

**CENTRAL OKANAGAN REGIONAL  
HOSPITAL DISTRICT  
Financial Statements  
For the year ended December 31, 2018**

DRAFT

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## Management's Responsibility for Financial Reporting

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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.

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Chief Administration Officer

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Director of Financial Services

May 9, 2019

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## Independent Auditor's Report

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### 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, 2018, 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, 2018, 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

Vernon, British Columbia  
May 9, 2019

# Central Okanagan Regional Hospital District

## Statement of Financial Position

December 31	2018	2017
<b>Financial Assets</b>		
Cash (Note 1)	\$ 11,597,410	\$ 7,811,710
Investment funds - Municipal Finance Authority (Note 2)	<u>4,554,320</u>	<u>4,522,765</u>
	<u>16,151,730</u>	<u>12,334,475</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	6,669	345,153
Long Term Debt (Note 3)	89,940,667	95,010,171
Reserve - Municipal Finance Authority (Note 2)	<u>3,072,458</u>	<u>3,072,458</u>
	<u>93,019,794</u>	<u>98,427,782</u>
<b>Accumulated deficit</b> (Note 4)	<u>\$ (76,868,064)</u>	<u>\$ (86,093,307)</u>

Approved on behalf of the Board:

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Chairperson

# Central Okanagan Regional Hospital District

## Statement of Financial Operations

For the year ended December 31	2018	2018	2017
	Actual	Budget (Note 5)	Actual
<b>Revenue</b>			
Requisition on Member Municipalities			
City of Kelowna	\$ 11,705,214	\$ 11,704,280	\$ 11,530,108
City of West Kelowna	2,600,869	2,599,537	2,568,146
District of Lake Country	1,123,203	1,124,136	1,106,156
District of Peachland	449,460	449,757	450,167
Electoral areas	607,253	608,289	607,724
	<b>16,485,999</b>	16,485,999	16,262,301
 Debenture refund and actuarial earnings	 <b>1,014,943</b>	 1,014,943	 820,965
Interest and grants in lieu	<b>193,382</b>	-	110,486
	<b>17,694,324</b>	17,500,942	17,193,752
 <b>Expenses</b>			
Administration	<b>38,000</b>	38,500	38,000
Capital funding expenditure	<b>2,961,852</b>	9,232,942	4,404,445
Hospital and Other Grants - minor capital	<b>961,300</b>	961,300	954,200
Interest on borrowings	-	50,000	14,201
Long term debt issue expense and interest	<b>4,499,056</b>	4,545,465	4,499,056
Professional fees	<b>8,873</b>	9,000	8,856
	<b>8,469,081</b>	14,837,207	9,918,758
 <b>Annual surplus</b>	 <b>9,225,243</b>	 2,663,735	 7,274,994
 <b>Accumulated deficit, beginning of year</b>	 <b>(86,093,307)</b>	 (86,093,307)	 (93,368,301)
 <b>Accumulated deficit, end of year</b>	 <b>\$ (76,868,064)</b>	 \$ (83,429,572)	 \$ (86,093,307)

# Central Okanagan Regional Hospital District

## Statement of Cash Flows

For the year ended December 31

2018

2017

### Cash provided by (used in)

#### Operating activities

Cash from tax requisitions	\$ 16,485,999	\$ 16,262,301
Cash from MFA actuarial additions	1,014,943	820,965
Cash paid to suppliers and for grants	(8,807,565)	(9,743,086)
Interest and grants received	193,382	110,486
	8,886,759	7,450,666

#### Investing Activities

Change in MFA cash reserves	(31,555)	(27,743)
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#### Financing Activities

Repayment of MFA long term debt	(5,069,504)	(4,875,525)
Repayment from related parties	-	(37,000)
	(5,069,504)	(4,912,525)

#### Change in cash during the year

3,785,700      2,510,398

#### Cash, beginning of year

7,811,710      5,301,312

#### Cash, end of year

\$ 11,597,410      \$ 7,811,710



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# Central Okanagan Regional Hospital District

## Summary of Significant Accounting Policies

December 31, 2018

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<b>Nature of Business</b>	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.
<b>Basis of Presentation</b>	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.
<b>Temporary Investments</b>	Temporary investments consist of deposits held at financial institutions.
<b>Revenue Recognition</b>	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.
<b>Government Transfers</b>	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.
<b>Financial Instruments</b>	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.
<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.

