

**Kootenay East
Regional Hospital District
Financial Statements**
For the year ended December 31, 2015

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KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

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Managements' Responsibility for Financial Reporting

To Directors of the Board:

In accordance with Section 814 of the Local Government Act and Section 167 of the Community Charter, I am pleased to submit the 2015 financial statements for the Kootenay East Regional Hospital District, together with the report of our auditors, BDO Canada LLP.

The preparation of the financial statements and schedules is the responsibility of the Hospital District's management. The statements have been prepared in accordance with Canadian generally accepted accounting principles for governments. These principles are based upon recommendations of the Public Sector Accounting Board ("PSAB") of CPA Canada.

Financial statements are not precise since they include certain amounts based on estimates and judgements. 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 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 Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by BDO Canada LLP Chartered Accountants in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers. The auditor's report expresses their opinion on these financial statements. The auditors have full and free access to the accounting records.



Shawn Tomlin, CPA, CMA
Chief Financial Officer

May 6, 2016

MUNICIPALITIES

CITIES: Cranbrook, Fernie, Kimberley; DISTRICTS: Elkford, Invermere, Sparwood; TOWNS: Creston, Golden; VILLAGES: Canal Flats, Radium Hot Springs

ELECTORAL AREAS

RDEK: "A" Elkford Rural, Elk Valley, Fernie Rural, Flathead, Hosmer, Sparwood Rural, West Fernie; "B" Baynes Lake, Elko, Galloway, Grasmere, Jaffray, Newgate, Rosen Lake, Tie Lake; "C" Bull River, Cranbrook Rural, Fort Steele, Mayoak, Monroe Lake, Moyie, Wardner, Wycliffe; "E" Kimberley Rural, Meadowbrook, St. Mary's Lake, Sheep Creek, Skookumchuck, Ta Ta Creek, Wasa; "F" Columere Park, Fairmont Hot Springs, Invermere Rural, Panorama, Windermere; "G" Brisco, Edgewater, Radium Rural, Spillimacheen, Wilmer

RDCK: Portion of "A"-Wynndel/East Shore Kootenay Lake, Kukanook, Sirdar, Wynndel; "B" Erickson, Arrow Creek, Canyon, Lister, Yahk, Kingsgate, Kitchener, Ryker, "C" Lakeview, West Creston, Goat River Bottom

CSRD: "A" Rural Golden



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Independent Auditor's Report

To the Members of the Board of Kootenay East Regional Hospital District

We have audited the accompanying financial statements of the Kootenay East Regional Hospital District, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and change in net 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 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.

Auditor's 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 auditor considers 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Kootenay East Regional Hospital District as at December 31, 2015, and the results of its operations, its change in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Cranbrook, BC
May 6, 2016

Kootenay East Regional Hospital District Statement of Financial Position

December 31	2015	2014
Financial assets		
Cash - Interest bearing	\$ 3,015,369	\$ 4,597,166
Deposit - Municipal Finance Authority (Note 1)	91,260	121,433
Accounts receivable	-	88,576
	3,106,629	4,807,175
Liabilities		
Long-term debt (Note 2)	1,310,346	1,491,026
Accrued payable & accrued liability	481,440	550,239
Due to Regional District of East Kootenay (Note 3)	-	294,516
Reserve - Municipal Finance Authority (Note 1)	91,260	121,433
	1,883,046	2,457,214
Net assets and accumulated surplus	\$ 1,223,583	\$ 2,349,961



Chief Financial Officer

Kootenay East Regional Hospital District Statement of Operations and Change in Net Assets

For the year ended December 31	2015	2015	2014
	<i>Budget</i>	<i>Actual</i>	<i>Actual (Note 5)</i>
Revenue			
Requisition on Member Municipalities (Schedule)\$	3,151,346	\$ 3,151,345	\$ 3,151,686
Requisition on First Nations	25,000	71,081	28,481
Federal grants in lieu of taxes	10,000	9,441	11,548
Interest and other	30,000	38,260	69,330
Interior Health - Health Transit funding	366,133	350,237	354,717
MFA actuarial adjustment	28,090	33,160	29,804
	<u>3,610,569</u>	<u>3,653,524</u>	<u>3,645,566</u>
Expenses			
Long-term debt interest	72,388	69,327	71,815
Health Transit contracts	361,019	345,869	353,939
Administration	72,879	51,390	47,485
Capital grants	6,944,897	4,313,316	3,452,851
	<u>7,451,183</u>	<u>4,779,902</u>	<u>3,926,090</u>
Annual deficit	(3,840,614)	(1,126,378)	(280,524)
Accumulated surplus, beginning of year	2,349,961	2,349,961	2,630,485
Accumulated surplus (deficit), end of year	\$ (1,490,653)	\$ 1,223,583	\$ 2,349,961

