

North Okanagan Columbia Shuswap  
Regional Hospital District  
Client Information Package  
For the Year Ended December 31, 2019

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**North Okanagan  
Columbia Shuswap  
Regional Hospital District  
Financial Statements  
For the year ended December 31, 2019**

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## Management's Responsibility for Financial Reporting

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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.

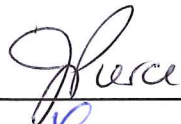
The Regional Hospital District maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Regional Hospital District's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

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Manager, Financial Services



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Chief Administrative Officer

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## Independent Auditor's Report

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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, 2019, 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, 2019, 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.

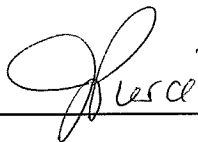
*BDO Canada LLP*

Chartered Professional Accountants

Salmon Arm, British Columbia  
March 24, 2020

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

December 31	2019	2018
<b>Financial assets</b>		
Cash	\$ 1,297,930	\$ 650,599
Investment funds - Municipal Finance Authority (Note 1)	5,490,736	4,421,607
Accounts receivable	27,237	17,818
Due from member municipalities	645,611	778,246
Deposit and demand notes - MFA (Note 2)	3,119,870	3,137,163
	<u>10,581,384</u>	<u>9,005,433</u>
<b>Liabilities</b>		
Accounts payable	180,666	232,003
Accrued MFA interest payable	645,611	778,246
MFA debt reserve (Note 2)	3,119,870	3,137,163
Temporary borrowing (Note 3 and schedule)	2,840,000	706,000
Long-term debt (Note 3 and Schedule)	63,477,609	66,650,145
	<u>70,263,756</u>	<u>71,503,557</u>
<b>Net debt and accumulated deficit</b>	<b>\$ (59,682,372)</b>	<b>\$ (62,498,124)</b>



Treasurer

## North Okanagan Columbia Shuswap Regional Hospital District Statement of Operations

For the year ended December 31	2019	2018
<b>Revenue</b>	<b>Actual</b>	<b>Actual</b>
Requisition on member municipalities		
City of Armstrong	\$ 286,310	\$ 225,977
City of Revelstoke	662,620	507,258
City of Salmon Arm	1,240,929	997,511
District of Sicamous	270,006	218,811
City of Enderby	145,290	117,705
City of Vernon	3,289,204	2,663,179
District of Coldstream	818,916	666,757
Township of Spallumcheen	356,335	276,684
Village of Lumby	106,026	82,850
Electoral Areas	2,506,911	2,014,924
Little Shuswap Indian Band	56,175	54,698
Adams Lake Indian Band	20,048	19,521
	<b>9,758,770</b>	<b>7,845,875</b>
Payments in lieu of taxes	28,246	23,156
Debt reserve fund refund	9,045	-
Interest	98,836	76,233
Actuarial adjustments on MFA debt	795,385	680,362
	<b>10,690,282</b>	<b>8,625,626</b>
<b>Expenses</b>		
Administration	72,000	72,000
Audit	5,616	6,402
Bank charges	293	-
Director's remuneration	6,280	2,980
Director's travel	2,221	1,033
Project - Vernon Jubilee Hospital	98,652	398,428
Project - Queen Victoria Hospital	-	94,618
Project - Regional	23,545	21,938
Equipment - Vernon Jubilee Hospital	2,730,264	191,448
Equipment - Shuswap Lake Hospital	81,231	251,314
Equipment - Queen Victoria Hospital	-	56,106
Equipment - Regional	790,134	671,398
Interest on short-term debt	38,966	59,197
Interest on long-term debt	3,401,806	3,293,523
MFA debt reserve fund and expenses	-	33,838
Staff travel	322	417
Section 20-2 funding - Interior Health Authority	623,200	617,200
	<b>7,874,530</b>	<b>5,771,840</b>
<b>Annual surplus</b>	<b>\$ 2,815,752</b>	<b>\$ 2,853,786</b>

