

**OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT**

**Consolidated Financial Statements**

**December 31, 2015**

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Ian S. Kennedy, CPA, CA  
Michael P. Doherty, CPA, CA  
H. Jon Milligan, CPA, CA

Chris D. Browne, CPA, CA  
Jeff Duguid, CPA, CA  
Marielle J. Brûlé, CPA, CA

Peter MacIntosh, CPA, CA  
Darrell Swetlishoff, CPA, CA  
Aaron Dodsworth, CPA, CA  
Jodi Hansen, CPA, CA

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of the Okanagan-Similkameen Regional Hospital District

We have audited the accompanying financial statements of Okanagan- Similkameen Regional Hospital District, which comprise the statement of financial position as at December 31, 2015, and the statement of operations, net financial assets 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 principles, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation 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 overall 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.

Independent Auditors' Report to the Chairman and Directors of Okanagan-Similkameen Regional  
Hospital District (continued)

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Okanagan-Similkameen Regional Hospital District as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector accounting principles.

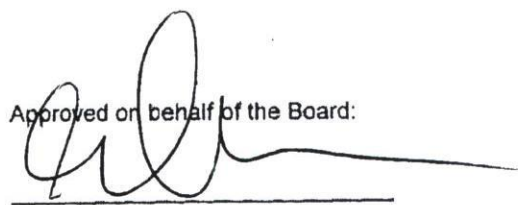
Penticton, British Columbia  
September 15, 2016

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT**  
**Statement of Financial Position**  
**December 31, 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	4,080,501	4,182,684
Municipal Finance Authority deposits (Note 3)	106,382	187,882
Accounts receivable (Note 4)	100,408	1,400,855
Portfolio investments	36,614,921	30,853,067
	<b>40,902,212</b>	<b>36,624,488</b>
<b>FINANCIAL LIABILITIES</b>		
Municipal Finance Authority debt reserve (Note 3)	106,382	187,882
Accounts payable and accrued liabilities (Note 5)	1,048,547	947,565
Debenture debt (Note 6) (Schedule 1)	734,969	950,364
	<b>1,889,898</b>	<b>2,085,811</b>
<b>NET FINANCIAL ASSETS</b>	<b>39,012,314</b>	<b>34,538,677</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 7)	93,000	93,000
<b>ACCUMULATED SURPLUS</b>	<b>39,105,314</b>	<b>34,631,677</b>
<b>REPRESENTED BY:</b>		
Equity in tangible capital assets	93,000	93,000
Restricted surplus (Note 8)	39,747,285	35,489,041
Unrestricted deficit	(734,971)	(950,364)
	<b>39,105,314</b>	<b>34,631,677</b>

Approved on behalf of the Board:



See the accompanying notes to the financial statements



**OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT**

**Statement of Operations**

**Year Ended December 31, 2015**

	<b>Actual 2015</b>	<b>Budget 2015</b>	<b>Actual 2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>			
Tax requisitions	5,551,962	5,551,960	5,255,104
Interest income	802,720	255,000	966,582
MFA debt surplus	521,333	-	-
Actuarial earnings	121,451	-	111,511
Grants in lieu of taxes	62,117	25,000	28,705
	<b>7,059,583</b>	<b>5,831,960</b>	<b>6,361,902</b>
<b>EXPENSES</b>			
Capital projects	1,940,631	11,436,360	1,576,648
Grant to Okanagan-Similkameen Health Region	435,000	435,000	395,500
Interest on debentures	150,676	170,000	167,185
Administrative overhead	53,989	94,600	69,872
Professional fees	5,650	6,000	5,050
	<b>2,585,946</b>	<b>12,141,960</b>	<b>2,214,255</b>
<b>EXCESS FOR THE YEAR</b>	<b>4,473,637</b>	<b>(6,310,000)</b>	<b>4,147,647</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>34,631,677</b>	<b>34,631,677</b>	<b>30,484,030</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>39,105,314</b>	<b>28,321,677</b>	<b>34,631,677</b>

