

KERHD Board of Directors

Amended Agenda

February 17, 2023

11:30 am

Voting Rules: Unless otherwise indicated on this agenda, all Directors have one vote and a simple majority is required for a motion to pass.

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1. Call to Order	
1.1 Election of Chair and Acting Chair	3
2. Addition of Late Items <i>All Directors, 2/3</i>	
3. Adoption of the Agenda	
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4.1 December 9, 2022 Meeting	4
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7. Unfinished Business	
8. New Business	
8.1 2023 Temporary Borrowing Resolution <i>All Directors, Weighted</i>	36
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*8.3 2023 Annual Budget and Interior Health 2023-2024 Capital Funding Request <i>All Directors, Weighted</i>	87
9. Bylaws	
9.1 Bylaw No. 130 - Capital Expenditure Bylaw <i>All Directors, Weighted</i>	93

- 10. **Late Agenda Items**
- 11. **Reports from Directors**
- 12. **Adjournment**

PART 2
ELECTION OF BOARD CHAIR AND ACTING CHAIR

General provisions

- 2.1 As provided in the Act:
- (1) At the first Meeting held in each year, the Board must elect a Chair and an Acting Chair.
 - (2) The Acting Chair has, during the absence, illness or other disability of the Board Chair, all the powers and duties of the Board Chair and is subject to all rules applicable to the Board Chair.
 - (3) If the Board Chair and the Acting Chair are not present at a Meeting of the Board, the Directors present may, by resolution, appoint a member as Acting Chair who, during that Meeting, has all the powers of the Board Chair and is subject to all rules applicable to the Chair.
 - (4) Each Director present at the Meeting has one vote in each election for an office.

Election of Board Chair

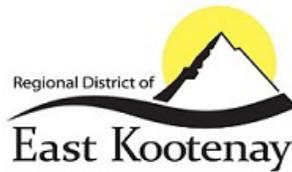
- 2.2 The call for nominations for the office of Board Chair will be conducted by the Corporate Officer.
- 2.3 The Corporate Officer will call for nominations for the office of Board Chair. Each nomination must be seconded and the nominee must consent to the nomination. If the nominee is not present at the Meeting, he or she must have advised the nominator of his or her consent in writing or else such person will not be considered for the position of Board Chair.
- 2.4 If only one candidate is nominated for the office of Board Chair, that candidate will be declared elected by acclamation.
- 2.5 If more than one candidate is nominated for an office, each candidate will be given two minutes to speak. If a candidate is not present at the Meeting, he or she may have another Director deliver a prepared speech on his or her behalf.
- 2.6 At the conclusion of candidates' speeches, an election will be held and voting will be conducted by secret ballot. If a Director is participating in the Meeting electronically under Sections 3.4 to 3.6, to cast a vote for the office of Board Chair, he or she shall, at the time the vote is being conducted, telephone the Corporate Officer who will record his or her vote on a ballot paper and deposit same in the ballot box.
- 2.7 The counting of ballots will be conducted by the Corporate Officer together with the Chief Financial Officer. The number of votes for each candidate will be announced and, immediately thereafter, the ballots will be destroyed.
- 2.8 The candidate with the most votes for the office of Board Chair will be declared elected to that office.

Tie vote

- 2.9 In the event of a tie vote that makes the election results inconclusive, the candidates who are tied remain in the election. If a definitive election result cannot be declared after three elections have been held, then the result of the election will be determined by lot between those candidates as follows:
- (a) the name of each candidate is to be written on a separate piece of paper, as similar as possible to all other pieces prepared for the determination;
 - (b) the pieces of paper are to be folded in a uniform manner in such a way that the names of the candidates are not visible;
 - (c) the pieces of paper are to be placed in a container that is sufficiently large to allow them to be shaken for the purpose of making their distribution random, and the container is to be shaken for this purpose;
 - (d) a person who is not a candidate shall be asked to withdraw one paper;
 - (e) the candidate whose name is on the paper that was drawn shall be declared elected to that office.

