

**CENTRAL OKANAGAN REGIONAL
HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2016**

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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 are the responsibility of management.

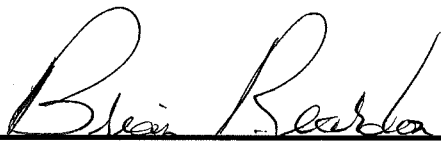
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Certain amounts used in the preparation of the financial statements are based on management's best estimates and judgements. Actual results could differ as additional information 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 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 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

May 11, 2017



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BDO Canada LLP
1631 Dickson Avenue, Suite 400
Kelowna, BC V1Y 0B5 Canada

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, 2016, 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, 2016, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

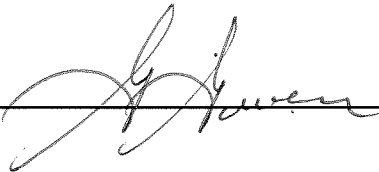
Chartered Professional Accountants

Kelowna, British Columbia
May 11, 2017

Central Okanagan Regional Hospital District Statement of Financial Position

December 31	2016	2015
Financial Assets		
Cash (Note 1)	\$ 5,301,312	\$ 6,070,216
Investment funds - Municipal Finance Authority (Note 2)	4,495,022	4,456,341
	9,796,334	10,526,557
Financial Liabilities		
Accounts payable and accrued liabilities	169,481	16,708
Due to Regional District of Central Okanagan (Note 3)	37,000	64,439
Long Term Debt (Note 4)	99,885,696	104,574,671
Reserve - Municipal Finance Authority (Note 2)	3,072,458	3,072,458
	103,164,635	107,728,276
Accumulated deficit	\$ (93,368,301)	\$ (97,201,719)

Approved on behalf of the Board:



Chairperson

Central Okanagan Regional Hospital District Statement of Financial Operations

For the year ended December 31	2016 Actual	2016 Budget (Note 5)	2015 Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 11,453,987	\$ 11,451,937	\$ 11,330,950
City of West Kelowna	2,580,702	2,578,948	2,574,508
District of Lake Country	1,059,487	1,060,654	1,027,111
District of Peachland	450,864	451,217	454,523
Electoral areas	601,959	604,244	612,909
	16,146,999	16,147,000	16,000,001
Debenture refund and actuarial earnings	634,414	-	546,567
Interest and grants in lieu	97,991	-	105,896
	16,879,404	16,147,000	16,652,464
Expenses			
Long term debt issue expense and interest	4,499,056	4,596,798	4,385,423
Hospital and Other Grants - minor capital	928,300	928,300	916,400
Capital funding expenditure	7,560,670	12,387,691	16,565,086
Interest on borrowings	12,562	50,000	20,133
Administration	37,000	37,000	36,000
Professional fees	8,398	10,000	9,450
Drug policy coordinator program	-	-	28,439
	13,045,986	18,009,789	21,960,931
Annual surplus (deficit)	3,833,418	(1,862,789)	(5,308,467)
Accumulated deficit, beginning of year	(97,201,719)	(97,201,719)	(91,893,252)
Accumulated deficit, end of year	\$ (93,368,301)	\$ (99,064,508)	\$ (97,201,719)

Central Okanagan Regional Hospital District

Statement of Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Cash from tax requisitions	\$ 16,146,999	\$ 16,000,001
Cash from MFA refunds	634,414	546,567
Cash paid to suppliers and for grants	(12,893,213)	(21,954,130)
Interest and grants received	97,991	105,896
	<u>3,986,191</u>	<u>(5,301,666)</u>
Investing Activities		
Change in MFA cash reserves	<u>(38,681)</u>	<u>(83,915)</u>
Financing Activities		
Proceeds from issuance of MFA long term debt		5,700,000
Advances of MFA long term debt	-	(4,407,547)
Repayment of MFA long term debt	(4,688,975)	(133,516)
Advances (repayment) from related parties	(27,439)	1,158,937
	<u>(4,716,414)</u>	<u>1,158,937</u>
Increase in cash during the year	(768,904)	(4,226,644)
Cash, beginning of year	<u>6,070,216</u>	<u>10,296,860</u>
Cash, end of year	\$ 5,301,312	\$ 6,070,216

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

December 31, 2016

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 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, amounts due to the Regional District of Central Okanagan, 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, 2016

1. Cash

Cash is held at a financial institution earning interest at a rate of 0.90% 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	2016	2015
Investment funds - Municipal Finance Authority	\$ 3,072,458	\$ 1,422,564	\$ 4,495,022	\$ 4,456,341
	Demand Notes	Cash Deposits	2016	2015
Reserve - Municipal Finance Authority	\$ 3,072,458	\$ -	\$ 3,072,458	\$ 3,072,458

3. Due to Regional District of Central Okanagan

The 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, 2016

4. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2016 Net Debt	2015 Net Debt
112	110	2030	4.50%	\$ 43,699,187	\$ 33,965,326	\$ 35,750,760
112	117	2031	3.25%	38,826,220	31,764,134	33,289,457
113	117	2031	3.25%	8,638,211	7,067,011	7,406,371
113	126	2033	3.85%	10,071,396	9,015,624	9,381,437
113	127	2034	3.30%	13,500,000	12,575,159	13,046,646
113	133	2035	2.75%	5,700,000	5,498,442	5,700,000
				\$ 120,435,014	\$ 99,885,696	\$ 104,574,671

Future principal repayments on existing long-term debt:

2017	\$ 4,054,561
2018	4,054,561
2019	4,054,561
2020	4,054,561
2021	4,054,561
Thereafter	79,612,892
	<u>\$ 99,885,696</u>

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2016

5. Budget

The budget data presented in these financial statements is based upon the 2016 - 2020 Financial Plan Bylaw, approved by the District Board on March 31, 2016. 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.