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

<b>For the year ended December 31</b>	2019	2019	2018
	Budget (Note 5)	Actual	Actual
Annual surplus	\$ (2,982,388)	\$ 2,815,752	\$ 2,853,786
Net debt and accumulated deficit, beginning of year	<u>(62,498,124)</u>	<u>(62,498,124)</u>	<u>(65,351,910)</u>
Net debt and accumulated deficit, end of year	<u>\$ (65,480,512)</u>	<u>\$ (59,682,372)</u>	<u>\$ (62,498,124)</u>
Net debt and accumulated deficit represented by:			
Cash and investments		\$ 6,788,666	\$ 5,072,206
Other current fund		(153,429)	(214,185)
Debt recoverable from future taxation (Note 3)		<u>(66,317,609)</u>	<u>(67,356,145)</u>
Net debt and accumulated deficit, end of year		<u>\$ (59,682,372)</u>	<u>\$ (62,498,124)</u>



**North Okanagan Columbia Shuswap Regional Hospital District  
Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2019</b>	<b>2018</b>
<b>Operating</b>		
Annual surplus	\$ 2,815,752	\$ 2,853,786
Increase in accounts receivable	(9,419)	(378)
Decrease/(Increase) in due from member municipalities	132,635	(30,809)
Decrease in accounts payable	(51,337)	(66,209)
Increase in accrued interest on long-term debt	(132,635)	30,809
	<u>2,754,996</u>	<u>2,787,199</u>
<b>Investing</b>		
Increase in investment funds	<u>(1,069,129)</u>	<u>(61,850)</u>
<b>Financing</b>		
Long-term debt issues	-	-
Long-term debt retirement	(3,172,536)	(2,875,578)
Long-term debt issues	-	3,383,838
Short-term debt issues	2,134,000	266,000
Short-term debt retirement	-	(3,054,000)
	<u>(1,038,536)</u>	<u>(2,279,740)</u>
Net change in cash and cash equivalents	647,331	445,609
Opening cash and cash equivalents	<u>650,599</u>	<u>204,990</u>
Closing cash and cash equivalents	<u>\$ 1,297,930</u>	<u>\$ 650,599</u>

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# North Okanagan Columbia Shuswap Regional Hospital District

## Summary of Significant Accounting Policies

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December 31, 2019

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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.

<b>Management's Responsibility for the Financial Statements and Basis of Presentation</b>	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.
<b>Revenue Recognition</b>	<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>
<b>MFA Debt Reserve</b>	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.
<b>Use of Estimates</b>	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.
<b>Long-term Debt</b>	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, 2019

### 1. Investment Funds

The investments totalling \$5,490,736 (2018 - \$4,421,607) 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 2019 annual rate of return was 1.86% (2018 - 1.65%).

### 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, 2019, the cash balance in the debt reserve fund was \$1,112,545 (2018 - \$1,095,773). The Regional Hospital District also excludes demand notes in connection with each debenture totalling \$2,007,325 (2018 - \$2,041,390) 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:

	2019	2018
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
Shuswap Lake General Hospital Geothermal heat/cooling	-	651,399
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
Less accumulated amortization (Note 4)	(22,405,761)	(19,884,624)
	63,477,609	66,650,145
Short-term debt:		
Vernon Jubilee Hospital (MRI)	2,840,000	706,000
Debt recoverable from taxation	\$ 66,317,609	\$ 67,356,145

**North Okanagan Columbia Shuswap Regional Hospital District**  
**Notes to Financial Statements**

December 31, 2019

**4. Accumulated Amortization**

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

	2019	2018
Balance - beginning of year	\$ 19,884,624	\$ 17,009,046
Principal payments applied in the year	2,377,152	2,195,216
Actuarial adjustments	795,384	680,362
Debt fully repaid during the year	(651,399)	-
Balance - end of year	\$ 22,405,761	\$ 19,884,624

**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.

	2019 Actual	2019 Budget
<b>Revenue</b>		
Tax requisition total	\$ 9,682,547	\$ 9,682,547
Other revenue - Agreement - Indian Bands	76,223	74,500
Payments in lieu of taxes	28,246	18,500
MFA Debt Reserve Funds payouts	9,045	-
Interest	98,836	50,000
Actuarial adjustment on MFA debt	795,385	795,385
	10,690,282	10,620,932
<b>Expenses</b>		
Debt		
Debtenture debt - interest and expenses	3,401,806	3,401,806
Interim borrowing interest	38,966	114,400
Administration Expenditures	86,732	91,500
Capital Expenditures		
Capital Projects	-	3,187,200
Capital equipment	1,250,863	2,198,900
Maintenance and equipment < \$ 100,000	623,200	623,200
Capital Equip/Projects - carried forward from prior year	2,472,963	3,986,314
	7,874,530	13,603,320
<b>Annual Surplus</b>	2,815,752	(2,982,388)
<b>plus:</b>		
Transfer (to) from accumulated deficit	(1,777,215)	2,240,000
Proceeds from issue of debt	2,134,000	3,914,926
Debtenture debt - principal	(2,377,152)	(2,377,153)
<b>less:</b>		
Actuarial adjustment	(795,385)	(795,385)
<b>Financial Plan Balance</b>	\$ -	\$ -

