

**North Okanagan Columbia Shuswap
Regional Hospital District
Client Information Package
For the Year Ended December 31, 2024**

Contact Information

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**North Okanagan
Columbia Shuswap
Regional Hospital District
Financial Statements
For the year ended December 31, 2024**

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Management's Responsibility for Financial Reporting

The accompanying financial statements of North Okanagan Columbia Shuswap Regional Hospital District (the "Regional Hospital District") are the responsibility of management and have been approved by the Chief Financial Officer and Chief Administrative Officer on behalf of the Board of Directors (the "Board").

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 judgments. 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.

The 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 Regional Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Chief Financial Officer, the Chief Administrative Officer and the Board are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Chief Financial Officer, the Chief Administrative Officer and the Board members meet 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 its responsibilities, and to review the financial statements and the external independent 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 auditor's report expresses its opinion on these financial statements. The auditors have full and free access to the accounting records and to the Chief Financial Officer, the Chief Administrative Officer and the Board.

Chief Financial Officer

Chief Administrative Officer



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Independent Auditor's Report

To the Directors of North Okanagan Columbia Shuswap Regional Hospital District

Opinion

We have audited the financial statements of North Okanagan Columbia Shuswap Regional Hospital District (the "Regional Hospital District"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations, change in net debt and accumulated deficit 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 Regional Hospital District as at December 31, 2024, and its results of operations, its change in net debt, and its 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 Regional Hospital 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 Regional Hospital 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 Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Hospital 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 Regional Hospital 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 Regional Hospital 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 Regional Hospital 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

Salmon Arm, British Columbia
March 25, 2025

North Okanagan Columbia Shuswap Regional Hospital District

Statement of Financial Position

December 31	2024	2023
Financial assets		
Cash	\$ 9,913,068	\$ 1,278,318
Investment funds - MFA (Note 1)	21,233,535	24,267,040
Accounts receivable	22,522	22,953
Due from member municipalities	484,337	359,797
Deposit and demand notes - MFA (Note 2)	3,216,695	3,174,638
	<u>34,870,157</u>	<u>29,102,747</u>
Liabilities		
Accounts payable	252,220	282,797
Accrued MFA interest payable	484,337	359,797
MFA debt reserve (Note 2)	3,216,695	3,174,638
Temporary borrowing (Note 5)	-	720,000
Long-term debt (Note 6)	48,503,067	52,175,950
	<u>52,456,319</u>	<u>56,713,183</u>
Net debt and accumulated deficit	<u>\$ (17,586,162)</u>	<u>\$ (27,610,437)</u>

Treasurer

North Okanagan Columbia Shuswap Regional Hospital District

Statement of Operations

For the year ended December 31	2024	2023
Revenue	Actual	Actual
Requisition on member municipalities		
City of Armstrong	\$ 376,500	\$ 374,658
City of Revelstoke	1,061,499	963,243
City of Salmon Arm	1,615,296	1,605,781
District of Sicamous	358,817	350,413
City of Enderby	199,825	196,145
City of Vernon	4,272,730	4,192,894
District of Coldstream	1,073,407	1,037,958
Township of Spallumcheen	474,384	456,533
Village of Lumby	153,355	145,147
Electoral Areas	3,441,258	3,453,069
Little Shuswap Indian Band	66,758	64,252
Adams Lake Indian Band	23,801	22,907
	13,117,629	12,863,000
Payments in lieu of taxes	26,743	27,825
Debt reserve fund refund	-	19,336
Interest	1,271,944	1,089,592
Actuarial adjustments on MFA debt	1,240,327	1,166,199
	15,656,643	15,165,952
Expenses		
Administration	75,600	72,000
Audit	12,840	4,708
Director's remuneration	12,360	10,230
Director's travel	1,706	1,350
Project - Vernon Jubilee Hospital	146,878	96,388
Project - Shuswap Lake Hospital	161,431	273,399
Project - Queen Victoria Hospital	188,347	9,709
Project - Regional	1,499,313	1,403,436
Equipment - Vernon Jubilee Hospital	38,768	303,348
Equipment - Shuswap Lake Hospital	68,933	686,682
Equipment - Queen Victoria Hospital	-	38,252
Equipment - Regional	1,129,161	953,925
Interest on short-term debt	14,662	37,556
Interest on long-term debt	1,564,907	1,588,532
Staff travel	463	-
Section 20-2 funding - Interior Health Authority	717,000	665,500
	5,632,368	6,145,015
Annual surplus	\$ 10,024,275	\$ 9,020,937

