

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2011**

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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, 2011, and the statements of financial activities 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 generally accepted 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 control 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, 2011, and its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP


Chartered Accountants

Kelowna, British Columbia
June 14, 2012

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

December 31	2011	2010
Financial Assets		
Cash	\$ 1,322,382	\$ 1,888,587
Temporary investments (Note 1)	16,131,673	6,753,046
Investment funds - Municipal Finance Authority (Note 2)	<u>3,922,442</u>	<u>2,596,232</u>
	<u>21,376,497</u>	<u>11,237,865</u>
Financial Liabilities		
Accounts payable and accrued liabilities	8,000	8,000
Due to Regional District of the Central Okanagan (Note 3)	158,951	131,588
Long term debt (Note 4)	91,136,510	46,070,639
Reserve - Municipal Finance Authority (Note 2)	<u>2,826,257</u>	<u>1,937,888</u>
	<u>94,129,718</u>	<u>48,148,115</u>
Accumulated deficit	\$ (72,753,221)	\$ (36,910,250)

Approved on behalf of the Board:



Chairperson

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

For the year ended December 31	2011	2011	2010
	Actual	Budget (Unaudited)	Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 9,627,872	\$ 9,627,872	\$ 9,019,084
District of Lake Country	887,699	887,699	845,886
District of Peachland	402,513	402,513	383,858
District of West Kelowna	2,316,153	2,316,153	2,162,600
Electoral areas	610,491	610,491	588,573
	<u>13,844,728</u>	13,844,728	13,000,001
Debt refund and actuarial earnings	1,341,148	-	1,499,477
Interest	134,608	-	145,036
	<u>15,320,484</u>	13,844,728	14,644,514
Expenditures			
Long term debt issue expense and interest	3,287,685	6,365,228	2,749,420
Hospital Grant - minor capital	903,200	903,200	889,000
Hospital Grant - capital expenditure	46,600,139	6,420,300	42,489,071
Interest	201,104	20,000	12,836
Administration	30,000	30,000	30,000
Audit	12,376	6,000	12,895
Drug policy coordinator	128,951	100,000	101,588
	<u>51,163,455</u>	13,844,728	46,284,810
Annual deficit	(35,842,971)	-	(31,640,296)
Accumulated surplus (deficit), beginning of year, as previously stated	(36,910,250)	(36,910,250)	(5,543,679)
Correction of prior period error (Note 6)	-	-	273,725
Accumulated surplus (deficit), beginning of year, as restated	(36,910,250)	(36,910,250)	(5,269,954)
Accumulated deficit, end of year	\$ (72,753,221)	\$ (36,910,250)	\$ (36,910,250)

**Central Okanagan Regional Hospital District
Statement of Cash Flows**

For the year ended December 31	2011	2010
Operating Activities		
Cash from tax requisitions and MFA refunds	\$ 14,636,756	\$ 13,894,032
Cash paid to employees and suppliers	(51,052,177)	(46,020,111)
Interest received	134,608	125,649
	<u>(36,280,813)</u>	<u>(32,000,430)</u>
Investing Activities		
Purchase of temporary investments	<u>(9,378,626)</u>	<u>(6,753,048)</u>
Financing Activities		
Proceeds from issuance of MFA long term debt	47,464,431	43,699,186
Repayment of MFA long term debt	(2,398,560)	(3,538,482)
Advances from (to) related parties	27,363	(139,683)
	<u>45,093,234</u>	<u>40,021,021</u>
Increase (decrease) in cash during the year	(566,205)	1,267,543
Cash, beginning of year	<u>1,888,587</u>	<u>621,044</u>
Cash, end of year	<u>\$ 1,322,382</u>	<u>\$ 1,888,587</u>

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

December 31, 2011

Nature of Business	The Central Okanagan Regional Hospital District ("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 Central Okanagan Regional Hospital District ("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 Institute of Chartered Accountants.
Temporary Investments	Temporary investments are recorded at the lower of cost and 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.
Financial Instruments	It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from financial instruments, unless otherwise noted. The fair values of the District's financial instruments approximate their carrying values, unless otherwise noted.
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.

