

**North Okanagan
Columbia Shuswap
Regional Hospital District
Financial Statements
For the year ended December 31, 2020**

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Management's Responsibility for Financial Reporting

The accompanying financial statements of North Okanagan Columbia Shuswap Regional Hospital District (the "Regional Hospital District") are the responsibility of management and have been approved by the Manager of Financial Services and Chief Administrative Officer on behalf of the Board of Directors (the "Board").

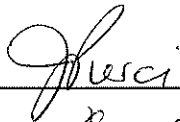
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Certain amounts used in the preparation of the financial statements are based on management's best estimates and judgements. Actual results could differ as additional information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

The Regional 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 Regional Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Manager of Financial Services, the Chief Administrative Officer and the Board are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Manager of Financial Services, the Chief Administrative Officer and the Board members meet 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 its responsibilities, and to review the financial statements and the external independent 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 its opinion on these financial statements. The auditors have full and free access to the accounting records and to the Manager of Financial Services, the Chief Administrative Officer and the Board.



Manager, Financial Services



Chief Administrative Officer

Independent Auditor's Report

To the Directors of
North Okanagan Columbia Shuswap Regional Hospital District

Opinion

We have audited the financial statements of North Okanagan Columbia Shuswap Regional Hospital District, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net debt and accumulated deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the North Okanagan Columbia Shuswap Regional Hospital District as at December 31, 2020, and its results of operations, its change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the North Okanagan Columbia Shuswap Regional Hospital District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the North Okanagan Columbia Shuswap Regional Hospital District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the North Okanagan Columbia Shuswap Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the North Okanagan Columbia Shuswap Regional Hospital District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 North Okanagan Columbia Shuswap Regional Hospital District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the North Okanagan Columbia Shuswap Regional Hospital District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the North Okanagan Columbia Shuswap Regional Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Salmon Arm, British Columbia
March 23, 2021

**North Okanagan Columbia Shuswap Regional Hospital District
Statement of Financial Position**

December 31	2020	2019
Financial assets		
Cash	\$ 1,123,292	\$ 1,297,930
Investment funds - Municipal Finance Authority (Note 1)	9,534,602	5,490,736
Accounts receivable	466,152	27,237
Due from member municipalities	615,413	645,611
Deposit and demand notes - MFA (Note 2)	3,254,665	3,119,870
	<u>14,994,124</u>	<u>10,581,384</u>
Liabilities		
Accounts payable	382,374	180,666
Accrued MFA interest payable	615,413	645,611
MFA debt reserve (Note 2)	3,254,665	3,119,870
Temporary borrowing (Note 3 and schedule)	-	2,840,000
Long-term debt (Note 3 and Schedule)	63,128,987	63,477,609
	<u>67,381,439</u>	<u>70,263,756</u>
Net debt and accumulated deficit	\$ (52,387,315)	\$ (59,682,372)



Treasurer

North Okanagan Columbia Shuswap Regional Hospital District Statement of Operations

For the year ended December 31	2020	2019
Revenue	Actual	Actual
Requisition on member municipalities		
City of Armstrong	\$ 354,537	\$ 286,310
City of Revelstoke	863,557	662,620
City of Salmon Arm	1,537,453	1,240,929
District of Sicamous	338,496	270,006
City of Enderby	178,440	145,290
City of Vernon	4,150,826	3,289,204
District of Coldstream	985,414	818,916
Township of Spallumcheen	438,840	356,335
Village of Lumby	136,349	106,026
Electoral Areas	3,118,371	2,506,911
Little Shuswap Indian Band	57,500	56,175
Adams Lake Indian Band	20,500	20,048
	12,180,283	9,758,770
Payments in lieu of taxes	34,449	28,246
Debt reserve fund refund	-	9,045
Interest	52,722	98,836
Actuarial adjustments on MFA debt	894,411	795,385
	13,161,865	10,690,282
Expenses		
Administration	72,000	72,000
Audit	2,757	5,616
Bank charges	-	293
Director's remuneration	6,710	6,280
Director's travel	1,080	2,221
Project - Vernon Jubilee Hospital	237,533	98,652
Project - Shuswap Lake Hospital	104,829	-
Project - Queen Victoria Hospital	519,298	-
Project - Regional	701,669	23,545
Equipment - Vernon Jubilee Hospital	226,002	2,730,264
Equipment - Shuswap Lake Hospital	56,429	81,231
Equipment - Regional	407,474	790,134
Interest on short-term debt	18,232	38,966
Interest on long-term debt	2,818,708	3,401,806
MFA debt reserve fund and expenses	28,687	-
Staff travel	-	322
Section 20-2 funding - Interior Health Authority	665,400	623,200
	5,866,808	7,874,530
Annual surplus	\$ 7,295,057	\$ 2,815,752

