

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

Consolidated Financial Statements

December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Chairman and Directors of the Okanagan-Similkameen Regional Hospital District

We have audited the accompanying financial statements of Okanagan-Similkameen Regional Hospital District, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of financial activities, 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 generally accepted 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 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 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 consolidated financial position of Okanagan-Similkameen Regional Hospital District as at December 31, 2011, and the results of its consolidated operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Penticton, British Columbia
July 19, 2012

CHARTERED ACCOUNTANTS

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Consolidated Statement Of Financial Position
December 31, 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
FINANCIAL ASSETS		
Cash	2,779,437	3,682,591
Accounts receivable (Note 2)	3,211,341	25,112
Investments	17,631,537	16,996,209
	<u>23,622,315</u>	<u>20,703,912</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	316,692	195,984
Debenture debt (Note 4) (Schedule)	1,712,654	2,235,055
	<u>2,029,346</u>	<u>2,431,039</u>
NET FINANCIAL ASSETS	21,592,969	18,272,873
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	<u>93,000</u>	<u>93,000</u>
ACCUMULATED SURPLUS	21,685,969	18,365,873
REPRESENTED BY:		
Equity in tangible capital assets	93,000	93,000
Restricted surplus (Note 6)	23,305,623	20,507,928
Unrestricted deficit	<u>(1,712,654)</u>	<u>(2,235,055)</u>
	<u>21,685,969</u>	<u>18,365,873</u>

Approved on behalf of the Board:

See the accompanying notes to the financial statements

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Consolidated Statement Of Financial Activities
Year Ended December 31, 2011

	Actual 2011	Budget 2011 (unaudited)	Actual 2010
	\$	\$	\$
REVENUES			
Tax requisitions	4,660,000	4,660,000	4,611,080
Interest income	677,266	252,500	310,436
MFA debt surplus	328,839	-	56,300
Actuarial earnings	259,006	-	254,447
Grants in lieu of taxes	33,929	25,000	35,085
Rental income (net)	-	-	668
	<u>5,959,040</u>	<u>4,937,500</u>	<u>5,268,016</u>
EXPENSES			
Capital projects	1,686,744	3,035,000	443,155
Interest on debentures	474,507	505,000	563,480
Grant to Okanagan-Similkameen Health Region	402,400	402,400	426,000
Administrative overhead	70,612	71,460	78,087
Professional fees	4,681	6,000	5,500
Loss on disposal of tangible capital assets	-	-	11,825
	<u>2,638,944</u>	<u>4,019,860</u>	<u>1,528,047</u>
EXCESS FOR THE YEAR	3,320,096	917,640	3,739,969
ACCUMULATED SURPLUS, beginning of year	18,365,873	-	14,625,904
ACCUMULATED SURPLUS, end of year	21,685,969	-	18,365,873

See the accompanying notes to the financial statements

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Consolidated Statement Of Net Financial Assets
Year Ended December 31, 2011

	2011	2010
	\$	\$
EXCESS OF REVENUE OVER EXPENSES	3,320,096	3,739,969
Proceeds from disposal of tangible capital assets	-	2,735
Loss on disposal of tangible capital assets	-	11,825
INCREASE IN NET FINANCIAL ASSETS	3,320,096	3,754,529
NET FINANCIAL ASSETS, BEGINNING OF THE YEAR	18,272,873	14,518,344
NET FINANCIAL ASSETS, END OF THE YEAR	21,592,969	18,272,873

See the accompanying notes to the financial statements

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Consolidated Statement Of Cash Flows
Year Ended December 31, 2011

	2011	2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	3,320,096	3,739,969
Non-cash items within excess of revenue over expenses:		
Loss on disposal of tangible capital assets	-	11,825
	<u>3,320,096</u>	<u>3,751,794</u>
Change in non-cash operating assets and liabilities:		
Accounts receivable	(3,186,229)	(15,484)
Accounts payable	120,708	(242,627)
	<u>254,575</u>	<u>3,493,683</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of debenture debt	(263,395)	(297,314)
Reduction of debenture debt by actuary	(259,006)	(254,447)
Proceeds on disposal of tangible capital assets	-	2,735
	<u>(522,401)</u>	<u>(549,026)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Net (increase) decrease in investment portfolio	<u>(635,328)</u>	<u>(5,289,463)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(903,154)	(2,344,806)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,682,591</u>	<u>6,027,397</u>
CASH AND CASH EQUIVALENTS, end of year	<u>2,779,437</u>	<u>3,682,591</u>

See the accompanying notes to the financial statements

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

Notes To Consolidated Financial Statements

Year Ended December 31, 2011

General

The function of the Regional Hospital District is to assist in funding hospitals and hospital facilities within the Okanagan-Similkameen Health Region.

Basis of presentation

The Regional Hospital District's accounting policy is to follow Canadian generally accepted 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

INVESTMENTS

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

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.

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.

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.