Election of Acting Chair

- 2.10 The election for the position of Acting Chair will be conducted following the procedures set out in Sections 2.2 to 2.9 of this Bylaw.



MINUTES OF THE KERHD BOARD OF DIRECTORS MEETING

December 9, 2022
Regional District Office, Cranbrook, BC

PRESENT:	Chair D. Wilks	District of Sparwood
	Director G. Jackman	RDCK Electoral Area A
	Director R. Tierney	RDCK Electoral Area B
	Director K. Vandenberghe	RDCK Electoral Area C
	Director T. McDonald	RDEK Electoral Area A
	Director S. Doehle	RDEK Electoral Area B
	Director R. Gay	RDEK Electoral Area C
	Director J. Walter	RDEK Electoral Area E
	Director S. Clovechok	RDEK Electoral Area F
	Director R. Schnider	RDEK Electoral Area G
	Director W. Price	City of Cranbrook
	Director N. Blissett	City of Cranbrook
	Director N. Milligan	City of Fernie
	Director D. McCormick	City of Kimberley
	Director S. Fairbairn	District of Elkford
	Director A. Miller	District of Invermere
	Director K. Baldwin	Town of Creston (videoconference)
	Director C. Hambruch	Town of Golden (videoconference)
	Director M. Doherty	Village of Canal Flats
	Director M. Gray	Village of Radium Hot Springs
ABSENT:	Director K. Cathcart	CSRD Electoral Area A
STAFF:	S. Tomlin	Chief Administrative Officer
	T. Hlushak	Corporate Officer
	C. Thom	Executive Assistant (Recording Secretary)

Call to Order

The meeting was called to order at 11:35am.

Adoption of the Agenda

1418

MOVED by Director Doehle

SECONDED by Director Clovechok

THAT the agenda for the KERHD Board of Directors meeting be adopted.

CARRIED

Adoption of the Minutes

August 12, 2022 Meeting

1419

MOVED by Director Gay

SECONDED by Director Gray

THAT the Minutes of the KERHD Board of Directors meeting held on August 12, 2022 be adopted as circulated.

CARRIED

Invited Presentations & Delegations

2021 Audited Financial Statements

Markus Schrott, BDO Canada LLP, presented the 2021 audited financial statements for the Kootenay East Regional Hospital District.

Director Chris Hambruch arrived to the meeting at 12:04pm.

Interior Health Project Update Summary

Todd Mastel, Corporate Director, Business Operations, Interior Health, provided an overview of Interior Health and reviewed the Interior Health Major Planning Projects.

The meeting recessed at 12:50pm and reconvened at 12:57pm.

KERHD Director Orientation

An overview was provided by staff to the KERHD Board of Directors of the role and responsibilities of the Hospital District.

New Business

2021 Audited Financial Statements

1420

MOVED by Director Gay

SECONDED by Director Walter

THAT the 2021 Kootenay East Regional Hospital District Financial Statements be approved.

CARRIED

2023 Provisional Budget

1421

MOVED by Director Gray

SECONDED by Director Miller

THAT the 2023 Provisional Budget for the Kootenay East Regional Hospital District be approved.

CARRIED

Adjournment

The meeting adjourned at 1:29pm.

Chair David Wilks

Tina Hlushak, Corporate Officer

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

✓ H 220 001

January 20, 2023

Brenna Baker
East Kootenay Foundation for Health
13 24th Avenue North
Cranbrook BC V1C 6L7

VIA Email:
(Brenna.Baker@interiorhealth.ca)

Dear Ms. Baker:

Hi Brenna!

Re: Invitation to Present – East Kootenay Foundation for Health

On behalf of the KERHD Board of Directors, I'm writing to invite you to attend the upcoming Board meeting on February 17, 2023 at 11:30am to provide an overview of East Kootenay Foundation for Health including speaking to the Foundation's funding model, projects and partnership with Interior Health.