# Central Okanagan Regional Hospital District

## Notes to Financial Statements

**December 31, 2018**

### 1. Cash

Cash is held at a financial institution earning interest at a rate of 2.25% (2017 - 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	2018	2017
Investment funds - Municipal Finance Authority	\$ 3,072,458	\$ 1,481,862	\$ 4,554,320	\$ 4,522,765
	Demand Notes	Cash Deposits	2018	2017
Reserve - Municipal Finance Authority	\$ 3,072,458	\$ -	\$ 3,072,458	\$ 3,072,458

# Central Okanagan Regional Hospital District

## Notes to Financial Statements

December 31, 2018

### 3. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2018 Net Debt	2017 Net Debt
112	110	2030	4.50%	\$ 43,699,187	\$ 30,177,354	\$ 32,108,478
112	117	2031	3.25%	38,826,220	28,528,009	30,177,799
113	117	2031	3.25%	8,638,211	6,347,025	6,714,076
113	126	2033	3.85%	10,071,396	8,239,514	8,635,178
113	127	2034	3.30%	13,500,000	11,574,850	12,084,811
113	133	2035	2.75%	5,700,000	5,073,915	5,289,829
				<u>\$ 120,435,014</u>	<u>\$ 89,940,667</u>	<u>\$ 95,010,171</u>

Future principal repayments on existing long-term debt:

2018	\$ 4,054,561
2019	4,054,561
2020	4,054,561
2021	4,054,561
2022	4,054,561
Thereafter	69,667,862
	<u>\$ 89,940,667</u>

### 4. Accumulated Deficit

The accumulated deficit consists of individual funds as follows:

	2018	2017
Unrestricted operating deficit	\$ (79,320,417)	\$ (86,093,307)
Unrestricted surplus reserve	2,452,353	-
	<u>\$ (76,868,064)</u>	<u>\$ (86,093,307)</u>

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## Central Okanagan Regional Hospital District

### Notes to Financial Statements

**December 31, 2018**

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#### 5. Budget

The budget data presented in these financial statements is based upon the 2018 - 2022 Financial Plan Bylaw, approved by the District Board on March 26, 2018. 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>2018</u>
Surplus - statement of operations	\$ 2,663,735
Adjust for budgeted items not included in statement of operations:	
Prior year surplus cash financing	4,811,710
Principal debt reduction from actuarial earnings	(1,014,943)
Principal portion of debt payments	(4,008,149)
Transfer to accumulated surplus reserve	<u>(2,452,353)</u>
Financial plan Budget	<u>\$ -</u>

# Central Okanagan Regional Hospital District

## Notes to Financial Statements

December 31, 2018

### 6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2019 - 2023 and the projects that are planned for the same period:

		Approved		Planned
		Bylaw Amount:	Funded in	2019 - 2023
		40%	Prior Years	Funding
		District Share		
<b>Approved Capital Projects</b>				
<b>Bylaw</b>				
113	Heart and Surgical Centre (2010 - 2017) and IHSC 4th Floor	\$ 84,690,000	\$ 73,210,000	\$ 2,293,000
150	KGH - Automated Auto-Immune Analyzer	128,000	64,501	63,499
175	Cottonwoods - Building Management System Replacement	240,000	163,256	76,744
184	KGH - Image Processing System, Cellavision	61,600	-	61,600
185	KGH Medstations, IH-Wide Infrastructure	55,600	54,906	694
188	CHSC Kelowna - Digital Wayfinding & Room Signage	90,000	81,329	8,671
190	KGH - MRI/DI Sprinkler Piping Replacement	72,000	68,580	3,420
195	Regional - IMT Corporate Projects over \$100,000	430,500	284,771	145,729
196	KGH - IMIT - Vocera	80,000	74,083	5,917
197	Regional - IMIT Corporate Project under \$100,000	217,900	187,924	29,976
198	KGH - Wireless Infrastructure Refresh	12,000	6,835	5,165
199	KGH - Telehealth Infrastructure Refresh	11,000	6,576	4,424
200	KGH - Medstations, IH-Wide Pyxis Replacement, Ph. 2	1,688,400	1,565,143	123,257
201	KGH - Multi Purpose System	717,600	674,044	43,556
202	KGH - General Radiographic System - Digital	387,600	314,594	73,006
204	Three Links Manor - Nurse Call	224,400	58,001	166,399
205	Cottonwoods - Dinning Room Renovations	182,000	107,002	74,998
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
211	KGH - Surface Parking	540,000	-	540,000
212	Kelowna Comm. Health Services - Central O.K. Wellness Centre	360,000	321,340	38,660
213	West Kelowna Health 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	31,242	8,358
216	KGH - Access Control System Upgrade	24,000	-	24,000
217	Regional IMIT - Various	2,039,600	682,628	1,356,972
218	Cottonwoods - Vocera Expansion and Integration	72,000	49,579	22,421
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	86,237	6,563
223	KGH - Ultrasound	69,200	-	69,200
<b>Planned Projects for 2019</b>				
225	KGH - Surgical Optimization Clinic - Various	1,812,000		1,812,000
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		991,600
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	LGH - Hematology Analyzer (x2)	148,000		148,000
234	KGH - Laboratory Middleware	127,000		127,000
235	KGH - MRI Compatible Monitoring System	51,000		51,000
236	Minor Equipment Grant	965,300		965,300
	Minor Equipment Grant Estimate Future Years	4,023,275		4,023,275
	Future Projects estimated by RDCO staff	13,172,708		13,172,708
		<b>\$ 115,882,503</b>	<b>\$ 78,113,412</b>	<b>\$ 28,582,091</b>