

**Kootenay East  
Regional Hospital District  
Financial Statements  
For the year ended December 31, 2016**

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# KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

19 – 24<sup>th</sup> Avenue South, Cranbrook, BC VIC 3H8  
Ph: 250-489-2791 • Fax: 250-489-3498  
Toll Free: 1-888-478-7335 (BC & AB Only)  
Email: info@rdek.bc.ca • Website: www.rdek.bc.ca

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## Managements' Responsibility for Financial Reporting

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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 2016 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 Professional 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.



Holly Ronnquist, CPA, CMA  
Chief Financial Officer

March 7, 2017

### 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, Hecmer, Sparwood Rural, West Fernie; "B" Baynes Lake, Elko, Galoway, Grasmere, Jaffray, Newgate, Rosen Lake, Tie Lake; "C" Bull River, Cranbrook Rural, Fort Steele, Mayook, Monroe Lake, Moyie, Wardner, Wycliffe; "E" Kimberley Rural, Meadowbrook, St. Mary's Lake, Sheep Creek, Skookumchuck, Ta Ta Creek, Wasa; "F" Colomere 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, Wymndei; "B" Erickson, Arrow Creek, Canyon, Lister, Yahk, Kingsgate, Kitchener, Ricketts; "C" Lakeview, West Creston, Goat River Bottom  
CSPD: "A" Rural Golden



Tel: 250 426 4285  
Fax: 250 426 8886  
www.bdo.ca

BDO Canada LLP  
35 10th Avenue South  
Cranbrook BC V1C 2M9 Canada

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## Independent Auditor's Report

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### 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, 2016, 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, 2016, 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  
March 7, 2017

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**Kootenay East Regional Hospital District**  
**Statement of Financial Position**

<u>December 31</u>	<u>2016</u>	<u>2015</u>
<b>Financial assets</b>		
Cash - Interest bearing	\$ 3,258,532	\$ 3,015,369
Deposit - Municipal Finance Authority (Note 1)	<u>70,039</u>	<u>91,260</u>
	<u>3,328,571</u>	<u>3,106,629</u>
<b>Liabilities</b>		
Long-term debt (Note 2)	1,182,327	1,310,346
Accrued payable & accrued liability	85,087	481,440
Reserve - Municipal Finance Authority (Note 1)	<u>70,039</u>	<u>91,260</u>
	<u>1,337,453</u>	<u>1,883,046</u>
<b>Net assets and accumulated surplus</b>	<b>\$ 1,991,118</b>	<b>\$ 1,223,583</b>

  
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Chief Financial Officer

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

For the year ended December 31	2016	2016	2015
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
<b>Revenue</b>			
Requisition on Member Municipalities (Schedule)\$	3,142,358	\$ 3,147,951	\$ 3,151,345
Requisition on First Nations	25,000	56,519	71,081
Federal grants in lieu of taxes	10,000	11,930	9,441
Interest and other	30,000	186,603	38,260
Interior Health - Health Transit funding	366,133	350,427	350,237
MFA actuarial adjustment	30,393	29,874	33,160
	<u>3,603,884</u>	<u>3,783,304</u>	<u>3,653,524</u>
<b>Expenses</b>			
Long-term debt interest	63,996	63,092	69,327
Health Transit contracts	361,019	357,537	345,869
Administration	70,331	54,673	51,390
Capital grants	2,900,000	2,540,467	4,313,316
	<u>3,395,346</u>	<u>3,015,769</u>	<u>4,779,902</u>
<b>Annual surplus (deficit)</b>	<b>208,538</b>	<b>767,535</b>	<b>(1,126,378)</b>
<b>Accumulated surplus, beginning of year</b>	<u><b>1,223,583</b></u>	<u><b>1,223,583</b></u>	<u><b>2,349,961</b></u>
<b>Accumulated surplus, end of year</b>	<u><b>\$ 1,432,121</b></u>	<u><b>\$ 1,991,118</b></u>	<u><b>\$ 1,223,583</b></u>

