

**Kootenay East
Regional Hospital District
Financial Statements**
For the year ended December 31, 2017

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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 2017 financial statements for the Kootenay East Regional Hospital District, together with the report of our auditors, BDO Canada LLP.

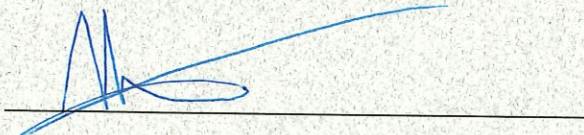
The preparation of the financial statements and schedules is the responsibility of the Hospital District's management. The statements have been prepared in accordance with Canadian generally accepted accounting principles for governments. These principles are based upon recommendations of the Public 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

May 4, 2018

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, Rykerts; "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, 2017, 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, 2017, 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 4, 2018

Kootenay East Regional Hospital District
Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash - Interest bearing	\$ 4,126,482	\$ 3,258,532
Deposit - Municipal Finance Authority (Note 1)	<u>70,415</u>	<u>70,039</u>
	<u>4,196,897</u>	<u>3,328,571</u>
Liabilities		
Long-term debt (Note 2)	1,082,663	1,182,327
Accrued payable & accrued liability	370,978	85,087
Due to Regional District of East Kootenay (Note 3)	110,420	-
Reserve - Municipal Finance Authority (Note 1)	<u>70,415</u>	<u>70,039</u>
	<u>1,634,476</u>	<u>1,337,453</u>
Net assets and accumulated surplus	\$ 2,562,421	\$ 1,991,118



Chief Financial Officer

Kootenay East Regional Hospital District

Statement of Operations and Change in Net Assets

For the year ended December 31	2017	2017	2016
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Revenue			
Requisition on Member Municipalities (Schedule)\$	3,195,027	\$ 3,195,027	\$ 3,147,951
Contributions from First Nations	25,000	27,781	56,519
Federal grants in lieu of taxes	10,000	13,146	11,930
Interest and other	30,000	44,847	186,603
Interior Health - Health Transit funding	366,133	355,700	350,427
MFA actuarial adjustment	17,593	18,459	29,874
	<u>3,643,753</u>	<u>3,654,960</u>	<u>3,783,304</u>
Expenses			
Long-term debt interest	52,846	52,902	63,092
Health Transit contracts	361,019	310,740	357,537
Administration	75,690	48,350	54,673
Capital grants	6,331,456	2,671,665	2,540,467
	<u>6,821,011</u>	<u>3,083,657</u>	<u>3,015,769</u>
Annual surplus (deficit)	(3,177,258)	571,303	767,535
Accumulated surplus, beginning of year	1,991,118	1,991,118	1,223,583
Accumulated surplus (deficit), end of year	\$ (1,186,140)	\$ 2,562,421	\$ 1,991,118

Kootenay East Regional Hospital District

Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Annual surplus	\$ 571,303	\$ 767,535
Items not involving cash		
MFA actuarial adjustment	(866)	(29,874)
Changes in non-cash operating balances		
Due to Regional District of East Kootenay	110,420	-
Accounts payable and accrued liabilities	<u>285,891</u>	<u>(396,353)</u>
	966,748	341,308
Financing transactions		
Repayment of long-term debt	<u>(98,798)</u>	<u>(98,145)</u>
Net change in cash and cash equivalents	867,950	243,163
Cash and cash equivalents, beginning of year	<u>3,258,532</u>	<u>3,015,369</u>
Cash and cash equivalents, end of year	<u>\$ 4,126,482</u>	<u>\$ 3,258,532</u>

Kootenay East Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2017

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	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.
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, 2017

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		2017	2016
\$	50,765	\$	19,650	\$ 70,415	\$ 70,039

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
2018	\$ 81,205
2019	81,205
2020	81,205
2021	81,205
2022	81,205
Thereafter	<u>681,360</u>
	1,087,385
Less: Accrued Actuarial	<u>4,722</u>
	<u>\$ 1,082,663</u>

Kootenay East Regional Hospital District

Notes to Financial Statements

December 31, 2017

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 \$110,420 (2016 - \$nil).

4. Budget

The Budget Bylaw adopted by the Board on February 10, 2017 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 10, 2017 with adjustments as follows:

	<u>2017</u>
Budget Bylaw surplus for the year	\$ 1,862
Add:	
Principal payments on long-term debt	98,798
Less:	
Budgeted transfers from accumulated surplus	<u>(3,277,918)</u>
Budget deficit per statement of operations	<u>\$ (3,177,258)</u>

Kootenay East Regional Hospital District
Schedule - Requisition on Member Municipalities

For the year ended December 31	2017	2017	2016
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Village of Radium	\$ 64,006	\$ 64,006	\$ 62,561
Village of Canal Flats	19,653	19,653	20,402
City of Cranbrook	519,233	519,233	492,288
City of Fernie	236,898	236,898	222,085
City of Kimberley	167,084	167,084	161,087
District of Sparwood	184,471	184,471	169,583
District of Invermere	160,379	160,379	153,023
District of Elkford	127,116	127,116	106,010
Electoral Area A	169,159	169,159	174,023
Electoral Area B	181,893	181,893	183,369
Electoral Area C	221,695	221,695	231,616
Electoral Area E	88,671	88,671	90,000
Electoral Area F	383,819	383,818	407,377
Electoral Area G	55,965	55,965	56,917
Jumbo Glacier Mountain Resort Municipality	151	151	146
Town of Golden	131,596	131,596	121,477
Golden Rural	135,375	135,375	144,625
Town of Creston	122,731	122,731	117,149
Creston Rural - Area A	53,509	53,509	55,787
Creston Rural - Area B	118,342	118,342	123,010
Creston Rural - Area C	53,282	53,282	55,416
	\$ 3,195,027	\$ 3,195,027	\$ 3,147,951