

**North Okanagan  
Columbia Shuswap  
Regional Hospital District  
Financial Statements  
For the year ended December 31, 2017**

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# North Okanagan Columbia Shuswap Regional Hospital District

## Statement of Financial Position

December 31	2017	2016
<b>Financial assets</b>		
Cash	\$ 204,991	\$ 451,853
Investment funds - Municipal Finance Authority (Note 1)	4,359,756	4,329,466
Accounts receivable	17,439	17,295
Due from member municipalities	747,437	750,246
Deposit and demand notes - MFA (Note 2)	2,969,194	2,949,317
	<u>8,298,817</u>	<u>8,498,177</u>
<b>Liabilities</b>		
Accounts payable	298,213	539,703
Accrued MFA interest payable	747,437	750,246
MFA debt reserve (Note 2)	2,969,194	2,949,317
Temporary borrowing (Note 3 and schedule)	3,494,000	3,054,000
Long-term debt (Note 3 and Schedule)	66,141,886	68,906,865
	<u>73,650,730</u>	<u>76,200,131</u>
<b>Net debt and accumulated deficit</b>	<u>\$ (65,351,912)</u>	<u>\$ (67,701,954)</u>

Treasurer

# North Okanagan Columbia Shuswap Regional Hospital District

## Statement of Operations

For the year ended December 31

	2017	2016
	Actual	Actual
<b>Revenue</b>		
Requisition on member municipalities		
City of Armstrong	\$ 218,117	\$ 213,880
City of Revelstoke	469,127	466,403
District of Salmon Arm	992,112	955,004
District of Sicamous	219,160	216,605
City of Enderby	113,224	109,362
City of Vernon	2,630,653	2,531,993
District of Coldstream	641,016	618,040
Township of Spallumcheen	277,912	273,159
Village of Lumby	81,164	80,140
Electoral Areas	2,012,353	1,937,624
Little Shuswap Indian Band	53,625	52,676
Adams Lake Indian Band	19,138	18,800
	<b>7,727,601</b>	<b>7,473,686</b>
Payments in lieu of taxes	17,778	20,696
Debt reserve fund refund	579	-
Interest	37,892	31,429
Actuarial adjustments on MFA debt	569,763	463,417
	<b>8,353,613</b>	<b>7,989,229</b>
<b>Expenses</b>		
Administration	72,000	72,055
Audit	7,208	4,830
Director's remuneration	9,050	5,640
Director's travel	2,957	2,028
Project - Vernon Jubilee Hospital	759,332	802,631
Project - Shuswap Lake Hospital	5,106	131,885
Project - Queen Victoria Hospital	235,431	143,534
Project - Regional	23,270	113,436
Equipment - Vernon Jubilee Hospital	460,091	228,338
Equipment - Shuswap Lake Hospital	158,548	92,130
Equipment - Queen Victoria Hospital	7,836	(800)
Equipment - Regional	267,929	155,563
Interest on short-term debt	52,125	38,265
Interest on long-term debt	3,327,700	3,327,700
Staff travel	289	326
Section 20-2 funding - Interior Health Authority	614,700	605,700
	<b>6,003,572</b>	<b>5,723,260</b>
<b>Annual surplus</b>	<b>\$ 2,350,042</b>	<b>\$ 2,265,969</b>

**North Okanagan Columbia Shuswap Regional Hospital District**  
**Statement of Change in Net Debt and Accumulated Deficit**

<u>For the year ended December 31</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
	Budget	Actual	Actual
Annual surplus	\$ 218,056	\$ <b>2,350,042</b>	\$ 2,265,969
Net debt and accumulated deficit, beginning of year	(67,701,954)	<b>(67,701,954)</b>	(69,967,923)
Net debt and accumulated deficit, end of year	\$ (67,483,898)	\$ <b>(65,351,912)</b>	\$ (67,701,954)
Net debt and accumulated deficit represented by:			
Cash and investments		<b>4,564,747</b>	4,781,319
Other current fund		<b>(280,775)</b>	(522,409)
Debt recoverable from future taxation (Note 3)		<b>(69,635,886)</b>	(71,960,865)
Net debt and accumulated deficit, end of year		\$ <b>(65,351,912)</b>	\$ (67,701,954)

# North Okanagan Columbia Shuswap Regional Hospital District

## Statement of Cash Flows

For the year ended December 31

2017

2016

### Operating

Annual surplus	\$ 2,350,042	\$ 2,265,969
Increase in accounts receivable	(144)	(5,733)
Decrease in due from member municipalities	2,809	-
Decrease in accounts payable	(241,490)	(1,538,953)
Increase in accrued interest on long-term debt	(2,809)	-
	<u>2,108,408</u>	<u>721,283</u>

### Investing

(Increase) decrease in investment funds	<u>(30,290)</u>	<u>73,640</u>
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### Financing