To make arrangements to attend the Board Meeting, please contact me at tlushak@rdek.bc.ca or 250-489-2791.

I look forward to hearing from you,


Tina Hlushak
Corporate Officer

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, Mayo, 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
CSR: "A" Rural Golden

Mr. Shawn Tomlin, Chief Administrative Officer
Kootenay East Regional Hospital District
19 24th Avenue South
Cranbrook, BC V1C 3H8

December 14, 2022

Dear Mr. Tomlin:

RE: CAPITAL FUNDING REQUEST FOR THE 2023/24 FISCAL YEAR

Please find enclosed our annual funding request for Interior Health's (IH) next fiscal year for your review. It is based on IH's 2023/24 capital budget, which has been approved by our Board. The budget is developed by prioritizing identified capital needs throughout our organization with our physicians and staff within the context of the Capital Investment Strategic Framework and we look forward to sharing the details with you and answering any questions you may have.

We are continuing to invest in primary care throughout the region as the planned expansion of Primary Care Networks (PCN) and Urgent and Primary Care Centres continues. We have also incorporated improvements and expansions to make spaces safer for staff and patients. In this regard, this year we have focused significant investments in patient comfort and patient and staff safety with elevator replacements, heating and cooling systems, and kitchen equipment. As we replace systems and equipment we are committed to energy and carbon-efficient systems as IH supports wider government efforts to combat climate change.

The bulk of the capital budget remains focused on investments that aim at maintaining services through replacement of clinical and non-clinical equipment and systems. Our investments in technology extend to Digital Health infrastructure to ensure reliability and security of our systems while continuing with the ongoing project to roll out automated dispensing cabinets for Pharmacy Services to manage medications effectively and safely.

Please note that all capital initiatives over \$100,000 are also subject to government approval.

For the 2023/24 fiscal year we are requesting funding for the following projects and equipment:

1. Construction Projects over \$100,000

a. Roof Top Units (RTUs) at Dr. F.W. Green Memorial Home, Cranbrook

This site currently has four roof top cooling units which were installed in approximately 1992. It is becoming difficult to find parts for this building service equipment and they frequently require repair. This project will replace these aged units to provide heating, cooling and air flow to meet the needs of the long-term care clients. If the Business Plan to rebuild Dr. F.W. Green Memorial Home is approved, these RTUs can be used on other buildings with similar needs so we can leverage their full useful life.

b. Nursery and Nursing Station Renovation at East Kootenay Regional Hospital, Cranbrook

This renovation of the nursery and nursing station will result in expanded space to decrease congestion and increase patient and staff safety. It will also enable the improved set-up of equipment required to care for sick newborns. We are working with the East Kootenay Foundation for Health on a major contribution towards this project, notionally up to \$1.8 million. Further

Interior Health would like to recognize and acknowledge the traditional, ancestral, and unceded territories of the Dākelh Dené, Ktunaxa, Nlaka'pamux, Secwépemc, St'át'imc, Syilx, and Tšìlhqot'in Nations where we live, learn, collaborate and work together.

discussions are underway with the Foundation on the fundraising campaign details. We will provide updates to your Regional Hospital District (RHD) as plans progress.

c. Elevator Modernization at East Kootenay Regional Hospital, Cranbrook

This elevator in the Psychiatric unit of the hospital is in very poor condition. A complete modernization is required to bring this elevator to the new code. Due to the age of the elevator, parts are not available, and an extended down time could result if this elevator fails.

d. Oncology Relocation at East Kootenay Regional Hospital, Cranbrook

This project is a temporary relocation closer to the main entrance of this facility. The current location and environment for oncology patients has adverse affects on privacy and experience and is unsustainable. This project will provide bridging capacity until the permanent redevelopment is complete (see paragraph e).