See the accompanying notes to the financial statements

**OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT**

**Statement of Net Financial Assets**

**Year Ended December 31, 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>4,473,637</b>	<b>4,147,647</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF THE YEAR</b>	<b>34,538,677</b>	<b>30,391,030</b>
<b>NET FINANCIAL ASSETS, END OF THE YEAR</b>	<b>39,012,314</b>	<b>34,538,677</b>

See the accompanying notes to the financial statements

**OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT****Statement of Cash Flows****Year Ended December 31, 2015**

	2015	2014
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	4,473,637	4,147,647
Change in non-cash operating assets and liabilities:		
Accounts receivable	1,300,446	(1,387,105)
Accounts payable and accrued liabilities	100,982	437,020
	<u>5,875,065</u>	<u>3,197,562</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of debenture debt	(93,944)	(93,944)
Reduction of debenture debt by actuarial adjustments	(121,451)	(111,511)
	<u>(215,395)</u>	<u>(205,455)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Net increase in portfolio investments	<u>(5,761,853)</u>	<u>(6,714,877)</u>
<b>NET DECREASE IN CASH</b>	<b>(102,183)</b>	<b>(3,722,770)</b>
<b>CASH, beginning of year</b>	<u><b>4,182,684</b></u>	<u><b>7,905,454</b></u>
<b>CASH, end of year</b>	<u><b>4,080,501</b></u>	<u><b>4,182,684</b></u>

See the accompanying notes to the financial statements

# OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2015

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### General

The Okanagan-Similkameen Regional Hospital District (Regional Hospital District) is a governing agency of the hospitals in the Okanagan and Similkameen Health region and is incorporated under the Hospitals District Act. Its principal activities include financing capital construction projects and capital equipment purchases for health care facilities within the Okanagan-Similkameen Health Region.

### Basis of Presentation

The Regional Hospital District's accounting policy is to follow Canadian Public Sector accounting principles for British Columbia Regional Hospital Districts as prescribed by the Public Sector Accounting Board (PSAB), and to apply such principles consistently.

### 1. Summary of Significant Accounting Policies

#### PORTFOLIO INVESTMENTS

Portfolio investments consist of both Municipal Finance Authority of British Columbia (MFABC) and Valley First Credit Union short term bonds and money market instruments. These investments are carried at cost, which approximates market value.

#### DEBENTURE DEBT CHARGES

Debt charges are recorded as a reduction of debenture debt in the period in which they are paid. In accordance with PSAB, the Regional Hospital District has accrued interest charges from the dates of the last payment to the end of the fiscal year.

#### NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Such non-financial assets include tangible capital assets.

#### TANGIBLE CAPITAL ASSETS

Tangible capital assets are the physical assets owned by the Regional Hospital District and are stated at cost less accumulated amortization. Donated tangible capital assets are reported at fair market value at the time of the donation.

Tangible capital assets are amortized over their estimated useful lives on a straight-line basis using cost, less any salvage value. No assets are being amortized in the current period.

#### REVENUE RECOGNITION

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

Grants and interest income are recognized on an accrual basis when they are earned.

MFA debt surplus and actuarial earnings are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.



# OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2015

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### 1. Summary of Significant Accounting Policies (Continued)

#### CAPITAL PROJECT EXPENSES

The Regional Hospital District has no claim on the assets purchased as part of capital project expenses and, as such, has adopted the policy of expensing these amounts. The debenture debt interest expense associated with these capital projects is considered to be a normal part of operations.

#### GRANTS TO OKANAGAN-SIMILKAMEEN HEALTH REGION

Capital grants are recorded in the accounts when approved to the extent that qualifying expenses are incurred. It is the Regional Hospital District's policy to expense the grant amounts when paid, as there is no claim of ownership on the assets purchased with these funds.

#### FINANCIAL INSTRUMENTS

The Regional Hospital District's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, and debenture debt. Unless otherwise noted, it is management's opinion that the Regional Hospital District is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

#### BUDGET FIGURES

The budget figures are from the Annual Budget Bylaw that is adopted annually. Subsequent amendments, if any, have been made by the Board to reflect changes in the budget as required by law.

