

**COLUMBIA SHUSWAP
REGIONAL HOSPITAL DISTRICT
Financial Statements
For the year ended December 31, 2012**

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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, 2012, and the statements of operations, change in surplus (net debt) and accumulated surplus, 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, 2012 and the results of its operations, changes in surplus (net debt) and accumulated surplus 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 21, 2013

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

December 31	2012	2011
Financial assets		
Cash	\$ 14,117	\$ 200,694
Deposits and demand notes - MFA (Note 1)	8,702	34,909
	<u>22,819</u>	<u>235,603</u>
Liabilities		
Long-term debt (Note 2 and Schedule)	10,390	51,385
Due to other governments	501	1,062
Restricted revenue		
MFA debt reserves (Note 1)	8,702	34,909
	<u>19,593</u>	<u>87,356</u>
Surplus and accumulated surplus	\$ 3,226	\$ 148,247



Treasurer

Columbia Shuswap Regional Hospital District
Statement of Operations

For the year ended December 31	Budget	2012	2011
Revenues			
Requisition (credit) on member municipalities			
Town of Golden	\$ (14,624)	\$ (14,624)	\$ (5,284)
City of Revelstoke	(29,325)	(29,325)	(10,922)
District of Salmon Arm	(55,931)	(55,931)	(20,005)
District of Sicamous	(16,217)	(16,217)	(5,978)
Electoral Areas	(108,368)	(108,368)	(40,325)
Little Shuswap Indian Band	(2,000)	(3,297)	(1,062)
	<u>(226,465)</u>	<u>(227,762)</u>	<u>(83,576)</u>
Actuarial adjustment	24,341	24,341	109,810
Debenture surplus payout	81,543	81,543	399,142
Debt reserve fund refund	6,775	6,775	31,166
Grants in lieu of taxes	(200)	(670)	441
Interest	1,000	1,500	1,736
	<u>(113,006)</u>	<u>(114,273)</u>	<u>458,719</u>
Expenditures			
Interest and bank charges	100	-	73
Interest on long-term debt	30,748	30,748	148,935
	<u>30,848</u>	<u>30,748</u>	<u>149,008</u>
Annual surplus (deficit)	\$ (143,854)	\$ (145,021)	\$ 309,711

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

For the year ended December 31	Budget	2012	2011
Annual surplus (deficit)	\$ (143,854)	\$ (145,021)	\$ 309,711
Surplus (net debt) and accumulated surplus (deficit), beginning of year	148,247	148,247	(161,464)
Surplus and accumulated surplus, end of year	\$ 4,393	\$ 3,226	\$ 148,247

Surplus and accumulated surplus represented by:

Cash and investments	\$ 14,117	\$ 200,694
Other current fund	(501)	(1,062)
Debt recoverable from future taxation (Note 2)	(10,390)	(51,385)
Surplus and accumulated surplus, end of year	\$ 3,226	\$ 148,247

Columbia Shuswap Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2012	2011
Operating		
Annual surplus (deficit)	\$ (145,021)	\$ 309,711
Non-cash items:		
Actuarial adjustment on MFA debt	(24,341)	(109,810)
Decrease in due from other governments	-	600
Increase (decrease) in due to other governments	(561)	1,062
	<u>(169,923)</u>	<u>201,563</u>
Investing		
Decrease in long-term investment funds	-	69,708
Financing		
Long-term debt retirement	(16,654)	(74,418)
Net change in cash	(186,577)	196,853
Opening cash	200,694	3,841
Closing cash	\$ 14,117	\$ 200,694

Columbia Shuswap Regional Hospital District Summary of Significant Accounting Policies

December 31, 2012

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 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 BC. 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, 2012

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, 2012, the cash balance in the debt reserve fund was \$2,406 (2011 - \$9,095). The Regional Hospital District also excludes demand notes in connection with each debenture totaling \$6,296 (2011 - \$25,814) 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:

	2012	2011
Bastion Place	\$ 2,557,827	\$ 2,557,827
Accumulated amortization (Note 3)	(2,547,437)	(2,506,442)
Balance - end of year	\$ 10,390	\$ 51,385

3. Accumulated Amortization

The accumulated amortization balance has been calculated as follows:

	2012	2011
Balance - beginning of year	\$ 2,506,442	\$ 2,322,214
Principal payments applied in the year	16,654	74,418
Actuarial adjustments, earnings and adjustments	24,341	109,810
Balance - end of year	\$ 2,547,437	\$ 2,506,442

4. Future Operations

The capital projects undertaken by the Regional Hospital District have been fully funded and the remaining associated debt will be retired in August 2013. As the Regional Hospital District existed solely to fund this debt, it will be disbanded by the end of December 2013 and any remaining assets (cash) will be returned to the taxpayers by way of transferring these funds to the Columbia Shuswap Regional District.

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

For the year ended December 31

2012

2011

Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	Net Debt	Net Debt
28	2012	9.50%	\$ 400,000.00	-	\$ 31,099
29	2013	8.50%	138,209	10,390	20,286
			\$ 538,209	\$ 10,390	\$ 51,385

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

<u>Year</u>	<u>Principal & Actuarial Adj.</u>	<u>Interest</u>
2013	\$ 10,390	\$ 11,748
Totals	\$ 10,390	\$ 11,748

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.