North Okanagan Columbia Shuswap Regional Hospital District
Statement of Change in Net Debt and Accumulated Deficit

For the year ended December 31	2020	2020	2019
	Budget (Note 5)	Actual	Actual
Annual surplus	\$ 1,777,185	\$ 7,295,057	\$ 2,815,752
Net debt and accumulated deficit, beginning of year	(59,682,372)	(59,682,372)	(62,498,124)
Net debt and accumulated deficit, end of year	\$ (57,905,187)	\$ (52,387,315)	\$ (59,682,372)
Net debt and accumulated deficit represented by:			
Cash and investments		\$ 10,657,894	\$ 6,788,666
Other current fund		83,778	(153,429)
Debt recoverable from future taxation (Note 3)		(63,128,987)	(66,317,609)
Net debt and accumulated deficit, end of year		\$ (52,387,315)	\$ (59,682,372)

North Okanagan Columbia Shuswap Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2020	2019
Operating		
Annual surplus	\$ 7,295,057	\$ 2,815,752
Increase in accounts receivable	(438,915)	(9,419)
Decrease in due from member municipalities	30,198	132,635
Decrease/(Increase) in accounts payable	201,708	(51,337)
Increase in accrued interest on long-term debt	(30,198)	(132,635)
	<u>7,057,850</u>	<u>2,754,996</u>
Investing		
Increase in investment funds	<u>(4,043,866)</u>	<u>(1,069,129)</u>
Financing		
Long-term debt issues	-	-
Long-term debt retirement	(3,217,309)	(3,172,536)
Long-term debt issues	2,868,687	-
Short-term debt issues	-	2,134,000
Short-term debt retirement	(2,840,000)	-
	<u>(3,188,622)</u>	<u>(1,038,536)</u>
Net change in cash and cash equivalents	(174,638)	647,331
Opening cash and cash equivalents	<u>1,297,930</u>	<u>650,599</u>
Closing cash and cash equivalents	<u>\$ 1,123,292</u>	<u>\$ 1,297,930</u>

North Okanagan Columbia Shuswap Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2020

The North Okanagan Columbia Shuswap Regional Hospital District ("Regional Hospital District") is a governing agency for the hospitals in the North Okanagan Columbia Shuswap region and is incorporated under the Hospital District Act. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Regional Hospital District.

Management's Responsibility for the Financial Statements and Basis of Presentation	The Regional Hospital District financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada and include all funds belonging to the economic entity of the Regional Hospital District.
Revenue Recognition	<p>The Regional Hospital District does not accrue grants receivable for equipment and construction. Grants are recorded only when received.</p> <p>Taxation revenues are recognized at the time the property tax requisitions for the fiscal year become receivable.</p>
MFA Debt Reserve	The MFA requires a cash contribution of 1% of the face value of debt when issued. The MFA debt reserve earns interest income and is used to pay expenses of the debt issue. Any remaining balance will be returned to the Regional Hospital District at the maturity of the underlying debt issue.
Use of Estimates	The financial statements of the Regional Hospital District have been prepared by management in accordance with Canadian public sector accounting standards. As such, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial estimates have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies identified.
Long-term Debt	Long-term debt is recorded net of any sinking fund balances. Debt service charges, including principal and interest, are charged against current revenue in the period incurred.

North Okanagan Columbia Shuswap Regional Hospital District

Notes to Financial Statements

December 31, 2020

1. Investment Funds

The investments totalling \$9,534,602 (2019 - \$5,490,736) are held under the name of the Columbia Shuswap Regional District. They are held with the Municipal Finance Authority and are invested in money market funds; as such, fair market value is equal to carrying value. The 2020 annual rate of return was 0.85% (2019 - 1.86%).