This project was included in a prior funding request letter with a total budget of \$99,500, of which your RHD approved funding with bylaw #127 in the total amount of \$39,800. Since this time further consultation has taken place with Staff, Physicians, Pharmacy Services, Infection Control and the BC Cancer Agency, and it was determined that additional space is needed to meet the service needs of patients. A total budget increase of \$205,500 is required to accommodate this change in scope and we are requesting your RHD to contribute \$82,200, which is 40% of this additional amount.

e. Permanent Oncology and Renal Renovation – Planning at East Kootenay Regional Hospital, Cranbrook

This project is to plan for redevelopment of functional program areas for Oncology and Renal services in order to meet current service standards and future patient volumes.

Your RHD approved funding for this project with bylaw #127 in the total amount of \$100,000. Due to the result of the sole bid submitted for the request for proposal being higher than expected, we require a budget increase of \$50,000 and ask your RHD to contribute \$20,000, which is 40% of this additional amount.

f. East Kootenay Primary Care Network

In the upcoming year we will continue to expand on the strategic direction of both IH and the Ministry of Health to support team-based primary care models, while working with Aboriginal and Division of Family Practice partners.

Creston PCN

This project will outfit current space within the Creston Valley Hospital to house nine staff and deliver enhanced team based primary care services providing increased attachment as well as more comprehensive and coordinated care both in person and virtually for the community members of Creston. This funding will support renovations and equipment.

Elkford PCN

This project will outfit current space within the Elkford Health Care Centre to provide enhanced team based primary care services to the community of Elkford. This funding will support renovations to create one new exam room supporting the addition of one new Primary Care Nurse.

Fernie PCN

This project will outfit current space within the Elk Valley Hospital to house eleven new staff who will provide enhanced team based primary care services to the community of Fernie. This funding will support renovations and equipment.

g. Heating Boiler Replacement at Creston Valley Hospital, Creston

Two heating boilers from the 1960s are well past expected life. They are starting to fail and require significant repairs. This project will replace the two boilers with new high efficiency condensing boilers, which will result in high quality heating control and provide reliable service.

Your RHD issued bylaw #124 for \$400,000 on May 7, 2021. Inflationary pressures on sourcing the boiler units and conditions in the construction market in British Columbia related to the installation have resulted in a \$638,000 cost increase for this project and we are requesting an additional \$255,200 equivalent to 40% of the cost increase from your RHD to complete the project.

h. Chiller, 60-Ton Water Cooled at Swan Valley Lodge, Creston

The current 1996 chiller provides cooling for this facility and requires frequent repairs with parts that are difficult to source. The new chiller and tower will provide sustainable, reliable and more effective cooling for this facility and its long-term care clients.

2. Construction Projects under \$100,000

a. Security Camera Upgrade at Dr. F.W. Green Memorial Home, Cranbrook

This project is to replace the existing security camera system, which is over 20 years old and is unreliable and not upgradable. The system is no longer able to handle new equipment and is limited in storing footage and information. Cameras, monitors, storage capacity, server and IH internet connection will all be replaced. The new system will also allow expansion for more cameras to provide better coverage in and outside the facility.

b. Emergency Department Triage Renovation at East Kootenay Regional Hospital, Cranbrook

This renovation to the triage area is targeted at reducing violence risk to staff members and increasing functionality of the current space. The project will result in improved sight lines to waiting room, addition of a confidential patient interview station, removal of obsolete equipment and functional work space redesign.

c. Outside Stair Replacement at East Kootenay Regional Hospital, Cranbrook

To ensure the safety of visitors, staff and patients, the outside back entrance stairs to the Psychiatry department need to be replaced. The nose of each stair is wearing off and the staircase is being eaten away from salt which is used in winter months.

d. Psychiatry Main Door Replacement at East Kootenay Regional Hospital, Cranbrook

The main doors to the First Floor Psychology Department are a safety issue for patients, staff and visitors due to damage which has left them compromised. The frames and doors require replacement and new panic and card swipe hardware needs to be upgraded.

e. Kitchenette Replacement at Swan Valley Lodge, Creston

In the 2022/23 funding request letter we asked your RHD to fund a kitchenette in the Mountain View Terrace unit. Since that time the kitchenette in the secure dementia Harris Unit became a higher priority. Therefore, IH switched focus for 2022/23 to the higher risk dementia unit's kitchenette (with your approved bylaw #127).

