

2022 Thompson Regional Hospital District

Financial Statements



Thompson Regional Hospital District
Financial Statements
For the year ended December 31, 2022

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Thompson Regional Hospital District (the "Hospital District") are the responsibility of management and have been approved by the Board of Directors of the Hospital District.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. 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 Thompson Regional Hospital District maintains systems of internal accounting and administrative controls of reasonable quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Thompson Regional Hospital District 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 of Directors review the Hospital District's financial statements and recommend their approval. The Board of Directors meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Board of Directors take this information into consideration when approving the financial statements for issuance to the taxpayers. The Board of Directors also appoint the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards. BDO Canada LLP has full access to the Board and management.

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Chief Financial Officer

Independent Auditor's Report

To the Members of the Board of Director of the Thompson Regional Hospital District

Opinion

We have audited the financial statements of the Thompson Regional Hospital District (the "Hospital District"), which comprise the statement of financial position as at December 31, 2022, and the statement of change in net financial debt, statement of operations, and statement of 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 Hospital District as at December 31, 2022, and its results of operations, changes in net financial 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 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.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on June 16, 2022.

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 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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

Kamloops, British Columbia
June 16, 2023

Thompson Regional Hospital District

Statement of Financial Position

As at December 31 2022 2021

Financial assets

Cash and cash equivalents (Note 2)	\$59,958,538	\$ 62,204,606
Accounts receivable	88,948	88,494
Debt reserve fund	1,408,825	1,378,046
	<u>61,456,311</u>	<u>63,671,146</u>

Liabilities

Accounts payable and accrued liabilities (Note 5)	9,755,114	1,819,871
Long-term debt (Note 3)	108,566,285	113,847,990
	<u>118,321,399</u>	<u>115,667,861</u>

Net debt

(56,865,088) (51,996,715)

Accumulated deficit (Note 6)

\$(56,865,088) \$(51,996,715)

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**Chief
Financial
Officer**

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**Chair
of the
Board**

Thompson Regional Hospital District

Statement of Operations

For the year ended December 31	Financial Plan	2022	2021
	(Note 7)		
Revenue			
Tax requisition	\$16,153,954	\$16,156,235	\$ 15,915,225
Interest	280,000	1,266,367	1,034,769
Actuarial adjustment to debt	-	488,771	334,936
Grants in lieu of taxes	-	93,605	91,525
	<u>16,433,954</u>	<u>18,004,978</u>	<u>17,376,455</u>
Expenses			
Grants to Interior Health Authority	35,547,224	18,714,021	37,409,009
Interest on debentures	4,121,212	4,121,212	4,121,212
Operating expenses	75,000	38,118	37,337
Interest on short-term debt	100,000	-	-
	<u>39,843,436</u>	<u>22,873,351</u>	<u>41,567,558</u>
Annual deficit	(23,409,482)	(4,868,373)	(24,191,103)
Accumulated deficit, beginning of year	(51,996,715)	(51,996,715)	(27,805,612)
Accumulated deficit, end of year	<u>\$(75,406,197)</u>	<u>\$(56,865,088)</u>	<u>\$(51,996,715)</u>

Thompson Regional Hospital District
Statement of Change in Net Financial Assets (Debt)

For the year ended December 31	Financial Plan	2022	2021
Annual deficit	\$ (23,409,482)	\$ (4,868,373)	\$ (24,191,103)
Net debt, beginning of year	<u>(51,996,715)</u>	<u>(51,996,715)</u>	<u>(27,805,612)</u>
Net financial assets (debt), end of year	<u>\$ (75,406,197)</u>	<u>\$ (56,865,088)</u>	<u>\$ (51,996,715)</u>

Thompson Regional Hospital District

Statement of Cash Flows

For the year ended December 31	2022	2021
Operating transactions		
Annual deficit	\$ (4,868,373)	\$ (24,191,103)
Items not involving cash		
Actuarial adjustment to debt	(488,772)	(334,936)
Changes in non-cash operating balances		
Accounts receivable	(454)	2,683
Accounts payable and accrued liabilities	7,935,243	(617,973)
Debt reserve funds	(30,780)	(23,047)
	<u>2,546,864</u>	<u>(25,164,376)</u>
Investing transaction		
Proceeds on disposition of portfolio investments	-	21,507,712
Financing transactions		
Repayment of long-term debt	<u>(4,792,932)</u>	<u>(4,792,932)</u>
Net decrease in cash and cash equivalents	(2,246,068)	(8,449,596)
Cash and cash equivalents, beginning of year	<u>62,204,606</u>	<u>70,654,202</u>
Cash and cash equivalents, end of year (note 2)	<u>\$59,958,538</u>	<u>\$ 62,204,606</u>