North Okanagan Columbia Shuswap Regional Hospital District

Statement of Change in Net Debt and Accumulated Deficit

For the year ended December 31	2024	2024	2023
	Budget (Note 3)	Actual	Actual
Annual surplus	\$ (6,985,359)	\$ 10,024,275	\$ 9,020,937
Net debt and accumulated deficit, beginning of year	(27,610,437)	(27,610,437)	(36,631,374)
Net debt and accumulated deficit, end of year	\$ (34,595,796)	\$ (17,586,162)	\$ (27,610,437)

Net debt and accumulated deficit represented by:

Cash and investments funds - MFA	\$ 31,146,604	\$ 25,545,358
Other current fund	(229,699)	(259,844)
Short term debt recoverable from future taxation (Note 5)	-	(720,000)
Long-term Debt recoverable from future taxation (Note 6)	(48,503,067)	(52,175,950)
Net debt and accumulated deficit, end of year	\$ (17,586,162)	\$ (27,610,437)

North Okanagan Columbia Shuswap Regional Hospital District

Statement of Cash Flows

For the year ended December 31

2024

2023

Operating

Annual surplus	\$ 10,024,275	\$ 9,020,937
Decrease in accounts receivable	432	1,800
Decrease in due from member municipalities	(124,540)	10,874
Increase in accounts payable	(30,578)	203,786
Decrease in accrued interest on long-term debt	124,540	(10,873)

	9,994,129	9,226,524
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Investing

Increase in investment funds	3,033,505	(5,892,828)
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Financing

Long-term debt retirement	(3,672,884)	(3,723,693)
Short-term debt retirement	(720,000)	-

	(4,392,884)	(3,723,693)
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Net change in cash

	8,634,750	(389,997)
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Opening cash

	1,278,317	1,668,315
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Closing cash

	\$ 9,913,068	\$ 1,278,317
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North Okanagan Columbia Shuswap Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2024

Government Reporting Entity

The North Okanagan Columbia Shuswap Regional Hospital District ("Regional Hospital District") was incorporated January 1, 1996 by Letters Patent and operates under the authority of the Hospital District Act of British Columbia. Its principal activities are to finance capital construction projects and capital equipment purchases for designated health care facilities within the Regional Hospital District. These activities are funded through current property taxes, property tax revenues set aside as reserves and long-term debt. As a public body performing the function of a government in Canada, the Regional Hospital District is exempt from income tax under the Income Tax Act (Canada).

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 Chartered Professional Accountants of Canada and include all funds belonging to the economic entity of the Regional Hospital District.

Tax Requisitions

Each municipality and electoral area within the Regional Hospital District is requisitioned for their portion of the Regional Hospital District service. These funds are then levied by the municipalities and the Province (for electoral areas) to individual taxpayers and turned over to the Regional Hospital District by August 1 of each year. Tax requisition revenues are recognized in the year in which they are levied.

MFA Debt Reserve

The Municipal Finance Authority ("MFA") requires a cash contribution of 1% of the face value of debt when issued. 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.

North Okanagan Columbia Shuswap Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2024

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, and accounts payable are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

North Okanagan Columbia Shuswap Regional Hospital District

Notes to Financial Statements

December 31, 2024

1. Investment Funds

The investments totalling \$21,233,535 (2023 - \$24,267,040) are held in MFA under the name of the Columbia Shuswap Regional District. They are invested in money market funds; as such, fair market value is equal to carrying value. The 2024 annual rate of return was 4.83% (2023 - 5.07%).

2. MFA Debt Reserve Deposits and Demand Notes

The MFA 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, 2024, the cash balance in the debt reserve fund was \$1,249,792 (2023 - \$1,207,736). The Regional Hospital District also excludes demand notes in connection with each debenture totalling \$1,966,902 (2023 - \$1,966,902) whereby the Regional Hospital District may be required to loan certain amounts to MFA.

3. Budget

The scope of the financial activity reported in the Statement of Operations is not the same as that reported in the Annual Budget. For comparative purposes, actual financial activities have been summarized below in the same manner as was budgeted.