For 2023/24 we still need to address the kitchenette replacement for the Mountain View Terrace unit. The kitchenette is also original to the 1995 unit and is beyond repair, requiring replacement. The new kitchenette will also require enclosure to restrict unsupervised access to kitchen

equipment and supplies to ensure the safety of patients in care. Scope of work will include millwork, cabinets and installation of a partial wall.

3. **IH-Wide Digital Health**

The ongoing advancement of the IH digital platform is a key enabler of IH's ability to support health service operations, enable key strategies, improve quality and patient safety, and incorporate innovation to improve effectiveness and efficiency. This year's Digital Health Investment Plan includes technology systems that upgrade Home Health and Long term care assessment tools, enable primary and community care transformation, provide patients access to their information and digital appointment bookings, and present real-time actionable information for clinicians and management. We will also update infrastructure to expand capacity and ensure patient, employee and financial information is protected from cyber-attacks.

These IH-wide initiatives will cost approximately \$13.7 million. The project's benefits are distributed equally across IH regions; therefore the cost allocation to each of the seven RHDs is based upon population data using the PEOPLE 2021, BC Statistics. The Kootenay East RHD's percentage ratio is approximately 11%. Claims on this project will be calculated using this percentage for the actual cost distribution.

4. **Digital Health Under \$100,000**

Wi-Fi Expansion at Sparwood Health Centre, Sparwood

This project is for the Wi-Fi infrastructure expansion at this site including access points, wireless controllers, and licensing.

5. **Equipment over \$100,000**

Please note that pictures shown below are for illustrative purposes only and may not depict the actual equipment to be purchased by IH, which will be established during the procurement process.

a. Computed Tomography (CT) Scanner for East Kootenay Regional Hospital, Cranbrook

A CT scan combines a series of x-ray images taken from different angles around the body and uses computer processing to create cross-sectional images (slices) of the bones, blood vessels and soft tissues. The renovation portion of the project includes upgrading existing space to meet current radiation safety and safe patient handling requirements. These changes are to improve ergonomics for the users and create a better patient experience. The new design will allow the technologist to utilize the latest features of a contemporary CT scanner and use it to its full potential. This is replacing a 2011 model in the Medical Imaging department.



b. Medstations - Additional for East Kootenay Regional Hospital, Cranbrook

Automated dispensing cabinets (ADC) for medications were first introduced in IH in 2006. This technology has brought improvements in patient safety and workflow that has been well supported by both nursing and pharmacy staff. This purchase of ADCs is additional to our current inventory of medstations and are replacing manual drug distribution used within a number of departments at this site. These purchases include renovations and associated digital health hardware and software.



c. Navigation System – Ears, Nose and Throat (ENT) for East Kootenay Regional Hospital, Cranbrook

A surgical navigation system – ENT is made up of a high-powered computer system, specialized software, and instrument tracking technology. Instrument tracking can be compared to a global positioning system in a car, which allows the driver to see his or her exact location on a virtual roadmap. In surgical navigation, medical images created by a CT Scanner or MRI system are imported into the navigation system creating an internal map of the body and the region of interest. As the surgeon's instruments travel within the patient's body during a procedure, the system displays their exact position relative to the inside of the body on a high-definition monitor. With the ability to "see" the instruments as they are inserted into the body, surgeons can more safely perform delicate procedures without damaging critical surrounding structures such as arteries and nerves. Parts and support will no longer be available for the current 2011 system in the Surgical department.



6. Equipment under \$100,000 (Global Grant)

We are requesting global funding for equipment that costs between \$5,000 and \$100,000.

