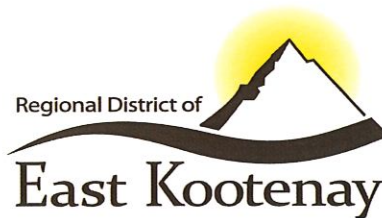


**Kootenay East
Regional Hospital District
Financial Statements**
For the year ended December 31, 2018

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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 2018 financial statements for the Regional District of East Kootenay, together with the report of our auditors, BDO Canada LLP.

The preparation of the financial statements and schedules is the responsibility of the Regional 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 Regional 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 Regional 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 3, 2019

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Kootenay East Regional Hospital District, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, and 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 Kootenay East Regional Hospital District as at December 31, 2018, and its results of operations, its change 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Kootenay East Regional Hospital 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.

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 Kootenay East Regional 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 Kootenay East Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Kootenay East Regional 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.

Independent Auditor's Report (Continued)

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 Kootenay East Regional 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 Kootenay East Regional 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 Kootenay East Regional Hospital 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.



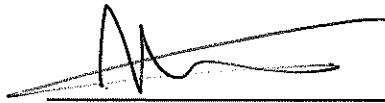
Chartered Professional Accountants

Cranbrook, BC
May 3, 2019

Kootenay East Regional Hospital District

Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash - Interest bearing	\$ 4,041,329	\$ 4,126,482
Deposit - Municipal Finance Authority (Note 1)	<u>70,842</u>	<u>70,415</u>
	<u>4,112,171</u>	<u>4,196,897</u>
Liabilities		
Long-term debt (Note 2)	979,012	1,082,663
Accrued payable & accrued liability	141,397	370,978
Due to Regional District of East Kootenay (Note 3)	61,235	110,420
Reserve - Municipal Finance Authority (Note 1)	<u>70,842</u>	<u>70,415</u>
	<u>1,252,486</u>	<u>1,634,476</u>
Net assets and accumulated surplus	<u>\$ 2,859,685</u>	<u>\$ 2,562,421</u>



Chief Financial Officer

Kootenay East Regional Hospital District

Statement of Operations and Change in Net Assets

For the year ended December 31	2018	2018	2017
	<i>Budget</i>	Actual	Actual
Revenue			
Property Tax Requisition (Schedule)	\$ 3,220,027	\$ 3,220,027	\$ 3,195,027
Contributions from First Nations	27,000	29,809	27,781
Federal grants in lieu of taxes	10,000	8,217	13,146
Interest and other	30,000	74,907	44,847
Interior Health - Health Transit funding	366,133	359,386	355,700
MFA actuarial adjustment	21,545	22,446	18,459
	<u>3,674,705</u>	<u>3,714,792</u>	<u>3,654,960</u>
Expenses			
Long-term debt interest	52,846	52,847	52,902
Health Transit contracts	362,019	359,386	310,740
Administration	80,182	42,976	48,350
Capital grants	6,229,236	2,962,319	2,671,665
	<u>6,724,283</u>	<u>3,417,528</u>	<u>3,083,657</u>
Annual surplus (deficit)	<u>(3,049,578)</u>	<u>297,264</u>	<u>571,303</u>
Accumulated surplus, beginning of year	<u>2,562,421</u>	<u>2,562,421</u>	<u>1,991,118</u>
Accumulated surplus (deficit), end of year	<u>\$ (487,157)</u>	<u>\$ 2,859,685</u>	<u>\$ 2,562,421</u>

Kootenay East Regional Hospital District

Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 297,264	\$ 571,303
Items not involving cash		
MFA actuarial adjustment	(901)	(866)
Changes in non-cash operating balances		
Due to Regional District of East Kootenay	(49,185)	110,420
Accounts payable and accrued liabilities	(229,581)	285,891
	17,597	966,748
Financing transactions		
Repayment of long-term debt	(102,750)	(98,798)
Net change in cash and cash equivalents	(85,153)	867,950
Cash and cash equivalents, beginning of year	4,126,482	3,258,532
Cash and cash equivalents, end of year	\$ 4,041,329	\$ 4,126,482

Kootenay East Regional Hospital District

Summary of Significant Accounting Policies

December 31, 2018

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, 2018

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	2018	2017
\$	50,765	\$ 20,077	\$ 70,842	\$ 70,415

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
2019	\$ 81,205
2020	81,205
2021	81,205
2022	81,205
2023	81,205
Thereafter	<u>578,610</u>
	984,635
Less: Accrued Actuarial	<u>5,623</u>
	<u>\$ 979,012</u>

Kootenay East Regional Hospital District

Notes to Financial Statements

December 31, 2018

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 \$61,235 (2017 - \$110,420).

4. Budget

The Budget Bylaw adopted by the Board on February 9, 2018 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 9, 2018 with adjustments as follows:

	<u>2018</u>
Budget Bylaw surplus for the year	\$ 2,355
Add:	
Principal payments on long-term debt	102,750
Less:	
Budgeted transfers from accumulated surplus	<u>(3,154,683)</u>
Budget deficit per statement of operations	<u>\$ (3,049,578)</u>

Kootenay East Regional Hospital District
Schedule - Property Tax Requisition

For the year ended December 31	<i>2018</i>	2018	<i>2017</i>
	<i>Budget</i>	Actual	<i>Actual</i>
Village of Radium	\$ 65,736	\$ 65,736	\$ 64,006
Village of Canal Flats	18,353	18,353	19,653
City of Cranbrook	516,148	516,148	519,233
City of Fernie	246,566	246,566	236,898
City of Kimberley	169,933	169,933	167,084
District of Sparwood	175,148	175,148	184,471
District of Invermere	157,031	157,031	160,379
District of Elkford	119,927	119,927	127,116
Electoral Area A	165,231	165,231	169,159
Electoral Area B	185,168	185,168	181,893
Electoral Area C	226,136	226,136	221,695
Electoral Area E	94,279	94,279	88,671
Electoral Area F	388,043	388,043	383,818
Electoral Area G	54,951	54,951	55,965
Jumbo Glacier Mountain Resort Municipality	146	146	151
Town of Golden	132,653	132,653	131,596
Golden Rural	151,001	151,001	135,375
Town of Creston	123,937	123,937	122,731
Creston Rural - Area A	55,696	55,696	53,509
Creston Rural - Area B	119,880	119,880	118,342
Creston Rural - Area C	54,064	54,064	53,282
	\$ 3,220,027	\$ 3,220,027	\$ 3,195,027