

**Columbia Shuswap
Regional Hospital District
Financial Statements
For the year ended December 31, 2011**

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Independent Auditor's Report

**To the Directors
Columbia Shuswap Regional Hospital District**

We have audited the accompanying financial statements of Columbia Shuswap Regional Hospital District, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, change in surplus (net debt) and accumulated surplus (deficit), 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 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.

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 from 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 entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as, evaluating the 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 Columbia Shuswap Regional Hospital District as at December 31, 2011 and the results of its operations, changes in surplus (net debt) and accumulated surplus (deficit) and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

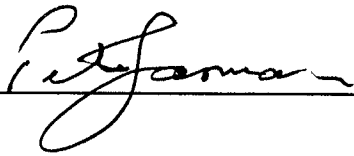
BDO Canada LLP

Chartered Accountants

**Salmon Arm, British Columbia
March 15, 2012**

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

December 31	2011	2010
Financial assets		
Cash	\$ 200,694	\$ 3,841
Investment funds	-	69,708
Due from other governments	-	600
Deposits and demand notes - MFA (Note 1)	<u>34,909</u>	<u>166,615</u>
	235,603	240,764
Liabilities		
Long-term debt (Note 2 and Schedule)	51,385	235,613
Due to other governments	1,062	-
Restricted revenue		
MFA debt reserves (Note 1)	<u>34,909</u>	<u>166,615</u>
	87,356	402,228
Surplus (net debt) and accumulated surplus (deficit)	\$ 148,247	\$ (161,464)



Treasurer

Columbia Shuswap Regional Hospital District
Statement of Operations

For the year ended December 31

	Budget	2011	2010
Revenues			
Requisition (credit) on Member Municipalities			
Town of Golden	\$ (5,284)	\$ (5,284)	\$ 18,635
City of Revelstoke	(10,922)	(10,922)	38,437
District of Salmon Arm	(20,005)	(20,005)	67,194
District of Sicamous	(5,978)	(5,978)	21,174
Electoral Areas	(40,325)	(40,325)	140,849
Little Shuswap Indian Band	(1,300)	(1,062)	4,037
Adams Lake Indian Band	-	-	305
	(83,814)	(83,576)	290,631
Actuarial adjustment	109,811	109,810	106,840
Debenture surplus payout	297,866	399,142	45,122
Debt reserve fund refund	-	31,166	2,011
Grants in lieu of taxes	(200)	441	681
Interest	100	1,736	322
	323,763	458,719	445,607
Expenditures			
Interest and bank charges	400	73	232
Interest on long-term debt	148,935	148,935	254,650
	149,335	149,008	254,882
Annual surplus	\$ 174,428	\$ 309,711	\$ 190,725

Columbia Shuswap Regional Hospital District
Statement of Change in Surplus (Net Debt) and Accumulated Surplus (Deficit)

For the year ended December 31	Budget	2011	2010
Annual surplus	\$ 174,428	\$ 309,711	\$ 190,725
Net debt and accumulated deficit, beginning of year	(161,464)	(161,464)	(352,189)
Surplus (net debt) and accumulated surplus (deficit), end of year	\$ 12,964	\$ 148,247	\$ (161,464)

Surplus (net debt) and accumulated surplus (deficit) represented by:

Cash and investments	\$ 200,694	\$ 73,549
Other current fund	(1,062)	600
Debt recoverable from future taxation (Note 2)	<u>(51,385)</u>	<u>(235,613)</u>
Surplus (net debt) and accumulated surplus (deficit), end of year	\$ 148,247	\$ (161,464)

Columbia Shuswap Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2011	2010
Operating		
Annual surplus	\$ 309,711	\$ 190,725
Non-cash items:		
Actuarial adjustment on MFA debt	(109,810)	(106,840)
Decrease in due from other governments	600	12
Increase in due to other governments	1,062	-
	<u>201,563</u>	<u>83,897</u>
Investing		
Decrease (increase) in investment funds	<u>69,708</u>	<u>(30,009)</u>
Financing		
Long-term debt retirement	<u>(74,418)</u>	<u>(78,612)</u>
Net change in cash	196,853	(24,724)
Opening cash	<u>3,841</u>	<u>28,565</u>
Closing cash	<u>\$ 200,694</u>	<u>\$ 3,841</u>

Columbia Shuswap Regional Hospital District Summary of Significant Accounting Policies

December 31, 2011

The Columbia Shuswap Regional Hospital District ("Regional Hospital District") is a governing agency for the hospitals in the 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 Columbia Shuswap Regional 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 Canadian Institute of Chartered Accountants (CICA) and include all funds belonging to the economic entity of the Regional Hospital District.

Revenue Recognition

The Columbia Shuswap Regional Hospital District does not accrue grants receivable for equipment and construction. Grants are recorded only when received.

Taxation revenues are recognized at the time the property tax requisitions for the fiscal year become receivable.

MFA Debt Reserve

The MFA requires a cash contribution of 1% of the face value of debt when issued. Upon the MFA's administration of the debt in the current year, 1% was charged on the gross balance transferred from the Province of B.C. 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.

Columbia Shuswap Regional Hospital District
Notes to Financial Statements

December 31, 2011

1. MFA Debt Reserve Deposits and Demand Notes

The MFA now 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, 2011, the cash balance in the debt reserve fund was \$9,095 (2010 - \$39,745). The Regional Hospital District also excludes demand notes in connection with each debenture totalling \$25,814 (2010 - \$126,870) whereby the Regional Hospital District may be required to loan certain amounts to MFA.

2. Debt Recoverable from Future Taxation

On March 31, 1999, the Province of BC took over management of their proportionate debt obligations and sinking fund assets in respect of grants to hospitals that were issued by the Regional Hospital District in prior years. As a result of this change in accounting for the Province's debt obligations, 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 are 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 both the debt recoverable from future taxation and accumulated amortization figures.

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

	2011	2010
Bastion Place	\$ 2,557,827	\$ 2,557,827
Accumulated amortization (Note 3)	(2,506,442)	(2,322,214)
Balance - end of year	\$ 51,385	\$ 235,613

3. Accumulated Amortization

The accumulated amortization balance has been calculated as follows:

	2011	2010
Balance - beginning of year	\$ 2,322,214	\$ 2,136,762
Principal payments applied in the year	74,418	78,612
Actuarial adjustments, earnings and adjustments	109,810	106,840
Balance - end of year	\$ 2,506,442	\$ 2,322,214

4. Subsequent Events

Subsequent to year end, the Regional Hospital District received a debt reserve fund refund and cash distribution of sinking fund surpluses under Security Issuing Bylaw 28 in the amount of \$88,318. This refund and surplus payout will eliminate future tax requisitions and will be used to fund the principal and interest payments on the remaining debt, see (Note 2).

**Columbia Shuswap Regional Hospital District
Schedule of Long-term Debt**

For the year ended December 31				2011	2010
Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	Net Debt	Net Debt
26	2011	10.75%	1,341,618	\$ -	\$ 100,755
27	2011	9.81%	552,000	-	44,431
28	2012	9.50%	400,000	31,099	60,717
29	2013	8.50%	138,209	20,286	29,710
			\$ 2,431,827	\$ 51,385	\$ 235,613

Principal payments and interest obligations for the next three years are as follows:

<u>Year</u>	<u>Principal & Actuarial Adj</u>	<u>Interest</u>
2012	\$ 40,995	\$ 30,748
2013	10,390	11,748
Totals	\$ 51,385	\$ 42,496

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.