



CENTRAL OKANAGAN 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 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 Central Okanagan 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 Central Okanagan Regional 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 13, 2021



Independent Auditor's Report

To the Directors of Central Okanagan Regional Hospital District

Opinion

We have audited the financial statements of the Central Okanagan Regional Hospital District (the "District"), which comprise the statement of financial position as at December 31, 2020, and the statements of financial operations 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 Central Okanagan Regional Hospital District as at December 31, 2020, and its financial operations and 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 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 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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.

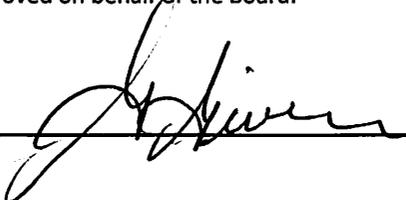
Chartered Professional Accountants

Kelowna, British Columbia
May 13, 2021

Central Okanagan Regional Hospital District Statement of Financial Position

December 31	2020	2019
Financial Assets		
Cash (Note 1)	\$ 23,668,415	\$ 15,809,207
Investment funds - Municipal Finance Authority (Note 2)	4,617,580	4,588,835
	28,285,995	20,398,042
Financial Liabilities		
Accounts payable and accrued liabilities	182,660	6,825
Long Term Debt (Note 3)	79,188,528	84,669,463
Reserve - Municipal Finance Authority (Note 2)	3,072,458	3,072,458
	82,443,646	87,748,746
Accumulated deficit (Note 4)	\$ (54,157,651)	\$ (67,350,704)

Approved on behalf of the Board:


 _____ Chairperson

Central Okanagan Regional Hospital District Statement of Financial Operations

For the year ended December 31	2020 Actual	2020 Budget (Note 5)	2019 Actual
Revenue			
Requisition on Member Municipalities			
City of Kelowna	\$ 13,116,779	\$ 13,117,911	\$ 12,117,710
City of West Kelowna	2,817,754	2,813,174	2,658,959
District of Lake Country	1,245,240	1,248,227	1,149,348
District of Peachland	474,145	474,411	452,812
Electoral areas	655,080	655,276	611,371
	18,308,998	18,308,999	16,990,200
Debenture refund and actuarial earnings	1,426,374	-	1,216,643
Interest and grants in lieu	240,908	-	321,225
Other income	-	-	20,594
	19,976,280	18,308,999	18,548,662
Expenses			
Administration	39,500	39,500	38,636
Capital funding expenditure	1,909,278	10,095,664	3,519,175
Hospital and Other Grants - minor capital	1,030,000	-	965,300
Long term debt issue expense and interest	3,795,499	8,578,615	4,499,056
Professional fees	8,950	9,250	9,135
	6,783,227	18,723,029	9,031,302
Annual surplus	13,193,053	(414,030)	9,517,360
Accumulated deficit, beginning of year	(67,350,704)	(67,350,704)	(76,868,064)
Accumulated deficit, end of year	\$ (54,157,651)	\$ (67,764,734)	\$ (67,350,704)

Central Okanagan Regional Hospital District Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Operating activities		
Cash from tax requisitions	\$ 18,308,998	\$ 16,990,200
Cash from MFA actuarial additions	1,426,374	1,216,643
Cash paid to suppliers and for grants	(6,607,392)	(9,031,145)
Interest grants and other income received	240,908	341,818
	<u>13,368,888</u>	<u>9,517,516</u>
Investing Activities		
Change in MFA cash reserves	<u>(28,745)</u>	<u>(34,515)</u>
Financing Activities		
Repayment of MFA long term debt	<u>(5,480,935)</u>	<u>(5,271,204)</u>
Change in cash during the year	7,859,208	4,211,797
Cash, beginning of year	<u>15,809,207</u>	<u>11,597,410</u>
Cash, end of year	<u>\$ 23,668,415</u>	<u>\$ 15,809,207</u>

Central Okanagan Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2020

Nature of Business	The Central Okanagan Regional Hospital District ("The District") is responsible for granting aid for the establishment, acquisition, reconstruction, enlargement, operation and maintenance of hospitals and hospital facilities in accordance with the Hospital District Act. The District typically funds a 40% share of projects and major equipment purchases to the Interior Health Authority for projects within the Region.
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 Chartered Professional Accountants of Canada.
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, 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, 2020

