

2020 Thompson Regional Hospital District

Financial Statements



Financial Statements of

**THOMPSON REGIONAL
HOSPITAL DISTRICT**

And Independent Auditors' Report thereon

Year ended December 31, 2020

Thompson Regional Hospital District

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Year ended December 31, 2020

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Management's Responsibility for the Consolidated Financial Statements

This statement is provided to clarify and outline the roles and responsibilities of management, the elected Board of Directors and the independent auditors in relation to the preparation and review of the annual financial statements of the Thompson Regional Hospital District (TRHD).

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

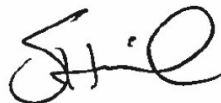
The TRHD's Board of Directors is composed entirely of Directors who are neither management nor employees of the TRHD. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for delegating authority for the approval of the financial statements. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for the appointment of the TRHD's external auditors. The external auditors have full and free access to the Board and management to discuss their audit findings.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been appointed by the TRHD's Board of Directors to audit the financial statements. Their accompanying report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Thompson Regional Hospital District:



Douglas Rae, CPA, CA
Director of Finance



Scott Hildebrand
Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Thompson Regional Hospital District

Opinion

We have audited the financial statements of the Thompson Regional Hospital District (the Entity), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations and Accumulated Surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and,
- notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net financial assets 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants

Kamloops, Canada
March 25, 2021

Thompson Regional Hospital District
Statement of Financial Position

December 31, 2020, with comparative figures for 2019

	2020	2019
Financial assets:		
Cash and cash equivalents (note 2)	\$ 70,654,202	\$ 99,421,551
Term deposit (note 3)	21,507,712	41,508,617
Accounts receivable	91,177	86,116
Municipal Finance Authority debt reserve funds (note 5)	1,354,999	1,327,678
Total financial assets	93,608,090	142,343,962
Liabilities:		
Accounts payable and accrued liabilities	2,437,844	1,953,816
Long-term debt (note 4)	118,975,858	123,994,947
Total liabilities	121,413,702	125,948,763
Net financial assets and accumulated surplus (deficit) (note 7)	\$ (27,805,612)	\$ 16,395,199

Commitments and contingencies (note 5)

The accompanying notes are an integral part of these financial statements.

Approved:



Douglas Rae, CPA, CA
Director of Finance

Thompson Regional Hospital District
Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative figures for 2019

	Budget (note 8)	2020	2019
Revenue:			
Tax requisition	\$ 15,680,025	\$ 15,680,025	\$ 15,448,300
Interest	2,000,000	2,384,482	4,246,088
Actuarial adjustment to debt	-	226,157	-
Grants in lieu of taxes	-	90,813	87,040
Total revenue	17,680,025	18,381,477	19,781,428
Expenses:			
Grants to Interior Health Authority	69,232,167	58,425,326	39,905,313
Interest on debentures	4,121,212	4,121,212	4,111,574
Interest on short-term debt	100,000	-	-
Operating expenses	75,000	35,750	40,665
Total expenses	73,528,379	62,582,288	44,057,552
Annual deficit	(55,848,354)	(44,200,811)	(24,276,124)
Accumulated surplus, beginning of year	16,395,199	16,395,199	40,671,323
Accumulated surplus (deficit), end of year	\$ (39,453,155)	\$ (27,805,612)	\$ 16,395,199

The accompanying notes are an integral part of these financial statements.

Thompson Regional Hospital District
Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative figures for 2019

	Budget (note 8)	2020	2019
Annual deficit	\$ (55,848,354)	\$ (44,200,811)	\$ (24,276,124)
Net financial assets, beginning of year	16,395,199	16,395,199	40,671,323
Net financial assets (net debt), end of year	\$ (39,453,155)	\$ (27,805,612)	\$ 16,395,199

The accompanying notes are an integral part of these financial statements.

Thompson Regional Hospital District
Statement of Cash Flows

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Cash provided (used) by:		
Operating activities:		
Annual deficit	\$ (44,200,811)	\$ (24,276,124)
Items not involving cash:		
Actuarial adjustment of long-term debt	(226,157)	-
Change in non-cash assets and liabilities:		
Accounts receivable	(5,061)	(54,045)
Accounts payable and accrued liabilities	484,028	(1,041,775)
Municipal Finance Authority debt reserve funds	(27,321)	(30,220)
Net change in cash from operating activities	(43,975,322)	(25,402,164)
Investing activities:		
Term deposit	20,000,905	52,720,108
Net change in cash from investing activities	20,000,905	52,720,108
Financing activities:		
Repayment on long-term debt	(4,792,932)	(4,792,932)
Net change in cash from financing activities	(4,792,932)	(4,792,932)
Increase (decrease) in cash and cash equivalents	(28,767,349)	22,525,012
Cash and cash equivalents, beginning of year	99,421,551	76,896,539
Cash and cash equivalents, end of year	\$ 70,654,202	\$ 99,421,551
Supplemental cash flow information:		
Cash paid for interest	\$ 4,121,212	\$ 4,121,212
Cash received from interest	2,384,482	4,246,088

The accompanying notes are an integral part of these financial statements.