**North Okanagan Columbia Shuswap Regional Hospital District**  
**Notes to Financial Statements**

December 31, 2019

**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:

		<b>Total</b>	<b>Unexpended</b>
Vernon Jubilee Hospital	- Chemistry Analyzer	\$ 58,000	\$ 58,000
	- HVAC Upgrade	240,000	141,348
	- Wireless Infrastructure Expansion	8,000	907
	- Integrated Immunochemistry Analyzer	70,800	70,800
	- Autopsy Suite/Morgue Update	60,000	60,000
	- Access Control System Upgrade	28,000	28,000
	- 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	346,031
	- Monitoring System, Physiological	160,200	160,200
	- Laser, Holmium	108,000	11,174
Shuswap Lake Hospital (Salmon Arm)	- Electronic Emergency Department Medical Summary	88,000	6,365
	- Medstation, Pyxis replacement	195,600	5,468
	- Pharmacy Renovation	432,000	432,000
Queen Victoria Hospital (Revelstoke)	- Chiller Replacement	329,200	329,200
	- Modernize Elevator	112,000	112,000
Regional	- IH Wide IMIT over \$100,000	273,800	37,817
	- IH Wide IMIT under \$100,000	138,600	4,078
	- Various Facilities - Specialized Surgical Services	42,800	10,144
	- Vernon Health Centre - Wireless Infrastructure Expansion	16,000	2,190
	- Noric House - Wireless Infrastructure Expansion	6,000	943
	- Noric House - Domestic Hot Water Boiler Upgrade (x2)	34,000	10,455
	- Pleasant Valley Manor - Water Softener (x2)	24,000	24,000
	- IH Wide IMIT 2018/2019	1,309,600	544,681
	- 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
	- PV Health Centre - Staff Duress System	36,000	36,000
	- Parkview Place - Retaining Wall & Security Fence	34,000	34,000
	- Pleasant Valley Manor - Parking Lot Paving	24,000	24,000
	- IH Wide IMIT 2019/2020	643,200	336,814
	- Various Facilities - Laboratory Middleware	82,300	82,300
		<b>\$ 6,170,500</b>	<b>\$ 3,250,046</b>

- 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:

		<b>Total</b>	<b>Unexpended</b>
Vernon Jubilee Hospital	- MRI (Bylaw 68)	\$ 2,840,000	\$ 138,149
Queen Victoria Hospital	- Generator (Bylaw 74)	1,980,000	1,980,000
		<b>\$ 4,820,000</b>	<b>\$ 2,118,149</b>

# North Okanagan Columbia Shuswap Regional Hospital District

## Schedule of Debt

For the year ended December 31, 2019

### Short-term Debt

Security Issuing Bylaw	Rate	2019 Net Debt	2018 Net Debt
68	2.58%	\$ 2,840,000	\$ 706,000

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 will be converted to long term debt in the spring of 2020.

### Long-term Debt

Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	2019 Net Debt	2018 Net Debt
27	2022	2.25%	\$ 1,329,843	\$ 331,922	\$ 434,163
32	2029	4.13%	3,822,900	2,281,560	2,464,284
38	2035	3.73%	7,480,000	5,579,230	5,825,038
43	2019	4.13%	651,399	-	77,223
45/106	2034	4.13%	27,280,235	19,415,611	20,347,954
45/116	2036	4.20%	30,586,554	23,819,228	24,785,705
46	2036	3.25%	10,500,000	8,176,858	8,508,636
44	2023	3.15%	1,500,000	671,300	823,304
58	2033	3.20%	3,383,838	3,201,900	3,383,838
\$ 86,534,769				\$ 63,477,609	\$ 66,650,145

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

Year	Principal & Actuarial Adj	Interest
2020	\$ 3,217,309	\$ 3,374,903
2021	3,344,127	3,374,903
2022	3,475,962	3,374,903
2023	3,493,405	3,321,357
2024	3,446,157	3,297,732
Thereafter	46,500,649	34,968,061
Totals	\$ 63,477,609	\$ 51,711,859

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.