Thompson Regional Hospital District

Notes to the Financial Statements

December 31, 2022

1. Significant Accounting Policies

Government Reporting Entity

The Thompson Regional Hospital District (the "TRHD") 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 provide funding to the Interior Health Authority (Thompson Cariboo Shuswap service area) for capital construction projects and equipment purchases for health care facilities within the regional 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 TRHD is exempt from income tax under the Income Tax Act (Canada).

Basis of Presentation

The financial statements of the TRHD are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS").

These standards require that expenses be presented in the Statement of Operations according to functional area, with the object or type of expense disclosed in the notes to the financial statements. Given that the TRHD has only a single functional area, the Statement of Operations has instead presented the expenses by object and no disclosure of operating segment information has been made.

Basis of Accounting

The TRHD follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the period when they are earned, can be measured and there is reasonable assurance that they will be collected. Grants in lieu of taxes are recognized when they are received.

Expenses are recognized as they are incurred and become measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Investments

Investment are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Cash Equivalents

Cash equivalents includes short-term, highly liquid investments with a term to maturity of 90 days or less at acquisition.

Tax Requisitions

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

Thompson Regional Hospital District
Notes to the Financial Statements

December 31, 2022

1. Significant Accounting Policies (continued)

Long-term debt	Long-term debt is recorded net of accumulated principal repayments and actuarial adjustments to debt. Debt interest charges are recognized as an expense in the fiscal year in which they are accrued.
Capital Project Expenses	The TRHD 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 operating cost.
Municipal Finance Authority	The Municipal Finance Authority ("MFA") requires a cash contribution of 1% of the face value of debt when issued as security against loan default, which is held in a debt reserve fund. These deposits will be returned, with interest, to the TRHD upon retirement of the associated debt. The TRHD has adopted the policy of recording these cash deposits as an asset valued at the lower of the amount contributed and the amount expected to be recovered.
Reserve Surplus Funds	Funds raised for future operating and capital purposes, as approved by the Board of Directors and in accordance with Section 20(4) of the Hospital District Act, are set aside in reserves of accumulated surplus.
Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

Thompson Regional Hospital District

Notes to the Financial Statements

December 31, 2022

2. Cash and temporary Investments

	2022	2021
Cash	\$40,900,329	\$ 43,508,321
Short-term investments	19,058,209	18,696,285
	<u>\$59,958,538</u>	<u>\$ 62,204,606</u>

Cash and short-term investment reported on the statement of financial position have a cost that approximates market value. Short-term investments are held in MFA pooled money market funds.

3. Long-term debt

Debenture debt is borrowed through the MFA to finance capital grants to the Interior Health Authority. Under the terms of the debt, the TRHD is required to make principal payments once annually while interest is calculated semi-annually and is based on the original debt principal borrowed. Associated with these principal payments, the MFA provides an actuarial adjustment, which is a non-cash reduction in the loan balance representing the investment earnings the MFA expects to realize on the sinking fund investments associated with the debenture.

MFA Issue no.	Bylaw no.	Term in Years	Maturity date	Interest rate	Balance as at Dec 31, 2021	Principal repayment	Actuarial adjustment	Balance as at Dec 31, 2022
146	132	20	2038	3.2%	\$113,847,990	\$4,792,932	\$488,773	\$108,566,285

The weighted average interest rate for 2022 was 3.20% (2021 - 3.20%). Interest expensed during the year \$4,121,212 (2021 - \$4,121,212).