Long-term debt retirement	(2,764,979)	(2,658,634)
Short-term debt issues	<u>440,000</u>	<u>1,888,000</u>
	<u>(2,324,979)</u>	<u>(770,634)</u>

Net change in cash and cash equivalents	(246,861)	24,289
Opening cash and cash equivalents	<u>451,852</u>	<u>427,563</u>
Closing cash and cash equivalents	<u>\$ 204,991</u>	<u>\$ 451,852</u>

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# North Okanagan Columbia Shuswap Regional Hospital District

## Summary of Significant Accounting Policies

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December 31, 2017

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The North Okanagan Columbia Shuswap Regional Hospital District ("Regional Hospital District") is a governing agency for the hospitals in the North Okanagan 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 Regional Hospital 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 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. 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

## Notes to Financial Statements

December 31, 2017

### 1. Investment Funds

The investments totalling \$4,359,756 (2016 - \$4,329,466) are held under the name of the Columbia Shuswap Regional District. They are held with the Municipal Finance Authority and are invested in money market funds; as such, fair market value is equal to carrying value. The 2017 annual rate of return was .97% (2016 - .79%).

### 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, 2017, the cash balance in the debt reserve fund was \$1,039,075 (2016 - \$1,019,199). The Regional Hospital District also excludes demand notes in connection with each debenture totalling \$1,930,118 (2016 - \$1,930,118) whereby the Regional Hospital District may be required to loan certain amounts to MFA.

### 3. Debt Recoverable from Future Taxation

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 will be 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 accumulated amortization figures.

The debt recoverable from future taxation has been calculated as follows:

	2017	2016
Long-term debt:		
Queen Victoria HCC Residential Care Facility	\$ 1,329,843	\$ 1,329,843
Pleasant Valley Manor fire alarm	3,822,900	3,822,900
Shuswap Lake General Hospital Geothermal heat/cooling	651,399	651,399
Vernon Jubilee Hospital Diagnostic/Treatment building (MFA issue 106)	27,280,235	27,280,235
Vernon Jubilee Hospital Diagnostic/Treatment building (MFA issue 116)	30,586,554	30,586,554
Shuswap Lake General Hospital Phase 1 Renovations	7,480,000	7,480,000
Vernon Jubilee Hospital two additional shelled in floors	10,500,000	10,500,000
Vernon Jubilee Hospital Infrastructure Modifications	1,500,000	1,500,000
Less accumulated amortization (Note 4)	(17,009,045)	(14,244,067)
	66,141,886	68,906,864
Short-term debt:		
Vernon Jubilee Hospital (Inpatient Bed Expansion)	3,054,000	3,054,000
Vernon Jubilee Hospital (MRI)	440,000	-
Debt recoverable from taxation	\$ 69,635,886	\$ 71,960,864

# North Okanagan Columbia Shuswap Regional Hospital District

## Notes to Financial Statements

December 31, 2017

### 4. Accumulated Amortization

The accumulated amortization balance has been calculated as follows:

	2017	2016
Balance - beginning of year	\$ 14,244,066	\$ 11,585,433
Principal payments applied in the year	2,195,216	2,195,216
Actuarial adjustments	569,763	463,417
Balance - end of year	<u>\$ 17,009,045</u>	<u>\$ 14,244,066</u>

### 5. 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.

	2017 Actual	2017 Budget
<b>Revenue</b>		
Tax requisition total	\$ 7,654,838	\$ 7,654,838
Other revenue - Agreement - Indian Bands	72,763	71,500
Payments in lieu of taxes	17,778	22,200
Interest	37,892	25,000
Actuarial adjustment on MFA debt	569,763	463,417
	<u>8,353,612</u>	<u>8,236,955</u>
<b>Expenses</b>		
Debt		
Debt - interest and expenses	3,327,700	3,327,700
Interim borrowing interest	52,125	143,275
Administration Expenditures	91,504	87,000
Capital Expenditures		
Capital Projects	638,336	460,000
Capital equipment	242,342	3,694,400
Global Grant < \$ 100,000	614,700	614,700
Capital Equip/Projects - carried forward from prior year	1,036,865	4,047,347
	<u>6,003,572</u>	<u>12,374,422</u>
<b>Annual Surplus</b>	<u>2,350,041</u>	<u>(4,137,467)</u>
<b>plus:</b>		
Transfer (to) from accumulated deficit	(25,062)	1,456,400
Proceeds from issue of debt	440,000	5,339,700
Debt - principal	(2,195,216)	(2,195,216)
<b>less:</b>		
Actuarial adjustment	(569,763)	(463,417)
<b>Financial Plan Balance</b>	<u>\$ (0)</u>	<u>\$ 0</u>