Thompson Regional Hospital District

Notes to Financial Statements

Year ended December 31, 2020

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).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the TRHD are prepared by management in accordance with Canadian generally accepted accounting principles for the public sector established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

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.

(b) Basis of accounting:

The TRHD follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the period when they are earned, can be measured and there is reasonable assurance that they will be collected. Tax requisition revenues are recognized in the year in which they are levied. 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.

(c) 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.

(d) 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.

Thompson Regional Hospital District

Notes to Financial Statements

Year ended December 31, 2020

1. Significant accounting policies (continued):

(e) Cash equivalents:

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

(f) Term deposit:

Term deposit include funds deposited with a major Canadian bank for a specified period of time, generally with maturity dates ranging from one to three years at acquisition.

(g) 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.

(h) Municipal Financial Authority debt reserve funds:

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.

(i) Reserved 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.

(j) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on current conditions and laws 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 expenses during the year. Items requiring the use of significant estimates include the future settlement amount of accrued liabilities. Actual results could differ from these estimates.

Management reviews these estimates on a periodic basis and, where necessary, makes adjustments prospectively.

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2020

2. Cash and cash equivalents:

	Cost 2020	Cost 2019
Cash	\$ 51,986,446	\$ 80,910,590
Short-term investments	18,667,756	18,510,961
Cash and cash equivalents	\$ 70,654,202	\$ 99,421,551

Cash and cash equivalents 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 with an annual rate of return of approximately 0.85% (2019 - 1.84%).

3. Term deposit :

Term deposit consists of one (2019 - two) Scotiabank short-term Guaranteed Investment Certificate ("GIC") investment with an annual rate of return of 3.55% (2019 - 3.42% to 3.55%) that matures in December 2021 (2019 - December 2020 to December 2021).

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2020

4. 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.

(a) As at December 31, 2020, long-term debt consists of the following:

MFA issue no.	Bylaw no.	Term in years	Maturity date	Interest rate	Balance outstanding Dec 31, 2019	Issued	Principal repayment	Actuarial adjustment	Balance outstanding Dec 31, 2020
146	132	20	2038	3.20 %	\$123,994,947	\$ -	\$ 4,792,932	\$ 226,157	\$118,975,858

The weighted average interest rate for 2020 was 3.20% (2019 - 3.20%). Interest expensed during the year \$4,121,212 (2019 - \$4,111,574).

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

2021	\$ 4,792,932
2022	4,792,932
2023	4,792,932
2024	4,792,932
2025	4,792,932
Total	\$ 23,964,660

Scheduled debt repayments may be suspended by the MFA if the MFA reasonably anticipates that it has sufficient investment assets to cover all remaining principal and interest requirements of the MFA funding debentures.

Thompson Regional Hospital District

Notes to Financial Statements

Year ended December 31, 2020

5. 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, 2020 are as follows:

	2020	2019
Cash deposits	\$ 1,354,999	\$ 1,327,678
Contingent demand notes	3,169,193	3,169,193
Debt reserve fund	\$ 4,524,192	\$ 4,496,871

b) Interior Health Authority ("IHA"):

At December 31, 2020 the TRHD has an outstanding commitment of \$83,655,576 to IHA, 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.

6. 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 totalling \$11,000 (2019 - \$11,000). Included in accounts payable and accrued liabilities as at December 31, 2020 is \$11,550 (2019 - \$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.

Thompson Regional Hospital District
Notes to Financial Statements

Year ended December 31, 2020

7. Accumulated surplus:

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

	2019	Contributions	Transfer to (from)	2020
Surplus:				
Unappropriated surplus	\$(127,353,661)	\$(44,200,811)	\$ 47,500,000	\$ (124,054,472)
Reserve funds set aside for specific purposes:				
Section 20(4) reserve	1,048,860	-	-	1,048,860
Reserve for future capital expenditures	142,700,000	-	(47,500,000)	95,200,000
Total accumulated surplus (deficit)	\$ 16,395,199	\$(44,200,811)	\$ -	\$ (27,805,612)

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 Financial Statements

Year ended December 31, 2020

8. Budget data:

The budget data presented in these financial statements is based upon the 2020 Financial Plan approved by the Board of Directors on March 26, 2020. 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	\$ (55,848,354)
Adjust for budgeted cash items, not included in Statement of Operations:	
Transfers from reserves	47,500,000
Principal payments on borrowing	(4,792,932)
Transfers from operating surpluses	13,141,286
Total adjustments	55,848,354
Financial Plan Balance	\$ -