Kootenay East Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2015	2014
Operating transactions		
Annual deficit	\$ (1,126,378)	\$ (280,524)
Items not involving cash		
MFA actuarial adjustment	(33,160)	(29,804)
Changes in non-cash operating balances		
Due to Regional District of East Kootenay	(294,516)	(67,118)
Accounts receivable	88,576	(88,576)
Accounts payable and accrued liabilities	(68,798)	506,260
	<u>(1,434,276)</u>	40,238
Financing transactions		
Repayment of long-term debt	<u>(147,521)</u>	<u>(147,521)</u>
Net change in cash and cash equivalents	(1,581,797)	(107,283)
Cash and cash equivalents, beginning of year	<u>4,597,166</u>	<u>4,704,449</u>
Cash and cash equivalents, end of year	<u>\$ 3,015,369</u>	<u>\$ 4,597,166</u>

Kootenay East Regional Hospital District Summary of Significant Accounting Policies

December 31, 2015

Basis of Presentation	The financial statements of the Kootenay East Regional Hospital District are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of CPA Canada.
Basis of Accounting	Grants to the Regional Hospital District are recognized as revenue, along with corresponding expenses, on the statement of operations. Debt payments are directly charged as a decrease to debt on the statement of financial position.
Revenue Recognition	Revenue from member municipalities is recognized when the requisition amounts are determined and the member municipalities are notified of their obligation. Grant revenue is recognized when received, and interest revenue is recognized on an accrual basis as it is earned.
Financial Instruments	The Regional Hospital District carries several financial instruments. 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 Budget Bylaw adopted for the year. They have been reallocated to conform to PSAB Financial Statement Presentation. Subsequent amendments may have been made by the Board to reflect changes in the budget as required by law.
Use of Estimates	The financial statements of the Regional Hospital District have been prepared in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
Segment Disclosures	The Regional Hospital District operates with one segment, therefore no additional segmented disclosures are required.

Kootenay East Regional Hospital District Notes to Financial Statements

December 31, 2015

1. Deposit/Reserve - Municipal Finance Authority

The Regional Hospital District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The Regional Hospital District also executes demand notes in connection with each debenture whereby it may be required to loan certain amounts to the Municipal Finance Authority. The details of cash deposits and demand notes at year end are as follows:

Demand Notes	Cash Deposits	2015	2014
\$ 66,078	\$ 25,182	\$ 91,260	\$ 121,433

2. Long-term Debt

Long-term debt is by way of debenture issues held by the Municipal Finance Authority of British Columbia. There are varying maturity dates and interest rates ranging from 3.05% to 3.25%.

Future minimum principal payments and actuarial adjustments required on long-term debt for the next five years and thereafter are due as follows:

Year	Principal
2016	\$ 98,145
2017	81,205
2018	81,205
2019	81,205
2020	81,205
Thereafter	<u>891,757</u>
	1,314,722
Less: Accrued Actuarial	<u>4,376</u>
	<u>\$ 1,310,346</u>

Kootenay East Regional Hospital District Notes to Financial Statements

December 31, 2015

3. Related Parties

The Regional Hospital District is related to the Regional District of East Kootenay by way of common members on the Board of Directors.

The amount due to the Regional District of East Kootenay at the year end is \$nil (2014 - \$294,516).

4. Budget

The Budget Bylaw adopted by the Board on March 6, 2015 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. As a result, the budget figures presented in the statements of operations and change in net assets represent the Budget adopted by the Board on March 6, 2015 with adjustments as follows:

	<u>2015</u>
Budget Bylaw surplus for the year	\$ -
Add:	
Principal payments on long-term debt	175,386
Less:	
Budgeted transfers from accumulated surplus	(3,316,000)
Debt borrowing	<u>(700,000)</u>
Budget deficit per statement of operations	<u>\$ (3,840,614)</u>

5. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

**Kootenay East Regional Hospital District
Schedule - Requisition on Member Municipalities**

For the year ended December 31	2015 Budget	2015 Actual	2014 Actual
Village of Radium	\$ 63,310	\$ 63,310	\$ 65,314
Village of Canal Flats	22,312	22,312	21,156
City of Cranbrook	503,816	503,816	497,605
City of Fernie	224,442	224,442	222,587
City of Kimberley	164,940	164,940	166,177
District of Sparwood	177,483	177,453	171,424
District of Invermere	155,133	155,133	152,370
District of Elkford	113,427	113,427	119,126
Electoral Area A	168,618	168,618	146,583
Electoral Area B	178,473	178,473	196,709
Electoral Area C	222,939	222,939	213,108
Electoral Area E	89,369	89,369	89,057
Electoral Area F	396,106	396,106	408,651
Electoral Area G	51,760	51,789	60,003
Jumbo Glacier Mountain Resort Municipality	156	156	-
Town of Golden	127,102	127,102	125,204
Golden Rural	138,262	138,262	139,143
Town of Creston	119,687	119,687	122,635
Creston Rural - Area A	52,465	52,465	58,101
Creston Rural - Area B	125,726	125,726	121,544
Creston Rural - Area C	55,820	55,820	55,189
	\$ 3,151,346	\$ 3,151,345	\$ 3,151,686