

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2015**

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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 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.

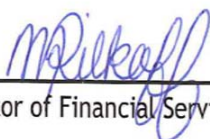
The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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 Professional 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.



Chief Administrative Officer



Director of Financial Services



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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, 2015, 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, 2015, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

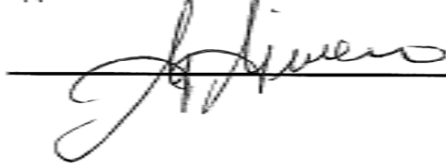
Chartered Professional Accountants

Kelowna, British Columbia
May 12, 2016

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

December 31	2015	2014
Financial Assets		
Cash (Note 1)	\$ 6,070,216	\$ 10,296,860
Investment funds - Municipal Finance Authority (Note 2)	4,456,341	4,265,598
	<u>10,526,557</u>	<u>14,562,458</u>
Financial Liabilities		
Accounts payable and accrued liabilities	16,708	9,907
Due to Regional District of the Central Okanagan (Note 3)	64,439	197,955
Long term debt (Note 4)	104,574,671	103,282,218
Reserve - Municipal Finance Authority (Note 2)	3,072,458	2,965,630
	<u>107,728,276</u>	<u>106,455,710</u>
Accumulated deficit	\$ (97,201,719)	\$ (91,893,252)

Approved on behalf of the Board:



Chairperson

Central Okanagan Regional Hospital District Statement of Financial Operations

For the year ended December 31	2015	2015	2014
	Actual	Budget (Note 5)	Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 11,330,950	\$ 11,330,950	\$ 10,900,888
City of West Kelowna	2,574,508	2,574,507	2,455,637
District of Lake Country	1,027,111	1,027,111	989,094
District of Peachland	454,523	454,523	432,719
Electoral areas	612,909	612,909	621,662
	16,000,001	16,000,000	15,400,000
Debtenture refund and actuarial earnings	546,567	-	937,785
Interest and grants in lieu	105,896	-	147,679
	16,652,464	16,000,000	16,485,464
Expenses			
Long term debt issue expense and interest	4,385,423	4,505,956	4,356,458
Hospital and Other Grants - minor capital	916,400	916,400	907,900
Capital funding expenditure	16,565,086	20,841,327	17,068,814
Interest on borrowings	20,133	50,000	20,068
Administration	36,000	37,000	36,000
Professional fees	9,450	11,000	9,545
Drug policy coordinator program	28,439	163,000	161,955
	21,960,931	26,524,683	22,560,740
Annual deficit	(5,308,467)	(10,524,683)	(6,075,276)
Accumulated deficit, beginning of year	(91,893,252)	(91,893,252)	(85,817,976)
Accumulated deficit, end of year	\$(97,201,719)	\$(102,417,935)	\$(91,893,252)

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	2015	2014
Cash provided by (used in)		
Operating Activities		
Cash from tax requisitions	\$ 16,000,001	\$ 15,400,000
Cash from MFA refunds	546,567	937,785
Cash paid to employees, suppliers and for grants	(21,954,130)	(22,556,933)
Interest and grants received	105,896	147,679
	<u>(5,301,666)</u>	<u>(6,071,469)</u>
Investing Activities		
Change in MFA cash reserves	<u>(83,915)</u>	4,761,521
Financing Activities		
Proceeds from issuance of MFA long term debt		13,500,000
Advances of MFA long term debt	5,700,000	
Repayment of MFA long term debt	(4,407,547)	(3,973,962)
Advances (repayment) from related parties	(133,516)	15,297
	<u>1,158,937</u>	<u>9,541,335</u>
Increase in cash during the year	(4,226,644)	8,231,387
Cash, beginning of year	<u>10,296,859</u>	<u>2,065,472</u>
Cash, end of year	\$ 6,070,215	\$ 10,296,859

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

December 31, 2015

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 deposits held at financial institutions.
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, 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, 2015

1. Cash

Cash is held at a financial institution earning interest at an average rate of 1.13% 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	2015	2014
Investment funds - Municipal Finance Authority	\$3,072,458	\$1,383,883	\$4,456,341	\$4,265,598
	Demand Notes	Cash Deposits	2015	2014
Reserve - Municipal Finance Authority	\$3,072,458	\$ -	\$3,072,458	\$2,965,630

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, 2015

4. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2015 Net Debt	2014 Net Debt
33	514	2015	8.50%	349,675	-	92,724
112	110	2030	4.50%	43,699,187	35,750,760	37,467,521
112	117	2031	3.25%	38,826,220	33,289,457	34,756,114
113	117	2030	3.25%	8,638,211	7,406,371	7,732,678
113	126	2033	3.85%	10,071,396	9,381,437	9,733,181
113	127	2034	3.30%	13,500,000	13,046,646	13,500,000
113	133	2035	2.75%	5,700,000	5,700,000	-
				\$120,784,689	\$104,574,671	\$103,282,218

Future principal repayments on existing long-term debt:

2016	\$ 4,054,561
2017	4,054,561
2018	4,054,561
2019	4,054,561
2020	4,054,561
Thereafter	84,301,866
	\$104,574,671

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2015

5. Budget

The budget data presented in these financial statements is based upon the 2015 - 2019 Financial Plan Bylaw, approved by the District Board on March 27th, 2015 and amended by bylaw 2 - 2015 on October 26, 2015. 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>2015</u>
Deficit - statement of operations	\$ (10,524,683)
Adjust for budgeted items not included in statement of operations:	
Prior year surplus cash financing	8,296,000
Net cash from new financing	6,090,351
Principal portion of debt payment	(3,861,668)
	<hr/>
Financial plan budget	\$ -

Central Okanagan Regional Hospital District Notes to Financial Statements

December 31, 2015

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2016 - 2020 and the projects that are planned for the same period:

	Approved Bylaw Amount: 40%	Funded in Prior Years	Planned 2016 - 2020 Funding
	District Share		
Approved Capital Projects			
Bylaw			
113	\$ 2,000,000	\$ -	\$ 2,000,000
113	84,690,000	67,716,000	8,549,000
134	165,800	-	165,800
143	44,000	33,717	10,283
147	44,000	34,702	9,298
150	128,000	-	128,000
154	100,000	80,240	19,760
158	400,000	389,185	10,815
160	38,000	37,252	748
163	72,000	54,338	17,662
164	32,000	-	32,000
165	28,000	27,475	525
166	500,000	-	500,000
167	48,000	-	48,000
168	38,000	-	38,000
169	547,200	-	547,200
171	98,400	-	98,400
172	1,500,000	-	1,500,000
174	64,000	-	64,000
Planned Projects for 2016			
	2,003,200	-	2,003,200
175	240,000	-	240,000
176	38,000	-	38,000
177	207,200	-	207,200
178	90,000	-	90,000
179	60,000	-	60,000
180	60,000	-	60,000
181	183,200	-	183,200
182	138,400	-	138,400
183	106,000	-	106,000
184	88,000	-	88,000
185	61,600	-	61,600
186	55,600	-	55,600
	4,797,362	-	4,797,362
	8,000,000	-	8,000,000
	<u>\$ 106,665,962</u>	<u>\$ 68,372,909</u>	<u>\$ 29,868,053</u>