

**CENTRAL OKANAGAN REGIONAL  
HOSPITAL DISTRICT  
Financial Statements  
For the year ended December 31, 2014**

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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 is the responsibility of management.

The financial statements were prepared by our external auditor 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 judgments. Actual results could differ as additional information becomes available in the future. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects. Management has reviewed these financial statements and has taken responsibility for them.

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

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

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

The financial statements have been audited by BDO Canada LLP Chartered Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Board. The independent auditor's report expresses their opinion on these financial statements. The auditors 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



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## Independent Auditor's Report

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### 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, 2014, 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, 2014, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'BDO Canada LLP'. The signature is written in a cursive, flowing style.

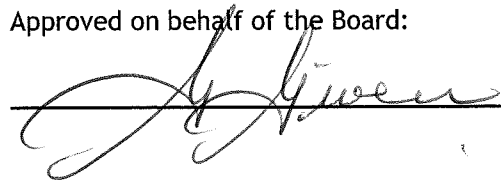
Chartered Accountants

Kelowna, British Columbia  
May 14, 2015

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

<u>December 31</u>	<u>2014</u>	<u>2013</u>
<b>Financial Assets</b>		
Cash (Note 1)	\$ 10,296,860	\$ 2,065,474
Temporary investments	-	4,876,454
Investment funds - Municipal Finance Authority (Note 2)	4,265,598	3,997,985
	<u>14,562,458</u>	<u>10,939,913</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	9,906	6,100
Due to Regional District of the Central Okanagan (Note 3)	197,955	182,658
Long term debt (Note 4)	103,282,218	93,756,180
Reserve - Municipal Finance Authority (Note 2)	2,965,630	2,812,950
	<u>106,455,709</u>	<u>96,757,888</u>
<b>Accumulated deficit</b>	<b>\$ (91,893,251)</b>	<b>\$ (85,817,975)</b>

Approved on behalf of the Board:



Chairperson

## Central Okanagan Regional Hospital District Statement of Financial Operations

For the year ended December 31	2014	2014	2013
	Actual	Budget (Note 5)	Actual
<b>Revenue</b>			
Requisition on Member Municipalities			
City of Kelowna	\$ 10,900,888	\$ 10,901,366	\$ 10,868,739
District of Lake Country	989,094	987,648	992,253
District of Peachland	432,719	431,734	445,473
District of West Kelowna	2,455,637	2,455,010	2,483,021
Electoral areas	621,662	624,242	630,514
	<u>15,400,000</u>	15,400,000	15,420,000
Debtenture refund and actuarial earnings	937,785	-	825,279
Interest and grants in lieu	147,679	-	125,213
	<u>16,485,464</u>	15,400,000	16,370,492
<b>Expenses</b>			
Long term debt issue expense and interest	4,356,458	4,390,206	4,082,481
Hospital and Other Grants - minor capital	907,900	907,900	908,500
- capital expenditure	17,068,814	23,024,597	17,499,799
Interest on borrowings	20,068	50,000	45,796
Administration	36,000	36,000	35,000
Professional fees	9,545	10,000	8,705
Drug policy coordinator program	161,955	150,000	147,658
	<u>22,560,740</u>	28,568,703	22,727,939
Annual deficit	(6,075,276)	(13,168,703)	(6,357,447)
Accumulated deficit, beginning of year	(85,817,975)	(85,817,975)	(79,460,528)
Accumulated deficit, end of year	<u>\$ (91,893,251)</u>	\$ (98,986,678)	\$ (85,817,975)

## Central Okanagan Regional Hospital District Statement of Cash Flows

For the year ended December 31	2014	2013
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Cash from tax requisitions	\$ 15,400,000	\$ 15,420,000
Cash from MFA refunds	937,785	825,279
Cash paid to employees, suppliers and for grants	(22,556,933)	(22,872,558)
Interest and grants received	147,679	125,213
	(6,071,469)	(6,502,066)
<b>Investing Activities</b>		
Sale of temporary investments	4,761,521	874,219
<b>Financing Activities</b>		
Advances of MFA long term debt	9,526,038	6,407,540
Advances from related parties	15,297	18,422
	9,541,335	6,425,962
<b>Increase in cash during the year</b>	<b>8,231,387</b>	<b>798,115</b>
<b>Cash, beginning of year</b>	<b>2,065,472</b>	<b>1,267,357</b>
<b>Cash, end of year</b>	<b>\$ 10,296,859</b>	<b>\$ 2,065,472</b>

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## Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

**December 31, 2014**

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<b>Nature of Business</b>	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.
<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 Canadian Chartered Professional Accountants.
<b>Temporary Investments</b>	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.
<b>Revenue Recognition</b>	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.
<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, 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.
<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.



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## Central Okanagan Regional Hospital District Notes to Financial Statements

**December 31, 2014**

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**1. Cash**

Cash is held at a financial institution earning interest at a rate of 1.30% per annum.

