

Kootenay East
Regional Hospital District
Financial Statements
For the year ended December 31, 2019

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KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

19 – 24th Avenue South, Cranbrook, BC V1C 3H8

Phone: 250-489-2791 • Fax: 250-489-3498

Toll Free: 1-888-478-7335

Email: info@rdek.bc.ca • Website: www.kerhd.ca

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 2019 financial statements for the Kootenay East Regional Hospital District, together with the report of our auditors, BDO Canada LLP.

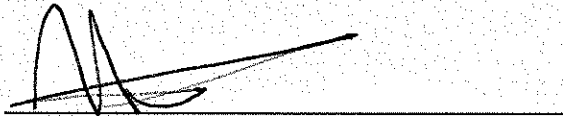
The preparation of the financial statements and schedules is the responsibility of the Hospital District's management. The statements have been prepared in accordance with Canadian generally accepted accounting principles for governments. These principles are based upon recommendations of the Public 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 1, 2020

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; "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, Wiltner

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

CSRD: "A" Rural Golden

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, 2019, 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, 2019, 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.

BDO Canada CP


Chartered Professional Accountants

Cranbrook, BC

May 1, 2020

Kootenay East Regional Hospital District
Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash - Interest bearing	\$ 4,938,309	\$ 4,041,329
Deposit - Municipal Finance Authority (Note 1)	71,310	70,842
	<u>5,009,619</u>	<u>4,112,171</u>
Liabilities		
Accrued payable & accrued liability	301,696	141,397
Reserve - Municipal Finance Authority (Note 1)	71,310	70,842
Due to Regional District of East Kootenay (Note 2)	-	61,235
Long-term debt (Note 3)	871,233	979,012
	<u>1,244,239</u>	<u>1,252,486</u>
Net assets and accumulated surplus	\$ 3,765,380	\$ 2,859,685



 _____ Chief Financial Officer

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

For the year ended December 31	2019	2019	2018
	Budget	Actual	Actual
Revenue			
Property Tax Requisition (Schedule)	\$ 3,314,428	\$ 3,314,428	\$ 3,220,027
Contributions from First Nations	29,000	30,955	29,809
Federal grants in lieu of taxes	10,000	8,835	8,217
Interest and other	30,000	94,850	74,907
Interior Health - Health Transit funding	366,133	370,528	359,386
MFA actuarial adjustment	25,655	26,574	22,446
	<u>3,775,216</u>	<u>3,846,170</u>	<u>3,714,792</u>
Expenses			
Long-term debt interest	52,846	52,860	52,847
Health Transit contracts	362,759	358,759	359,386
Administration	82,137	57,259	42,976
Capital grants	6,088,718	2,471,597	2,962,319
	<u>6,586,460</u>	<u>2,940,475</u>	<u>3,417,528</u>
Annual surplus (deficit)	(2,811,244)	905,695	297,264
Accumulated surplus, beginning of year	<u>2,859,685</u>	<u>2,859,685</u>	<u>2,562,421</u>
Accumulated surplus, end of year	<u>\$ 48,441</u>	<u>\$ 3,765,380</u>	<u>\$ 2,859,685</u>

Kootenay East Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Annual surplus	\$ 905,695	\$ 297,264
Items not involving cash		
MFA actuarial adjustment	(919)	(901)
Changes in non-cash operating balances		
Due to Regional District of East Kootenay	(61,235)	(49,185)
Accounts payable and accrued liabilities	160,299	(229,581)
	1,003,840	17,597
Financing transactions		
Repayment of long-term debt	(106,860)	(102,750)
Net change in cash and cash equivalents	896,980	(85,153)
Cash and cash equivalents, beginning of year	4,041,329	4,126,482
Cash and cash equivalents, end of year	\$ 4,938,309	\$ 4,041,329

Kootenay East Regional Hospital District Summary of Significant Accounting Policies

December 31, 2019

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, 2019

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	2019	2018
\$	50,765	\$ 20,545	\$ 71,310	\$ 70,842

2. 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 (2018 - \$61,235).

3. 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
2020	\$ 81,205
2021	81,205
2022	81,205
2023	81,205
2024	81,205
Thereafter	<u>471,750</u>
	877,775
Less: Accrued Actuarial	<u>6,542</u>
	<u>\$ 871,233</u>

Kootenay East Regional Hospital District
Notes to Financial Statements

December 31, 2019

4. Budget

The Budget Bylaw adopted by the Board on February 8, 2019 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 8, 2019 with adjustments as follows:

	<u>2019</u>
Budget Bylaw surplus for the year	\$ -
Add:	
Principal payments on long-term debt	106,860
Less:	
Budgeted transfers from accumulated surplus	<u>(2,918,104)</u>
Budget deficit per statement of operations	<u>\$ (2,811,244)</u>

5. Subsequent Events

Subsequent to year end, the COVID-19 outbreak caused governments world wide to enact emergency measures to combat the spread of the virus. These measures which include facility closures, travel restrictions, self-isolation periods and social and physical distancing, will have a significant impact on local and global economies. At this time it is not possible to estimate the length and severity of the COVID-19 Outbreak and how it may impact the Regional Hospital Districts's financial results.

Kootenay East Regional Hospital District
Schedule - Property Tax Requisition

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
Village of Radium	\$ 65,899	\$ 65,899	\$ 65,736
Village of Canal Flats	22,117	22,117	18,353
City of Cranbrook	530,371	530,371	516,148
City of Fernie	265,925	265,925	246,566
City of Kimberley	187,618	187,618	169,933
District of Sparwood	173,464	173,464	175,148
District of Invermere	163,563	163,563	157,031
District of Elkford	114,978	114,978	119,927
Electoral Area A	168,230	168,230	165,231
Electoral Area B	188,037	188,037	185,168
Electoral Area C	228,292	228,292	226,136
Electoral Area E	90,631	90,631	94,279
Electoral Area F	392,202	392,202	388,043
Electoral Area G	55,313	55,313	54,951
Jumbo Glacier Mountain Resort Municipality	141	141	146
Town of Golden	143,383	143,383	132,653
Golden Rural	160,676	160,676	151,001
Town of Creston	125,877	125,877	123,937
Creston Rural - Area A	55,975	55,975	55,696
Creston Rural - Area B	124,721	124,721	119,880
Creston Rural - Area C	57,015	57,015	54,064
	\$ 3,314,428	\$ 3,314,428	\$ 3,220,027