December 31, 2011
Notes to Financial Statements

December 31, 2011

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 Central Okanagan Regional Hospital 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 Central Okanagan Regional District Hospital also executes demand notes in connection with each debenture whereby the Central Okanagan Regional Hospital 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	2011	2010
Investment funds - Municipal Finance Authority	\$2,826,257	\$1,096,185	\$3,922,442	\$2,596,232
Reserve - Municipal Finance Authority	\$2,826,257	\$-	\$2,826,257	\$1,937,888

3. Due to Regional District of the Central Okanagan

This balance is due to Regional District of the Central Okanagan, non-interest bearing, unsecured, with no specific terms of repayment.

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Notes to Financial Statements

December 31, 2011

4. Long Term Debt

Security Issuing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2011 Net Debt	2010 Net Debt
18 - 19	533	2011	5.00%	640,000	-	51,650
19	534	2011	4.91%	520,000	-	41,856
27 - 75	535	2011	4.93%	346,000	-	27,598
19	519	2011	5.38%	2,317,200	-	174,022
19 - 24	537	2012	9.41%	1,170,720	93,525	182,595
18 - 19	615	2012	9.50%	2,254,003	175,243	342,141
20	619	2013	8.50%	1,200,000	176,131	257,957
19 - 20	620	2013	8.50%	478,837	73,645	107,859
19 - 33	627	2013	9.60%	303,848	48,736	71,378
19 - 25	613	2013	8.50%	205,088	34,050	49,869
25 - 27	610	2014	9.60%	218,577	49,210	64,075
20 - 24	626	2014	9.63%	2,836,222	638,538	831,443
33	514	2018	8.50%	349,675	151,309	169,009
112 & 113	110	2030	4.50%	43,699,187	42,231,692	43,699,187
113	117	2031	3.25%	47,464,431	47,464,431	-
				\$ 104,003,788	\$ 91,136,510	\$ 46,070,639

Future principal repayments on existing long-term debt:

2012	\$ 3,350,341
2013	3,239,372
2014	3,169,906
2015	3,070,099
2016	3,070,099
Thereafter	75,236,693
	<u>\$ 91,136,510</u>

December 31, 2011
Notes to Financial Statements

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5. Budget

The Financial Plan (Budget) By-Law adopted by the Board on March 25, 2011 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 Regional Hospital 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 Regional Hospital 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.

December 31, 2011
Notes to Financial Statements

December 31, 2011

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2012 - 2016 and the projects that are planned for the same period:

<u>Project</u>	<u>Planned Funding</u>
Approved Projects	
Mill Creek Hospice	\$ 3,840,000
Westside Health Centre	2,000,000
Community Ambulatory Care/Diabetes Clinic	129,740
Infrastructure Mod. KGH	1,000,000
Gen Radiographic Room	280,000
CONNEX	698,000
Ambulatory Care Project (2008-2012)	99,356,757
Heart and Surgical Centre (2010-2017)	91,347,000
Isolation Room Air System	600,000
MDR Renovations	88,000
Nurse Call KGH	400,000
Physiological Monitoring System KGH	160,000
Microbiology Analyzer	90,000
Nurse Call Brookhaven	80,000
Wireless Access KGH	100,000
Cooling Tower Replcaement	130,000
Minor Equipment	4,818,572
Planned Projects	
Pediatric Space Expansion KGH	200,000
Boiler Breaching KGH	100,000
Renovation of Tub Rooms Cottonwoods	48,000
Domestic Hot Water Tank Replacement KGH	34,000
Ultrasounds (x3) KGH	170,400
Automated Specimen Planting System KGH	165,800
Anaesthetic Unit with Monitor (x2) KGH	132,000
Laser CO2 KGH	111,600
Microbiology Analyzer KGH	84,000
Monitoring System, Physiological KGH	84,000
Immunoassay Analyzer KGH	80,000
Infant Abduction System KGH	62,000
Nurse Communication System (Vocera)	39,600
	<u>\$ 206,429,469</u>