	2024 Actual	2024 Budget
Revenue		
Tax requisition total	\$ 13,027,071	\$ 13,027,071
Other revenue - Agreement - Indian Bands	90,558	88,903
Payments in lieu of taxes	26,743	25,000
Debt Reserve Fund refund	-	-
Interest	1,271,944	300,000
Actuarial adjustment on MFA debt	1,240,327	1,240,327
	15,656,643	14,681,301
Expenses		
Debt		
Debtenture debt - interest and expenses	1,564,907	1,564,907
MFA Debt Reserve fund and expenses	-	14,000
Interim borrowing interest	14,662	42,000
Administration Expenditures	102,968	95,100
Capital Expenditures		
Capital Projects	50,119	5,448,870
Capital Equipment	128,028	1,276,540
Maintenance and equipment < \$ 100,000	717,000	717,000
Capital Equip/Projects - carried forward from prior year	3,054,684	12,508,243
	5,632,368	21,666,660
Annual Surplus	10,024,275	(6,985,359)
Plus:		
Transfer (to) from accumulated deficit	(5,297,246)	9,353,141
Proceeds from issue of debt	-	1,305,102
Debtenture debt - principal	2,432,557	(2,432,557)
Less:		
Actuarial adjustment	(1,240,327)	(1,240,327)
Financial Plan Balance	\$ 5,919,259	\$ -

North Okanagan Columbia Shuswap Regional Hospital District
Notes to Financial Statements

December 31, 2024

4. Commitments

- a) The Regional Hospital District has committed to the following expenditures which have been approved by the Interior Health Authority and the Board and are to be financed from reserve funds:

		Total	Unexpended
Vernon Jubilee Hospital	Ortho Templating Software for Surgical Efficiency	\$ 29,600	\$ 5,952
	Medstations, IH Wife Pyxis Replacement, Phase 4	1,175,600	230,087
	North Tower Electrical Primary Distribution - Planning	30,000	19,135
	Inpatient Psychiatry Redesign - Concept Plan	280,000	192,139
	Remote Patient Observation System (Telesitter)	114,000	114,000
	Meal Delivery System	572,000	245,524
	Autopsy Suite Upgrade	2,200,000	2,113,998
	Medstation - Additional	38,800	38,800
	Cooler and Freezer upgrades	591,600	555,708
	MHSU Business Plan	320,000	320,000
	Secure Room Safety Upgrade	207,200	207,200
	Domestic Hot Water	94,500	69,624
	MRI Scan Suite Humidity	39,600	39,600
	Equipment Management System	777,100	750,015
	Cart Washer	136,000	7,972
	Heat Recovery Chiller	2,012,160	2,012,160
	Second Secure Room	415,530	415,530
	Monitoring System, Physiological	385,440	385,440
Shuswap Lake Hospital (Salmon Arm)	Inpatient Care Services - Planning	400,000	202,329
	Physiological Monitoring System (add'l funding)	16,000	2,955
	Hot Water Loop Upgrade	184,100	92,054
	MDR Storage Upgrades	34,000	34,000
	Medstations, Additional	79,200	10,267
	Steam Sterilizer	76,800	76,800
	High Acuity Unit/Critical Care Unit	100,000	100,000
	Medical Air Distribution System	30,000	30,000
	Medstations, Additional	35,200	35,200
Queen Victoria Hospital (Revelstoke)	Access Control Enhancement	30,000	30,000
	Security Camera Upgrade (Mount Cartier Court)	29,600	29,600
	Chiller Replacement	429,600	241,253
	OR Lights	343,600	343,600
Regional	IH Wide IMIT 19/20	643,200	84,533
	Laboratory Middleware (additional funding)	156,400	81,129
	Generator Replacement	480,000	130,273
	IH Wide IMIT 20/21	646,100	100,872
	Generator & Switchgear Replacement	380,000	37,302
	Long-term Care Facility - Business Plan	160,000	160,000
	IH Wide IMIT 21/22	853,900	285,942
	Chiller Replacement (add'l funding)	115,600	36,265
	Air Handling Unit	34,000	9,236
	Loading Dock Upgrade	32,000	978
	IH Wide IMIT 22/23	649,700	51,667
	Chiller and Cooling Tower Replacement	438,400	401,625
	Chiller Replacement	200,000	200,000
	Leasehold Improvements (add'l funding)	396,000	21,953
	Boiler Upgrade	306,800	160,071
	Elevator Upgrade	135,400	107,448
	Heat Trace for Gutters	36,000	36,000
	Upgrade to Front Entrance	34,000	4,188
	IH-Wide IMIT 23/24	936,000	88,216
	Generator & Switchgear Replacement (add'l funding)	57,800	57,800
	Primary Care Project	2,000,000	2,000,000
	Generator & Distribution Upgrade	833,380	833,380
	Digital Health - 24/25	855,900	855,900
		\$ 21,587,810	\$ 14,695,720