**Kootenay East Regional Hospital District**  
**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2016</b>	<b>2015</b>
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ 767,535	\$ (1,126,378)
Items not involving cash		
MFA actuarial adjustment	(29,874)	(33,160)
Changes in non-cash operating balances		
Due to Regional District of East Kootenay	-	(294,516)
Accounts receivable	-	88,576
Accounts payable and accrued liabilities	(396,353)	(68,798)
	<b>341,308</b>	<b>(1,434,276)</b>
<b>Financing transactions</b>		
Repayment of long-term debt	(98,145)	(147,521)
<b>Net change in cash and cash equivalents</b>	<b>243,163</b>	<b>(1,581,797)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,015,369</b>	<b>4,597,166</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,258,532</b>	<b>\$ 3,015,369</b>

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## Kootenay East Regional Hospital District Summary of Significant Accounting Policies

**December 31, 2016**

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<b>Basis of Presentation</b>	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.
<b>Basis of Accounting</b>	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.
<b>Revenue Recognition</b>	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.
<b>Financial Instruments</b>	Financial instruments are recorded at fair value on initial recognition, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. The Regional Hospital District subsequently measures all of its financial instruments at cost or amortized cost.
<b>Budget Figures</b>	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.
<b>Use of Estimates</b>	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.
<b>Segment Disclosures</b>	The Regional Hospital District operates with one segment, therefore no additional segmented disclosures are required.

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## Kootenay East Regional Hospital District Notes to Financial Statements

**December 31, 2016**

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### 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	2016	2015
\$ 50,765	\$ 19,274	\$ 70,039	\$ 91,260

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### 2. Long-term Debt

Long-term debt is by way of debenture issues held by the Municipal Finance Authority of British Columbia. The debt matures in 2026 and the interest rate is 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
2017	\$ 81,205
2018	81,205
2019	81,205
2020	81,205
2021	81,205
Thereafter	<u>780,158</u>
	1,186,183
Less: Accrued Actuarial	<u>3,856</u>
	<u>\$ 1,182,327</u>



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## Kootenay East Regional Hospital District Notes to Financial Statements

**December 31, 2016**

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### 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 (2015 - \$nil).

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### 4. Budget

The Budget Bylaw adopted by the Board on February 12, 2016 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 February 12, 2016 with adjustments as follows:

	<u>2016</u>
Budget Bylaw surplus for the year	\$ -
Add:	
Principal payments on long-term debt	708,538
Less:	
Budgeted transfers from accumulated surplus	<u>(500,000)</u>
Budget deficit per statement of operations	<u>\$ 208,538</u>

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

<b>For the year ended December 31</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Village of Radium	\$ 63,310	\$ 62,561	\$ 63,310
Village of Canal Flats	22,312	20,402	22,312
City of Cranbrook	503,816	492,288	503,816
City of Fernie	224,442	222,085	224,442
City of Kimberley	164,940	161,087	164,940
District of Sparwood	177,483	169,583	177,453
District of Invermere	155,133	153,023	155,133
District of Elkford	113,427	106,010	113,427
Electoral Area A	168,618	167,996	168,618
Electoral Area B	177,013	177,013	178,473
Electoral Area C	222,939	223,598	222,939
Electoral Area E	89,369	86,886	89,369
Electoral Area F	396,106	393,274	396,106
Electoral Area G	51,760	54,947	51,789
Jumbo Glacier Mountain Resort Municipality	156	146	156
Town of Golden	127,102	121,477	127,102
Golden Rural	138,262	139,620	138,262
Town of Creston	119,687	117,149	119,687
Creston Rural - Area A	52,465	106,563	52,465
Creston Rural - Area B	118,354	118,747	125,726
Creston Rural - Area C	55,820	53,496	55,820
	<b>\$ 3,142,358</b>	<b>\$ 3,147,951</b>	<b>\$ 3,151,345</b>