1. Cash

Cash is held at a financial institution earning interest at a rate of 1.22% (2019 - 2.25%) 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	2020	2019
Investment funds - Municipal Finance Authority	\$ 3,072,458	\$ 1,545,122	\$ 4,617,580	\$ 4,588,835
	Demand Notes	Cash Deposits	2020	2019
Reserve - Municipal Finance Authority	\$ 3,072,458	\$ -	\$ 3,072,458	\$ 3,072,458

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2020

3. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2020 Net Debt	2019 Net Debt
112	110	2030	1.28%	\$ 43,699,187	\$ 26,080,283	\$ 28,168,987
112	117	2031	3.25%	38,826,220	25,027,816	26,812,228
113	117	2031	3.25%	8,638,211	5,568,288	5,965,291
113	126	2033	3.85%	10,071,396	7,400,073	7,828,023
113	127	2034	3.30%	13,500,000	10,492,916	11,044,490
113	133	2035	2.75%	5,700,000	4,619,151	4,850,444
				\$ 120,435,014	\$ 79,188,528	\$ 84,669,463

Future principal repayments on existing long-term debt:

2021	\$ 5,749,884
2022	5,967,566
2023	6,193,526
2024	6,428,077
2025	6,671,549
Thereafter	48,177,927
	\$ 79,188,528

4. Accumulated Deficit

The accumulated deficit consists of individual funds as follows:

	2020	2019
Unrestricted operating deficit	\$ (65,796,402)	\$ (72,336,591)
Unrestricted surplus reserve	11,638,751	4,985,887
	\$ (54,157,651)	\$ (67,350,704)

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2020

5. Budget

The budget data presented in these financial statements is based upon the 2020 - 2024 Financial Plan Bylaw, approved by the District Board on March 23, 2020 and amended October 8, 2020. 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. 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>2020</u>
Surplus - statement of operations	\$ (414,030)
Adjust for budgeted items not included in statement of operations:	
Prior year surplus cash financing	7,000,000
Principal debt reduction from actuarial earnings	(1,426,374)
Principal portion of debt payments	(4,054,561)
Transfer to accumulated surplus reserve	<u>(1,105,035)</u>
Financial plan Budget	<u>\$ -</u>

Central Okanagan Regional Hospital District

Notes to Financial Statements

December 31, 2020

6. Approved and Planned Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2021 - 2025 and the projects that are planned for the same period:

	Approved		Planned 2021 Funding
	Bylaw Amount: Typically 40% District Share	Funded in Prior Years	
Approved Capital Projects			
Bylaw			
200	\$ 1,688,400	\$ 1,609,404	\$ 78,996
204	224,400	161,924	62,476
211	540,000	196,508	343,492
213	300,000		300,000
214	100,000	92,556	7,444
217	2,039,600	1,312,376	727,224
218	72,000	49,579	22,421
219	39,600	31,310	8,290
221	10,000	3,815	6,185
225	1,812,000	1,432,407	379,593
226	252,000		252,000
228	991,600	671,648	319,952
229	38,000		38,000
230	729,200		729,200
231	312,200		312,200
234	127,000		127,000
237	789,600	785,946	3,654
238	200,000		200,000
239	1,004,800	270,828	733,972
240	582,400		582,400
241	60,000		60,000
242	621,600		621,600
243	598,400		598,400
245	130,000		130,000
246	119,000		119,000
247	123,600		123,600
249/253	4,600,000		4,600,000
250	100,000		100,000
251	120,000		120,000
252	1,200,000		1,200,000
Planned Projects for 2021			
TBD	800,000		800,000
TBD	798,000		798,000
254	200,000		200,000
255	1,316,900		1,316,900
256	2,760,000		2,760,000
257	1,847,000		1,847,000
258	326,000		326,000
259	306,800		306,800
TBD	227,200		227,200
260	119,200		119,200
261	448,800		448,800
262	84,000		84,000
263	1,012,140		1,012,140
	29,771,440	6,618,301	23,153,139

2022-2025 Estimated Projects

\$ 29,782,113