2. MFA Debt Reserve Deposits and Demand Notes

The MFA administers the debenture debt of the Regional Hospital District. As a condition of these borrowings, a portion of the debenture proceeds are withheld as a debt reserve fund. At December 31, 2020, the cash balance in the debt reserve fund was \$1,164,542 (2019 - \$1,112,545). The Regional Hospital District also excludes demand notes in connection with each debenture totalling \$2,090,123 (2019 - \$2,007,325) whereby the Regional Hospital District may be required to loan certain amounts to MFA.

3. Debt Recoverable from Future Taxation

These financial statements only recognize that proportion of the equipment and construction grants that the Regional Hospital District is obligated to finance through future taxation.

Grants to hospitals will be amortized to the extent of the principal payments and the increment in the sinking fund for the related debt. Grants that are fully amortized are removed from accumulated amortization figures.

The debt recoverable from future taxation has been calculated as follows:

	2020	2019
Long-term debt:		
Queen Victoria HCC Residential Care Facility	\$ 1,329,843	\$ 1,329,843
Pleasant Valley Manor fire alarm	3,822,900	3,822,900
Vernon Jubilee Hospital Diagnostic/Treatment building (MFA issue 106)	27,280,235	27,280,235
Vernon Jubilee Hospital Diagnostic/Treatment building (MFA issue 116)	30,586,554	30,586,554
Shuswap Lake General Hospital Phase 1 Renovations	7,480,000	7,480,000
Vernon Jubilee Hospital two additional shelled in floors	10,500,000	10,500,000
Vernon Jubilee Hospital Infrastructure Modifications	1,500,000	1,500,000
Vernon Jubilee Hospital Polson Tower Completion	3,383,838	3,383,838
Vernon Jubilee Hospital MRI	2,868,687	-
Less accumulated amortization (Note 4)	(25,623,070)	(22,405,761)
	63,128,987	63,477,609
Short-term debt:		
Vernon Jubilee Hospital (MRI)	-	2,840,000
Debt recoverable from taxation	\$ 63,128,987	\$ 66,317,609

North Okanagan Columbia Shuswap Regional Hospital District
Notes to Financial Statements

December 31, 2020

4. Accumulated Amortization

The accumulated amortization balance on long-term debt has been calculated as follows:

	2020	2019
Balance - beginning of year	\$ 22,405,761	\$ 19,884,624
Principal payments applied in the year	2,322,898	2,377,152
Actuarial adjustments	894,411	795,384
Debt fully repaid during the year	-	(651,399)
Balance - end of year	<u>\$ 25,623,070</u>	<u>\$ 22,405,761</u>

5. Budget

The scope of the financial activity reported in the Statement of Operations is not the same as that reported in the Annual Budget. For comparative purposes, actual financial activities have been summarized below in the same manner as was budgeted.

	2020 Actual	2020 Budget
Revenue		
Tax requisition total	\$ 12,102,283	\$ 12,102,283
Other revenue - Agreement - Indian Bands	78,000	78,000
Payments in lieu of taxes	34,449	18,500
Interest	52,722	50,000
Actuarial adjustment on MFA debt	894,411	894,411
	<u>13,161,865</u>	<u>13,143,194</u>
Expenses		
Debt		
Debenture debt - interest and expenses	2,818,708	2,790,164
MFA Debt Reserve fund and expenses	28,687	-
Interim borrowing interest	18,232	114,400
Administration Expenditures	82,547	91,500
Capital Expenditures		
Capital projects	725,490	2,968,100
Capital equipment	349,666	1,486,400
Maintenance and equipment < \$ 100,000	665,400	665,400
Capital equipment/projects - carried forward from prior year	1,178,078	3,250,045
	<u>5,866,808</u>	<u>11,366,009</u>
Annual Surplus	<u>7,295,057</u>	<u>1,777,185</u>
plus:		
Transfer to accumulated deficit	(6,946,435)	(539,876)
Proceeds from issue of debt	2,868,687	1,980,000
Debenture debt - principal	(2,322,898)	(2,322,898)
less:		
Actuarial adjustment	(894,411)	(894,411)
Financial Plan Balance	<u>\$ -</u>	<u>\$ -</u>

North Okanagan Columbia Shuswap Regional Hospital District
Notes to Financial Statements

December 31, 2020

North Okanagan Columbia Shuswap Regional Hospital District
Notes to Financial Statements

December 31, 2020

6. Commitments

- a) The Hospital District has committed to the following expenditures which have been approved by the Interior Health Authority and the Regional Hospital District Board and are to be financed from reserve funds:

		Total	Unexpended
Vernon Jubilee Hospital	- Chemistry Analyzer	58,000	58,000
	- Integrated Immunochemistry Analyzer	70,800	70,800
	- Autopsy Suite/Morgue Update	60,000	60,000
	- Vocera	72,000	43,973
	- Wireless Infrastructure Refresh	39,600	9,080
	- Ortho Templating Software for Surgical Efficiency	29,600	11,518
	- Medstations, IH Wide Pyxis Replacement	1,175,600	240,858
	- Monitoring System, Physiological	160,200	160,200
	- MDR Design and Expansion	804,000	780,131
	- North Tower Electrical Primary Distribution Planning	30,000	19,244
	- Secure Room	38,000	38,000
	- CT Scanner	1,143,600	1,143,600
	Shuswap Lake Hospital (Salmon Arm)	- Medistation, Pyxis replacement	195,600
- Pharmacy Renovation		432,000	418,036
- Operating Room Doors and Access System		34,000	34,000
- Replacement of Hot Water Boilers		136,000	45,135
Queen Victoria Hospital (Revelstoke)	- Chiller Replacement	329,200	31,302
	- Modernize Elevator	312,000	203,219
Regional	- Pleasant Valley Manor - Water Softener (x2)	24,000	24,000
	- IH Wide IMIT 2018/2019	1,309,600	445,548
	- Polson Care Centre - Vocera Expansion	39,600	22,282
	- Salmon Arm Health Centre - Wireless Infrastructure	12,000	6,278
	- Bastion Place - Wireless Infrastructure Expansion	8,000	8,000
	- Shuswap Community Care - Leasehold Improvements	240,000	240,000
	- IH Wide IMIT 2019/2020	643,200	207,558
	- Various Facilities - Laboratory Middleware	82,300	82,300
	- Bastion Place Generator Replacement	480,000	480,000
	- IH Wide IMIT 2020/2021	646,100	471,951
	- VGH/SLGH (3 Ultrasound Machines)	210,800	35,282
- VGH/SLGH - Digital Cameras	132,000	132,000	
		\$ 8,947,800	\$ 5,526,022

- b) The Hospital District has committed to the following expenditure which has been approved by the Interior Health Authority and the Regional Hospital District Board and to be financed through a borrowing bylaw:

		Total	Unexpended
Queen Victoria Hospital	- Generator (Bylaw 74)	\$ 1,980,000	\$ 1,867,381

North Okanagan Columbia Shuswap Regional Hospital District Schedule of Debt

For the year ended December 31, 2020

Short-term Debt

Security Issuing Bylaw	Rate	2020 Net Debt	2019 Net Debt
68	N/A	\$ -	\$ 2,840,000

Interest on short-term debt is paid monthly. There are no specific terms of repayment. Interest is a variable rate through the Municipal Finance Authority. Repayment of short-term debt is either by cash payment at the completion of the project or by conversion to long term debt. The interim financing for bylaw 68 was converted to long term debt in the spring of 2020.

Long-term Debt

Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	2020 Net Debt	2019 Net Debt
27	2022	2.25%	\$ 1,329,843	\$ 225,591	\$ 331,922
32	2029	2.25%	3,822,900	2,091,527	2,281,560
38	2035	3.73%	7,480,000	5,323,589	5,579,230
45/106	2034	2.25%	27,280,235	18,445,974	19,415,611
45/116	2036	4.20%	30,586,554	22,814,092	23,819,228
46	2036	3.25%	10,500,000	7,831,806	8,176,858
44	2023	3.15%	1,500,000	513,215	671,300
58	2033	3.20%	3,383,838	3,014,506	3,201,900
68	2035	0.99%	2,868,687	2,868,687	-
\$ 88,752,057				\$ 63,128,987	\$ 63,477,609

Principal payments, actuarial adjustments and interest obligations for the next five years and thereafter:

Year	Principal & Actuarial Adj	Interest
2021	\$ 3,520,040	\$ 2,663,991
2022	3,654,214	2,663,991
2023	3,673,975	2,610,444
2024	3,629,021	2,586,819
2025	3,767,022	2,586,819
Thereafter	44,884,715	25,476,757
Totals	\$ 63,128,987	\$ 38,588,821

Interest is calculated on a semi-annual basis and is based on the original debt amount. An actuarial adjustment is recorded to adjust the outstanding loan balance to actual.