

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2013**

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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, 2013, 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, 2013, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

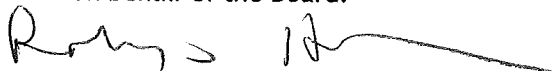
Chartered Accountants

Kelowna, British Columbia
July 17, 2014

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

December 31	2013	2012
Financial Assets		
Cash	\$ 2,065,474	\$ 1,267,357
Temporary investments (Note 1)	4,876,454	5,866,030
Investment funds - Municipal Finance Authority (Note 2)	3,997,985	3,724,712
	10,939,913	10,858,099
Financial Liabilities		
Accounts payable and accrued liabilities	6,100	150,718
Due to Regional District of the Central Okanagan (Note 3)	182,658	164,236
Long term debt (Note 4)	93,756,180	87,348,640
Reserve - Municipal Finance Authority (Note 2)	2,812,950	2,655,033
	96,757,888	90,318,627
Accumulated deficit	\$ (85,817,975)	\$ (79,460,528)

Approved on behalf of the Board:



Chairperson

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

For the year ended December 31	2013	2013	2012
	Actual	Budget	Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 10,868,739	\$ 10,868,739	\$ 10,305,508
District of Lake Country	992,253	992,253	946,887
District of Peachland	445,473	445,473	425,035
District of West Kelowna	2,483,021	2,483,021	2,416,044
Electoral areas	630,514	630,514	621,526
	<u>15,420,000</u>	<u>15,420,000</u>	<u>14,715,000</u>
Debenture refund and actuarial earnings	825,279	-	1,139,174
Interest and grants in lieu	125,213	-	144,615
	<u>16,370,492</u>	<u>15,420,000</u>	<u>15,998,789</u>
Expenditures			
Long term debt issue expense and interest	4,082,481	7,517,303	4,184,200
Hospital Grants - minor capital	908,500	908,500	907,600
- capital expenditure	17,499,799	23,814,234	17,432,843
Interest on borrowings	45,796	50,000	3,805
Administration	35,000	51,632	35,251
Professional fees	8,705	11,000	13,160
Wages - drug policy coordinator	147,658	126,000	129,237
	<u>22,727,939</u>	<u>32,478,669</u>	<u>22,706,096</u>
Annual deficit	(6,357,447)	(17,058,669)	(6,707,307)
Accumulated deficit, beginning of year	(79,460,528)	(79,460,528)	(72,753,221)
Accumulated deficit, end of year	\$ (85,817,975)	\$ (96,519,197)	\$ (79,460,528)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Central Okanagan Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2013	2012
Operating Activities		
Cash from tax requisitions and MFA refunds	\$ 16,245,279	\$ 15,854,174
Cash paid to employees, suppliers and for grants	(22,872,556)	(22,563,380)
Interest received	125,213	144,615
	<u>(6,502,064)</u>	<u>(6,564,591)</u>
Investing Activities		
Sale of temporary investments	<u>874,219</u>	10,292,151
Financing Activities		
Advances (repayment) of MFA long term debt	6,407,540	(3,787,870)
Advances from related parties	18,422	5,285
	<u>6,425,962</u>	<u>(3,782,585)</u>
Increase (decrease) in cash during the year	798,117	(55,025)
Cash, beginning of year	<u>1,267,357</u>	<u>1,322,382</u>
Cash, end of year	<u>\$ 2,065,474</u>	<u>\$ 1,267,357</u>

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

December 31, 2013

Nature of Business	The Central Okanagan Regional Hospital District ("the District") is responsible for decisions and funding of capital expenditures for the hospital. The District funds a 40% share of hospital facility construction and funding for the purchase of major equipment.
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 units in the Province of British Columbia Pooled Investment Portfolio money market funds. Units are carried at the lower of cost of acquisition adjusted by income attributed to the units, or market value.
Revenue Recognition	Taxation revenues are recognized at the time the property tax requisitions for the fiscal year become receivable. Interest income is recognized as it is earned.
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, temporary investments, investment funds, accounts payable and accrued liabilities, amounts due to the Regional District of the Central Okanagan, and long term debt. Unless otherwise noted, it is management's opinion that the District is not exposed to 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, 2013

1. Temporary Investments

This balance is invested in money market funds with the Municipal Finance Authority, bearing interest at variable rates, unsecured, with no specific terms of maturity.

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 (cash deposits).