#### MANAGEMENT ESTIMATES

The preparation of financial statements in accordance with Canadian Public Sector accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### 2. Cash

The Regional Hospital District has a line of credit with Valley First Credit Union in the amount of \$500,000, bearing interest at prime rate, currently 2.70%, which is due on demand, and secured by a general security agreement. At year end, the line of credit was unutilized.

# OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2015

### 3. Municipal Finance Authority Deposits

The Regional Hospital 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 Regional Hospital District also executes demand notes in connection with each debenture, whereby the Regional Hospital District may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not reflected in the accounts.

The details of the cash deposits and demand notes at the year end are as follows:

	2015	2014
	\$	\$
Demand Notes	70,211	124,862
Cash Deposits	36,171	63,020
	<b>106,382</b>	<b>187,882</b>

### 4. Accounts Receivable

	2015	2014
	\$	\$
Federal government grant-in-lieu of taxes	7,168	6,920
Provincial government grant in lieu of taxes	4,166	4,044
Regional government grant in lieu of taxes	65,092	62,677
Due from Regional District of Okanagan-Similkameen	-	1,327,214
The Corporation for the City of Penticton grant in lieu of taxes	11,840	-
MFA Debt Interest Accrual (net of actuarial earnings)	12,142	-
	<b>100,408</b>	<b>1,400,855</b>

### 5. Accounts Payable and Accrued Liabilities

	2015	2014
	\$	\$
Regional government payables	1,027,415	939,065
Due to Regional District of Okanagan-Similkameen	13,632	-
Trade payables	5,000	4,500
Wages payable	2,500	4,000
	<b>1,048,547</b>	<b>947,565</b>

# OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2015

### 6. Debenture Debt

The Okanagan-Similkameen Regional Hospital District obtains debenture debt through the Municipal Finance Authority to finance capital projects. Financing is secured by deposits and claims against specific property. The maturity dates and interest rates of the debenture debt vary and depend on the date of issue of the debt instrument. Debenture debt is comprised of numerous issues as detailed on the attached Schedule 1 - Debenture Debt. The minimum principal repayments over the next five years are estimated as follows:

	\$
2016	62,183
2017	60,037
2018	60,037
2019	60,037
2020	60,037
Subsequent	432,638
	<u>734,969</u>

The financing for Regional Hospital Districts capital projects is the responsibility of the Municipal Finance Authority. All debt servicing is recorded net of the provincial grant portions.

### 7. Tangible Capital Assets

Tangible capital assets consist of land only and as such there are no assets subject to amortization.

### 8. Restricted Surplus

The Section 20(4) contingency reserve fund represents an appropriation of surplus for specific purposes which are established and approved by the Board.

	2015	2014
	\$	\$
Appropriation of surplus for capital health requests	39,450,111	35,199,029
Reserved for South Similkameen Health Centre	297,174	290,012
	<u>39,747,285</u>	<u>35,489,041</u>

### 9. Budget Figures

Canadian Public Sector accounting principles require budget amounts be reported on the Statement of Operations for comparative purposes.

	2015 Budget
	\$
Budget reconciliation	
Excess of revenue over expenses	(6,310,000)
Transfer from reserve	10,355,000
Transfer to reserve	(3,950,000)
Debt principal repayments	(95,000)
Budget balanced	<u>-</u>



OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

Schedule 1 - Debenture Debt

Year Ended December 31, 2015

	MFA Issue #	Security Issue By-law	Maturity Date	Rate	Original Issue	2015 Net Debt	2014 Net Debt
					\$	\$	\$
South Similkameen Health Centre	73	131	2020	2.10%	749,010	<b>256,965</b>	301,914
South Similkameen Health Centre	74	131	2021	3.05%	803,472	<b>327,243</b>	373,063
South Similkameen Health Centre	75	131	2021	3.05%	355,569	<b>144,818</b>	165,095
South Similkameen Health Centre	77	131	2022	3.05%	5,170	<b>2,400</b>	2,681
Penticton Health Centre	511	120	2015	7.25%	1,477,024	-	100,582
SGH - Fire sprinkler	624	109	2016	7.875%	57,075	<b>3,541</b>	7,029
					<b>3,447,320</b>	<b>734,969</b>	950,364