- b) The Regional Hospital District has committed to the following expenditures which have been approved by the Interior Health Authority and the Board and to be financed through borrowing bylaws at completion of the projects:

		Total	Unexpended
Vernon Jubilee Hospital	Electrical Infrastructure Upgrade - Phase 1 (Bylaw 79)	\$ 1,400,000	\$ 1,305,102

North Okanagan Columbia Shuswap Regional Hospital District

Notes to Financial Statements

December 31, 2024

5. Temporary Borrowing

Capital Expenditure & Borrowing Bylaw	Rate	2024 Net Debt	2023 Net Debt
74	5.62%	\$ -	\$ 720,000

Interest on short-term debt is paid monthly. There are no specific terms of repayment. Interest is a daily variable rate through the MFA. Repayment of short-term debt is either by cash payment at the completion of the project or by conversion to long term debt. The debt was fully repaid April 2024.

6. Long-term Debt

Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	2023 Net Debt	Principal Repayments	Actuarial Adjustment Recognized	2024 Net Debt
32	2029	2.25%	3,822,900	1,474,590	(128,380)	(93,932)	1,252,278
38	2035	1.28%	7,480,000	4,466,596	(200,421)	(105,469)	4,160,706
45/106	2034	2.25%	27,280,235	15,298,082	(655,052)	(479,286)	14,163,744
45/116	2036	1.47%	30,586,554	19,472,930	(819,544)	(388,977)	18,264,410
46	2036	1.47%	10,500,000	6,684,825	(281,340)	(133,531)	6,269,955
58	2033	3.20%	3,383,838	2,417,908	(181,937)	(28,978)	2,206,993
68	2035	1.99%	2,868,687	2,361,018	(165,883)	(10,153)	2,184,981
			\$ 85,922,214	\$ 52,175,952	\$ (2,432,557)	\$ (1,240,327)	\$ 48,503,067

Principal payments, actuarial adjustments and interest obligations for the next five years and thereafter:

Year	Principal	Actuarial Adjustment	Interest
2025	2,432,557	1,371,966	2,140,315
2026	2,432,557	1,508,399	2,140,315
2027	2,432,557	1,649,803	2,140,315
2028	2,432,557	1,796,362	2,140,315
2029	2,432,557	1,948,264	2,140,315
Thereafter	13,907,019	14,158,469	10,917,014
Totals	\$ 26,069,803	\$ 22,433,263	\$ 21,618,589

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.

North Okanagan Columbia Shuswap Regional Hospital District

Notes to Financial Statements

December 31, 2024

7. Financial Instruments

The Hospital District is potentially exposed to credit risk, market and interest rate risk, and liquidity risk from the Hospital District's financial instruments. Qualitative and quantitative analysis of the significant risks from the Hospital District's financial instruments is provided below by type of risk. There has been no changes to the risk exposures from 2023.

Credit Risk

Credit risk primarily arises from the Hospital District's cash and cash equivalents and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

Accounts receivable primarily consist of amounts receivable from government organizations. To reduce the risk, the Hospital District regularly reviews the collectibility of its accounts receivable, and if needed, will establish an allowance based on its best estimate of potentially uncollectable amounts.

Market and Interest Rate Risk

Market risk is the risk that changes in market prices and inputs, such as interest rates, will affect the Hospital District's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

The Hospital District manages market risk by holding cash balances with a top-rated Canadian Schedule I financial institution and the Municipal Finance Authority (MFA). To mitigate interest rate risk and market risk on its portfolio investments, the Hospital District monitors the cash and investment balances regularly and compares interest and investment income earned against market performance.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Hospital District is exposed to interest rate risk through its long-term debt and the value of portfolio investments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk as it manages interest rate risk on its long-term debt by holding all debt through MFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt.

Investments that are subject to interest rate risk are MFA pooled investment funds (see Note 1). The risk is caused by changes in interest rates. As interest rates rise, the fair value of the MFA pooled investment funds notes decrease and, and interest rates fall, the fair value of these investments increase.

Liquidity Risk

Liquidity risk is the risk that the Hospital District will not be able to meet its financial obligations as they become due. This Hospital District manages this risk by continually monitoring the actual and forecasted cash flows from operations, anticipated investing, and financial activities to ensure that its financial obligations are met.