	<u>2016</u>
Deficit - statement of operations	\$ (1,862,789)
Adjust for budgeted items not included in statement of operations:	
Prior year surplus cash financing	2,070,216
Net cash from new financing	3,847,134
Principal portion of debt payments	<u>(4,054,561)</u>
Financial plan Budget	<u>\$ -</u>

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2016

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2017 - 2021 and the projects that are planned for the same period:

		Approved		Planned
		Bylaw Amount:		2017 - 2021
		40%	Funded in	Funding
		District Share	Prior Years	
Approved Capital Projects				
Bylaw				
113	Heart and Surgical Centre (2010 - 2017) and IHSC 4th Floor Perinatal	\$ 84,690,000	\$ 71,646,000	\$ 3,857,000
134	KGH - Automated Specimen Planting System	165,800	163,864	1,936
147	Cottonwoods - Countertops & Cupboards Replacement	44,000	40,014	3,986
150	KGH - Automated Auto-Immune Analyzer	128,000	-	128,000
163	David Lloyd Jones - Storm Water Management	72,000	68,503	3,497
164	Cottonwoods - Generator Replacement	32,000	21,065	10,935
166	Kelowna Community Health - Technology Infrastructure	500,000	423,507	76,493
167	Three Links Manor - Vocera & Wireless Infrastructure	48,000	43,741	4,259
168	KGH - Vocera	38,000	33,963	4,037
169	KGH - Gamma Camera	547,200	539,074	8,126
172	KGH - Laboratory Equipment	1,500,000	-	1,500,000
174	KGH - Integration Management System	64,000	61,563	2,437
175	Cottonwoods - Building Management System Replacement	240,000	-	240,000
176	KGH - Centralize Rehab Clerical Staff & Patient Waiting Area	38,000	-	38,000
177	KGH - Forms on Demand & Patient ID System	207,200	125,161	82,039
178	KGH - Vocera	60,000	58,593	1,407
179	KGH - Radiologist Diagnostic Monitor Replacement	60,000	-	60,000
180	KGH - Microscope	183,200	175,764	7,436
181	KGH - Tissue Processor (x2)	138,400	-	138,400
182	KGH - C-Arm	106,000	-	106,000
183	KGH - Microscope	88,000	-	88,000
184	KGH - Image Processing System, Cellavision	61,600	-	61,600
185	KGH Medstations, IH-Wide Infrastructure	55,600	-	55,600
187	Community Health Services Centre Leasehold Improvements	2,003,200	1,830,305	172,895
188	CHSC Kelowna - Digital Wayfinding & Room Signage	90,000	32,140	57,860
Planned Projects for 2017				
	Westside Health Centre	2,000,000		2,000,000
	Three Links Manor - Generator Replacement	224,400		224,400
	Cottonwoods - Dining Room Renovations	182,000		182,000
	Cottonwoods - Domestic Hot Water Boilers	84,000		84,000
189	KGH - Replace Fire Pumps	76,800		76,800
190	KGH - MRI/DI Sprinkler Piping Replacement	72,000		72,000
191	KGH - Cafeteria Redevelopment - Planning	20,000		20,000
192	KGH - Satellite DI Renovation for Staff Safety	39,600		39,600
	David Lloyd Jones Home	36,000		36,000
193	KGH - Staff Duress, Code White System	36,000		36,000
	Cottonwoods - Patio Replacement for Douglas Fir Unit	34,800		34,800
194	KGH - Emergency Department Renovation - Triage	28,000		28,000
195	Regional - IMT Corporate Projects over \$100,000	430,500		430,500
196	KGH - IMIT - Vocera	80,000		80,000
197	Regional - IMIT Corporate Project under \$100,000	217,900		217,900
	May Bennett WC - Wireless Infrastructure Expansion	22,000		22,000
198	KGH - Wireless Infrastructure Refresh	12,000		12,000
199	KGH - Telehealth Infrastructure Refresh	11,000		11,000
200	KGH - Medstations, IH-Wide Pyxis Replacement, Ph. 2	1,688,400		1,688,400
201	KGH - Multi Purpose System	717,600		717,600
202	KGH - General Radiographic System - Digital	387,600		387,600
	Three Links Manor - Nurse Call	101,200		101,200
203	Minor Equipment Grant	4,931,211		4,931,211
	Future Projects estimated by RDCO staff	12,000,000		12,000,000
		\$ 114,593,211	\$ 75,263,257	\$ 30,142,954