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	2013	2012
Investment funds - Municipal Finance Authority	<u>\$2,812,950</u>	<u>\$1,185,034</u>	<u>\$3,997,985</u>	<u>\$3,724,712</u>
	Demand Notes	Cash Deposits	2013	2012
Reserve - Municipal Finance Authority	<u>\$2,812,950</u>	<u>\$ -</u>	<u>\$2,812,950</u>	<u>\$2,655,033</u>

3. Due to Regional District of the Central Okanagan

This 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, 2013

4. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2013 Net Debt	2012 Net Debt
20	619	2013	8.50%	1,200,000	-	90,213
19 - 20	620	2013	8.50%	478,837	-	37,721
19 - 33	627	2013	9.60%	303,848	-	24,962
19 - 25	613	2013	8.50%	205,088	-	17,440
14	610	2014	9.60%	218,577	17,210	33,600
20	626	2014	9.63%	2,836,222	223,311	435,988
33	514	2018	8.50%	349,675	113,213	132,726
112	110	2030	4.50%	43,699,187	39,118,254	40,705,498
112	117	2031	4.50%	38,826,220	36,166,361	37,522,367
113	117	2030	4.50%	8,638,211	8,046,435	8,348,125
113	126	2033	3.85%	10,071,396	10,071,396	-
				\$ 106,827,261	\$ 93,756,180	\$ 87,348,640

Future principal repayments on existing long-term debt:

2014	\$ 3,508,122
2015	3,408,315
2016	3,408,315
2017	3,408,315
2018	3,408,315
Thereafter	76,614,798
	<u>\$ 93,756,180</u>

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2013

5. Budget

The Financial Plan (Budget) By-Law adopted by the Board on March 28, 2013 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards reporting of actual results now requires a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$nil.

There will always be a discrepancy between the budget figures and the actual results for the year. The main purpose of the District budget is to calculate the tax requisition, and the budget must be prepared on a modified accrual basis to meet the cash flow requirements for minor expenditures, for contributions toward capital projects, and for debt repayments in the year.

Public Sector Accounting Standards require that the District recognize the full amount of the grants in the year that they are paid to the Interior Health Authority. As the expenditures then belong to the Interior Health Authority, they are not recorded as assets on the balance sheet. The funding for these payments results primarily through taxation and long term debt. The interest portion of the long term debt is expensed in the year it is paid, while the principal payments are recorded as a reduction to the long term debt balance.

Central Okanagan Regional Hospital District
Notes to Financial Statements

December 31, 2013

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2014 - 2017 and the projects that are planned for the same period:

		Approved Bylaw Amount: 40%		Planned
		District	Funded in	2014 - 2018
		Share	Prior Years	Funding
Approved Capital Projects				
Bylaw				
79	Westside Health Centre	\$ 2,000,000	\$ -	\$ 2,000,000
113	Heart and Surgical Centre (2010 - 2017)	91,347,000	36,684,000	48,009,000
119	Isolation Room Air System	600,000	423,837	176,163
120	MDR Renovations	88,000	-	88,000
123	Microbiology Analyzer	90,000	46,492	43,508
129	KGH - Pediatric Space Expansion	200,000	163,527	36,473
131	Cottonwoods - Renovation of Tub Rooms	48,000	46,039	1,961
132	KGH - Domestic Hot Water Tank Replacement	34,000	28,762	5,238
134	KGH - Automated Specimen Planting System	165,800	-	165,800
138	KGH - Monitoring System, Physiological	84,000	63,654	20,346
139	KGH - Immunoassay Analyzer	80,000	-	80,000
140	KGH - Infant Abduction System	62,000	57,657	4,343
141	DLJ - Nurse Communication System Vocera	39,600	26,627	12,973
142	KGH - Lake Water Cooling System	140,000	-	140,000
143	Three Links Manor - Tub Room Renovations	44,000	-	44,000
144	Cottonwoods - Hot Water Tank Replacement	42,000	-	42,000
145	DLJ - Reception Area Relocation and Upgrade	36,000	-	36,000
146	Brookhaven - Water Distribution system	36,000	-	36,000
147	Cottonwoods - Countertops & Cupboards Replacement	44,000	-	44,000
148	KGH - CT Scanner	1,120,000	-	1,120,000
149	KGH - Nurse Call	200,000	61,290	138,710
150	KGH - Automated Auto-Immune Analyzer	128,000	-	128,000
151	KGH - Ultrasound - Cardiac	108,000	79,908	28,092
153	KGH - Single Stage Press	102,400	-	102,400
154	KGH - Unit Dose Packaging Machine	100,000	-	100,000
155	KGH - Navigation System Neuro	82,000	-	82,000
156	KGH - Automated Differential Scanner	76,000	-	76,000
157	KGH - Navigation System ENT	42,000	-	42,000
162	Minor Equipment Grant	907,900	-	907,900
	Annual Minor Equipment Grant	3,784,037	-	3,784,037
Planned Projects for 2014				
158	KGH - Royal Avenue Parking Lot	400,000	-	400,000
159	KGH - HVAC Bldg Mngt System Panel Replacement	80,000	-	80,000
160	Cottonwoods - Domestic Water Supply	38,000	-	38,000
161	KGH - MRI (Upgrade/Replace) Bundle	131,590	-	131,590
		\$ 102,480,327	\$ 37,681,793	\$ 58,144,534