000 | 21,527 | 473 |
| 211 | KGH - Surface Parking | 540,000 | 15,782 | 524,218 |
| 212 | Kelowna Comm. Health Services - Central O.K. Wellness Centre | 360,000 | 332,250 | 27,750 |
| 213 | West Kelowna Health Centre - Leasehold improvements | 300,000 | - | 300,000 |
| 214 | KGH - 3 West Medical Inpatient Nursing Unit Renovation | 100,000 | - | 100,000 |
| 216 | KGH - Access Control System Upgrade | 24,000 | 23,203 | 797 |
| 217 | Regional IMIT - Various | 2,039,600 | 1,072,494 | 967,106 |
| 218 | Cottonwoods - Vocera Expansion and Integration | 72,000 | 49,579 | 22,421 |
| 219 | Wireless Infrastructure Refresh | 39,600 | 30,520 | 9,080 |
| 220 | KGH - Vocera Expansion and Integration | 20,000 | 9,070 | 10,930 |
| 221 | Rutland Health Centre - Wireless Infrastructure Expansion | 10,000 | 3,815 | 6,185 |
| 225 | KGH - Surgical Optimization Clinic Various | 1,812,000 | 1,011,087 | 800,913 |
| 226 | KGH - Boiler Room Upgrade | 252,000 | - | 252,000 |
| 227 | KGH - Access Control System Upgrade | 31,620 | - | 31,620 |
| 228 | Regional - IH-Wide IMIT | 991,600 | 407,368 | 584,232 |
| 229 | Various - Wireless Infrastructure Refresh | 38,000 | - | 38,000 |
| 230 | KGH - SPECT CT | 729,200 | - | 729,200 |
| 231 | KGH - Monitoring System Physiological | 312,200 | - | 312,200 |
| 232 | KGH - Chemistry Analyzer (x2) | 180,000 | - | 180,000 |
| 233 | KGH - Hematology Analyzer (x2) | 148,000 | 142,964 | 5,036 |
| 234 | KGH - Laboratory Middleware | 127,000 | - | 127,000 |
| 235 | KGH - MRI Compatible Monitoring System | 51,000 | 50,905 | 95 |
| 237 | Kelowna Urgent Primary Care Centre Capital Tenant Impr. | 789,600 | 473,603 | 315,997 |
| Planned Projects for 2020 | | | | |
| 238 | Cottonwoods - Septic Drain - Planning & Phase 1 | 200,000 | | 200,000 |
| 239 | Regional - IH - Wide IMIT - Various | 1,004,800 | | 1,004,800 |
| 240 | KGH - Unified Communications - Telephony | 582,400 | | 582,400 |
| 241 | KGH - Emergency Department Module (EDM) Implement/Plan | 60,000 | | 60,000 |
| 242 | KGH - Cath Lab | 621,600 | | 621,600 |
| 243 | KGH - Meal Delivery System | 598,400 | | 598,400 |
| 244 | KGH - Integrated Chemistry/Immunochemistry Analyzer | 180,000 | | 180,000 |
| 245 | KGH - Digital Video Cameras | 130,000 | | 130,000 |
| 246 | KGH - Blood Culture System | 119,000 | | 119,000 |
| 247 | KGH - Remote Patient Observation System | 123,600 | | 123,600 |
| 248 | Minor Equipment Grant-\$1.03m approved-Estimate Future Years | 5,324,489 | | 5,324,489 |
| 249 | KGH - Parkade (approved in advance) | 4,600,000 | | 4,600,000 |
| Future Projects estimated by RDCO staff-not yet approved by bylaw | | 23,248,045 | | 23,248,045 |
| | | \$ 133,231,754 | \$ 79,820,385 | \$ 42,602,098 |

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7. Subsequent Events

In March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the coronavirus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on local and global economies.

At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the regional hospital district's financial results for 2020.