Total principal payments required of the TRHD for the next five years and thereafter are as follows:

2023	\$ 4,792,932
2024	4,792,932
2025	4,792,932
2026	4,792,932
2027	4,792,932
Thereafter and actuarial earnings	<u>84,601,625</u>
	<u>\$ 108,566,285</u>

Thompson Regional Hospital District
Notes to the Financial Statements

December 31, 2022

4. Commitments and contingencies

a) Debt reserve funds:

The TRHD issues debt instruments through the MFA. Under borrowing arrangements with the MFA, the TRHD is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received. As a condition of these borrowings, a portion of the proceeds is withheld by the MFA as a debt reserve fund. These demand notes are contingent in nature and are not recorded in the financial statements. Details of the cash deposits and contingent demand notes at December 31, 2022 are as follows:

	2022	2021
Cash deposits	\$ 1,408,825	\$ 1,378,046
Contingent demand notes	3,169,193	3,169,193
Debt reserve fund	\$ 4,578,018	\$ 4,547,239

b) Interior Health Authority ("IHA"):

At December 31, 2022 the TRHD has an outstanding commitment of \$35,425,200 to IHA (2021 - \$49,272,573), this represents the difference between approved bylaws for various projects and the amounts paid out based on invoices submitted by IHA to date.

In 2016 the Board committed to a future contribution of up to \$172 million (approximately 40 percent of the approximate cost of \$417 million) for the planned Patient Care Tower of the Royal Inland Hospital. Long-term debt borrowed in 2018 is to finance a portion of this commitment.

Thompson Regional Hospital District

Notes to the Financial Statements

December 31, 2022

5. Related party transactions:

The TRHD is related to the Thompson-Nicola Regional District ("TNRD") as the members of the Board of Directors of the TNRD form the majority of the members of the Board of Directors of the TRHD. As legislated by the Hospital District Act, the officers and employees of the TNRD are the corresponding officers and employees of the TRHD. Each of the TNRD and the TRHD are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the TRHD received accounting and management services from the TNRD totaling \$11,550 (2021 - \$11,000). Included in accounts payable and accrued liabilities as at December 31, 2022 is \$7,011,550 (2021 - Nil) owed to TNRD. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Accumulated Deficit:

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	2021	Contributions	Transfer to	2022
Surplus:				
Unappropriated surplus	\$(96,245,575)	\$ (4,868,373)	\$ 10,600,000	\$(90,513,948)
Reserve funds				
Section 20(4) reserve	1,048,860	-	-	1,048,860
Reserve for future capital	43,200,000	-	(10,600,000)	32,600,000
Total accumulated surplus (deficit)	\$(51,996,715)	\$ (4,868,373)	\$ -	\$(56,865,088)

The unappropriated surplus is the amount of accumulated surpluses remaining after deducting the other appropriated surplus balances. It is available to temporarily finance operations until planned revenues (i.e. property taxes, grants, etc.) are received, or for other operating or capital purposes as determined by the Board of Directors.

Reserve funds are the amount of accumulated surplus that have been set aside in accordance with legislative requirements or by decision of the Board of Directors for a specified purpose. The Section 20(4) reserve is set aside in accordance with Section 20 of the Hospital District Act of B.C. and is intended to cover emergency funding requirements that may occur in future years and will be capped at approximately one million dollars. Other reserves represent savings for planned future capital expenditures.

Thompson Regional Hospital District

Notes to the Financial Statements

December 31, 2022

7. Financial Plan

The budget data presented in these financial statements is based upon the 2022 Financial Plan approved by the Board of Directors on March 24, 2022. The legislative requirements for the Financial Plan are that the cash inflows for the period must equal cash outflows.

Cash inflows and outflows may include such items as debt proceeds or debt principal repayment, asset sale proceeds and transfers to and from reserves and surplus. These items are not recognized as revenues and expenses in the Statement of Operations as they do not meet the public sector accounting standards definition. PSAB requires that budget figures be presented on the same basis of accounting as actual figures.

The legislation does not require the Financial Plan to include non-cash items such as the actuarial adjustments on debt or funding liability accruals to provide for future cash requirements. However, these items are recognized as revenues or expenses in the Statement of Operations under public sector accounting standards.

The chart below demonstrates how the legislative requirement for a balanced Financial Plan has been met.

	Budget Amount
Deficit - Statement of Operations	\$ (23,409,482)
Adjust for budgeted cash items, not included in Statement of operations:	
Transfers from reserves	10,600,000
Principal payments on borrowing	(4,792,932)
Transfers from operating surpluses	<u>17,602,414</u>
Total adjustments	23,409,482
Financial Plan Balance	\$ -