

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

DRAFT

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

10-14

DRAFT

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
	16,990,200	16,990,201	16,485,999
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	-	-
	18,548,662	18,206,844	17,694,324
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
	9,031,302	16,607,750	8,469,081
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	(34,515)	(31,555)
Financing Activities		
Repayment of MFA long term debt	(5,271,204)	(5,069,504)
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
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
				\$ 120,435,014	\$ 84,669,463	\$ 89,940,667

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
	\$ 84,669,463

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
	\$ (67,350,704)	\$ (76,868,064)

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2019

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.

	2019
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	(2,472,948)
Financial plan Budget	\$ -

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2019

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 2020 - 2024 Funding
	Bylaw Amount: Typically 40% District Share	Funded in Prior Years	
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

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2019

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.

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