# North Okanagan Columbia Shuswap Regional Hospital District

## Notes to Financial Statements

December 31, 2017

### 6. Commitments

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

		Total	Unexpended
Vernon Jubilee Hospital	Diagnostic Imaging Redesign (planning)	\$ 60,000	\$ 60,000
	Inpatient Psychiatry Redevelopment (planning)	60,000	43,442
	Chemistry Analyzer	58,000	58,000
	Table, Surgery	57,600	57,600
	Chillers in South Tower	480,000	22,626
	Multipurpose System	470,000	32,084
	General Radiographic System	246,800	42,695
	Laser, CO2	78,000	78,000
	HVAC Upgrade	240,000	240,000
	Wireless Infrastructure Expansion	8,000	8,000
	Integrated Chemistry/Immunochemistry Analyzer	70,800	70,800
	Hematology Analyzer	68,000	68,000
Shuswap Lake Hospital (Salmon Arm)	Radiologist Diagnostic Monitor Replacement	17,000	795
	General Radiographic System	218,800	10,796
	C-Arm	106,000	106,000
	Sterilizer - Low Temp VHP	63,600	63,600
Queen Victoria Hospital (Revelstoke)	Replace Isolation Transformers	120,000	16,540
	Wireless Infrastructure Refresh	8,000	164
	Helipad	186,000	61,022
	Video Conferencing Refresh	12,000	12,000
Regional	Various Facilities - Forms on Demand and Patient ID	114,400	11,840
	VJH/SLGH - Medistations, IH Wide Infrastructure	32,000	4,508
	Parkview Place - Vocera Expansion	28,000	1,251
	Pleasant Valley Health Centre - Laser/Retinal Fibre Optic	48,800	48,800
	Parking Lot Upgrades	34,000	10,730
	Corporate Projects over \$100K	273,800	147,549
	Specialized Surgical Services	42,800	24,443
	Corporate Projects under \$100K	138,600	52,614
	Wireless Infrastructure Expansion	16,000	16,000
	Telehealth Expansion	13,300	13,300
	Telehealth Infrastructure Expansion	12,000	252
	Wireless Infrastructure Expansion	6,000	6,000
	Cooler/Freezer, Walk In	54,000	54,000
	Resident Bus	46,800	46,800
		<b>\$ 2,851,800</b>	<b>\$ 1,490,252</b>

- b) The Hospital District has committed to the following expenditure which has been approved by the Interior Health Authority and the Regional Hospital District Board and to be financed through a borrowing bylaw:

		Total	Unexpended
Vernon Jubilee Hospital	- Polson Tower Completion (Bylaw 58)	\$ 5,525,000	\$ 2,320,501
Vernon Jubilee Hospital	- MRI (Bylaw 68)	2,840,000	2,349,912
		<b>\$ 8,365,000</b>	<b>\$ 4,670,413</b>

## North Okanagan Columbia Shuswap Regional Hospital District

### Schedule of Debt

For the year ended December 31,

#### Short-term Debt

Security Issuing Bylaw	Rate	2017 Net Debt	2016 Net Debt
58	1.94%	\$ 3,054,000	\$ 3,054,000
68	1.94%	440,000	\$ -
		<b>3,494,000</b>	<b>\$ 3,054,000</b>

Interest on short-term debt is paid monthly. There are no specific terms of repayment. Interest is a variable rate through the Municipal Finance Authority. Repayment of short-term debt is either by cash payment at the completion of the project or by conversion to long term debt. The interim financing for bylaw 58 will be converted to long term debt in the earliest available debt issue after completion of the project anticipated to be fall 2018. The interim financing for bylaw 68 will be converted to long term debt in the earliest available debt issue after completion of the project anticipated to be spring 2019.

#### Long-term Debt

Security Issuing Bylaw	Maturity Date	Rate	Original Debt Amount	2017 Net Debt	2016 Net Debt
27	2022	4.82%	\$ 1,329,843	\$ 532,472	\$ 626,999
32	2029	4.13%	3,822,900	2,639,981	2,808,920
38	2035	3.73%	7,480,000	6,061,391	6,288,655
43	2019	4.13%	651,399	151,475	222,872
45/106	2034	4.13%	27,280,235	21,244,438	22,106,442
45/116	2036	4.20%	30,586,554	25,715,010	26,608,573
46	2036	3.25%	10,500,000	8,827,657	9,134,406
44	2023	3.15%	1,500,000	969,462	1,109,998
			<b>\$ 83,150,931</b>	<b>\$ 66,141,886</b>	<b>\$ 68,906,865</b>

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

Year	Principal & Actuarial Adj	Interest
2018	2,875,578	3,327,700
2019	2,990,601	3,327,700
2020	3,029,913	3,300,797
2021	3,151,110	3,300,797
2022	3,277,154	3,300,797
Thereafter	50,817,531	40,396,038
<b>Totals</b>	<b>\$ 66,141,886</b>	<b>\$ 56,953,830</b>

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.