REVENUE RECOGNITION

Revenues are recognized in the period in which the transactions or events occurred and gave rise to the revenues. Revenue from tax requisitions is recognized when received from the Province and Municipalities. Grant revenue is recognized when funding becomes receivable.

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.

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Notes To Consolidated Financial Statements
Year Ended December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

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 generally accepted 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. Accounts Receivable

	<u>2011</u>	<u>2010</u>
	\$	\$
Due from Regional District of Okanagan-Similkameen	3,189,032	-
The Corporation of the District of Summerland - grant in lieu of taxes	11,336	11,109
Province of British Columbia - grant in lieu of taxes	9,708	9,844
Town of Oliver - grant in lieu of taxes	1,265	1,330
City of Penticton - 2011 Grant-in-Lieu	-	2,806
The Corporation of the Village of Keremeos - 2010 Tax Requisition	-	23
	<u>3,211,341</u>	<u>25,112</u>

3. Accounts Payable and Accrued Liabilities

	<u>2011</u>	<u>2010</u>
	\$	\$
Capital improvement projects	289,422	132,129
Debt servicing - accrued interest	17,219	10,303
Wages payable	5,350	5,350
Audit fee	4,500	4,500
Penticton Indian Band - 2010 Tax Requisition adjustment	201	-
Due to Regional District of Okanagan-Similkameen	-	43,702
	<u>316,692</u>	<u>195,984</u>

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

Notes To Consolidated Financial Statements

Year Ended December 31, 2011

4. Debenture Debt

The 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 of Debenture Debt. The minimum principal repayments over the next five years are estimated as follows:

	\$
2012	148,915
2013	109,620
2014	93,943
2015	93,943
2016	62,183
Subsequent	<u>1,204,050</u>
	<u>1,712,654</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.

5. Tangible capital assets

	Land	Buildings	2011	2010
	\$	\$	\$	\$
COST:				
Balance, beginning of year	93,000	-	93,000	135,000
Disposals	-	-	-	<u>(42,000)</u>
Balance, end of year	<u>93,000</u>	-	<u>93,000</u>	<u>93,000</u>
ACCUMULATED AMORTIZATION:				
Balance, beginning of year	-	-	-	27,440
Disposals	-	-	-	<u>(27,440)</u>
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>93,000</u>	-	<u>93,000</u>	<u>93,000</u>

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Notes To Consolidated Financial Statements
Year Ended December 31, 2011

6. Section 20(4) Reserve Fund

This contingency fund represents an appropriation of surplus for specific purposes, which are approved by the Board.

	2011	2010
	\$	\$
Appropriation of surplus for capital health requests	23,035,513	20,247,551
Reserved for South Similkameen Health Centre	<u>270,110</u>	<u>260,377</u>
	<u>23,305,623</u>	<u>20,507,928</u>

7. Budget figures

Canadian generally accepted accounting principles require budget amounts to be reported on the consolidated statement of financial activities for comparative purposes. The 2011 budget amounts for the Regional Hospital District have been restated to conform to the current year basis of presentation for revenues and expenses. The restated budget amounts presented on the consolidated statement of financial activities are reconciled to the budget approved by the board as follows:

	2011 Budget (Unaudited)
	\$
<u>Budget reconciliation</u>	
Excess of revenue over expenses	917,640
Transfer to reserve	(652,640)
Debt - principal repayments	<u>(265,000)</u>
Budget balanced for 2011	<u>-</u>

OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT
Schedule of Debenture Debt
Year Ended December 31, 2011

	MFA Issue #	Security Issue bylaw	Maturity Date	2011	2010
				\$	\$
South Similkameen Health Centre	73	131	2020	425,475	463,167
PRH - Chiller optimization	74	128	2011	-	408
SOGH - Acute bathroom retrofit	74	129	2011	-	18,454
South Similkameen Health Centre	74	131	2021	497,841	535,537
SOGH - Acute bathroom retrofit	75	129	2011	-	3,132
South Similkameen Health Centre	75	131	2021	220,315	236,997
Capital improvement projects	75	136	2011	-	63,797
Capital improvement projects	75	137	2011	-	20,910
South Similkameen Health Centre	77	131	2022	3,446	3,677
Capital improvement projects	77	137	2012	2,261	4,415
Penticton Health Centre	511	120	2015	374,491	457,239
PRH - ECU/Psych upgrade	519	102	2011	-	33,044
PRH - ECU expansion planning	533	98	2011	-	35,509
PRH - ECU/Psych upgrade	534	102	2011	-	17,708
PRH - ECU/Psych upgrade	535	102	2011	-	23,929
SGH - Fire sprinkler	613	109	2013	3,474	5,087
PRH - ECU expansion planning	615	102	2012	87,077	170,008
PRH - ECU/Psych upgrade	616	102	2012	5,758	11,241
PRH - Services expansion	619	91	2013	75,347	110,352
SGH - Fire sprinkler	624	109	2016	17,169	20,444
				1,712,654	2,235,055