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**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	2014	2013
Investment funds - Municipal Finance Authority	\$2,965,630	\$1,299,968	\$4,265,598	\$3,997,985
	Demand Notes	Cash Deposits	2014	2013
Reserve - Municipal Finance Authority	\$2,965,630	\$ -	\$2,965,630	\$2,812,950

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**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, 2014**

**4. Long Term Debt**

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2014 Net Debt	2013 Net Debt
14	610	2014	9.60%	-	-	17,210
20	626	2014	9.63%	-	-	223,311
33	514	2018	8.50%	349,675	92,724	113,213
112	110	2030	4.50%	43,699,187	37,467,521	39,118,254
112	117	2031	4.50%	38,826,220	34,756,114	36,166,361
113	117	2030	4.50%	8,638,211	7,732,678	8,046,435
113	126	2033	3.85%	10,071,396	9,733,181	10,071,396
113	127	2034	3.30%	13,500,000	13,500,000	-
				<b>\$115,084,689</b>	<b>\$103,282,218</b>	<b>\$93,756,180</b>

Future principal repayments on existing long-term debt:

2015	\$ 3,861,668
2016	3,861,668
2017	3,861,668
2018	3,861,668
2019	3,853,003
Thereafter	<u>83,982,543</u>
	<u>\$103,282,218</u>

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## Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2014

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### 5. Budget

The budget data presented in these financial statements is based upon the 2014 - 2018 Financial Plan Bylaw, approved by the District Board on March 28th, 2014. The legislative requirements 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 differences between the operating budgets per the approved Financial Plan and the budget figures reported in these statements.

	<u>2014</u>
Deficit - statement of operations	\$ (13,168,703)
Adjust for budgeted items not included in statement of operations:	
Prior year surplus cash financing	3,392,824
Net cash from new financing	13,284,000
Principal portion of debt payment	(3,508,121)
	<hr/>
Financial plan budget	<u>\$ -</u>

## Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2014

### 6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2015 - 2019 and the projects that are planned for the same period:

	Approved Bylaw Amount: 40%	Funded in Prior Years	Planned 2015 - 2019 Funding
	District Share		
<b>Approved Capital Projects</b>			
<b>Bylaw</b>			
79 Westside Health Centre	\$ 2,000,000	-	\$ 2,000,000
* 113 Heart and Surgical Centre (2010 - 2017) and IHSC 4th Floor Perinatal	91,347,000	56,458,000	34,889,000
120 MDR Renovations	88,000	-	88,000
123 Microbiogy Analyzer	90,000	46,492	43,508
132 KGH - Domestic Hot Water Tank Replacement	34,000	28,762	5,238
134 KGH - Automated Specimen Planting System	165,800	-	165,800
139 KGH - Immunoassay Analyzer - Cancelled	80,000	-	-
142 KGH - Lake Water Cooling System	140,000	116,903	23,097
143 Three Links Manor - Tub Room Renovations	44,000	33,717	10,283
144 Cottonwoods - Hot Water Tank Replacement	42,000	36,916	5,084
145 DLJ - Reception Area Relocation and Upgrade	36,000	19,949	16,051
147 Cottonwoods - Countertops & Cupboards Replacement	44,000	34,702	9,298
148 KGH - CT Scanner	1,120,000	816,015	303,985
149 KGH - Nurse Call	200,000	153,069	46,931
150 KGH - Automated Auto-Immune Analyzer	128,000	-	128,000
151 KGH - Ultrasound - Cardiac	108,000	79,908	28,092
154 KGH - Unit Dose Packaging Machine	100,000	80,240	19,760
156 KGH - Automated Differential Scanner - Cancelled	76,000	-	-
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 Annual Minor Equipment Grant	38,000 4,735,864	-	38,000 4,735,864
<b>Planned Projects for 2015</b>			
163 David Lloyd Jones - Storm Water Management	72,000	-	72,000
164 Cottonwoods - Generator Replacement	32,000	-	32,000
165 David Lloyd Jones - Bernard Wing Sewer Replacement	28,000	-	28,000
166 Kelowna Community Health - Technology Infrastructure	500,000	-	500,000
167 Three Links Manor - Vocera & Wireless Infrastructure	48,000	-	48,000
168 KGH - Vocera	38,000	-	38,000
169 KGH - Gamma Camera	547,200	-	547,200
170 KGH - Endoscopic Ultrasound	237,600	-	237,600
171 KGH - Endobronchial Guided Ultrasound System	98,400	-	98,400
172 KGH - Laboratory Equipment	1,500,000	-	1,500,000
	<b>\$ 104,197,864</b>	<b>\$ 57,904,673</b>	<b>\$ 46,137,191</b>

\*Bylaw 113 was approved for IHSC in the amount of \$91,347,000. Budget was revised to \$84,690,000.