A financial summary of our funding requests is provided in Appendix 1. We would appreciate it, if you could submit the requests to your Board for consideration. Please advise us of the meeting date when they will be discussed to enable us to have IH representatives attend and to answer questions that may arise. If the requests should receive approval, please send Cindy Rephin, Corporate Director, Capital Finance & Controller copies of the relevant bylaws for our records.

We thank you for your on-going support of our capital initiatives. If you require further information, or if you have any questions or concerns, please contact Todd Mastel, Corporate Director, Business Operations or me directly.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sylvia Weir'. The signature is fluid and cursive.

Sylvia Weir
VP & Chief Financial Officer

/at

Encl. Appendix 1 ~ Summary of Regional Health District Funding Request for 2023/24

cc: David Wilks, Chair, Kootenay East RHD
Holly Ronnquist, Chief Financial Officer, Kootenay East RHD

Interior Health
Kootenay East
Summary of Regional Hospital District Funding Request
for 2023/24

Facility	Location	Project Description	Total Budget	RHD Share	Previous RHD Approval		2023/24 Funding Request
					Amount	B/L #	
		<u>Construction Projects over \$100,000</u>					
Dr. F.W. Green Memorial Home	Cranbrook	Roof Top Units	\$ 837,250	\$ 334,900			\$ 334,900
East Kootenay Regional Hospital	Cranbrook	Nursery and Nursing Station Renovations	3,160,000	544,000			544,000
East Kootenay Regional Hospital	Cranbrook	Elevator Modernization	338,500	135,400			135,400
East Kootenay Regional Hospital	Cranbrook	Oncology Relocation	305,000	122,000	\$ 39,800	127	82,200
East Kootenay Regional Hospital	Cranbrook	Oncology and Renal Renovation - Planning	300,000	120,000	100,000	127	20,000
Creston Valley Hospital	Creston	Primary Care Network	1,400,000	560,000			560,000
Creston Valley Hospital	Creston	Heating Boiler Replacement	1,638,000	655,200	400,000	124	255,200
Swan Valley Lodge	Creston	Chiller, 60-Ton Water Cooled	1,311,000	524,400			524,400
Elkford Health Care Centre	Elkford	Primary Care Network	170,000	68,000			68,000
Elk Valley Hospital	Fernie	Primary Care Network	450,000	180,000			180,000
		<u>Construction Projects under \$100,000</u>					
Dr. F.W. Green Memorial Hospital	Cranbrook	Security Camera Upgrade	80,000	32,000			32,000
East Kootenay Regional Hospital	Cranbrook	Emergency Department Triage Renovation	99,000	39,600			39,600
East Kootenay Regional Hospital	Cranbrook	Outside Stair Replacement	75,000	30,000			30,000
East Kootenay Regional Hospital	Cranbrook	Psychiatry Main Door Replacement	60,000	24,000			24,000
Swan Valley Lodge	Creston	Kitchenette Replacement	81,000	32,400			32,400
		<u>IH-Wide Digital Health</u>					
Regional		Various	1,514,250	605,700			605,700
		<u>Digital Health Under \$100,000</u>					
Sparwood Health Centre	Sparwood	Wi-Fi Expansion	45,000	18,000			18,000
		<u>Equipment over \$100,000</u>					
East Kootenay Regional Hospital	Cranbrook	CT Scanner	3,018,000	1,207,200			1,207,200
East Kootenay Regional Hospital	Cranbrook	Medstations - Additional	325,000	130,000			130,000
East Kootenay Regional Hospital	Cranbrook	Navigation System, ENT	219,000	87,600			87,600
		<u>Equipment under \$100,000 (Global Grant)</u>					
All Facilities		Equipment between \$5,000 and \$100,000	1,005,750	402,300			402,300
TOTAL			\$ 16,431,750	\$ 5,852,700	\$ 539,800		\$ 5,312,900

Interior Health 2023/24 Funding Request

Presentation to Kootenay East Regional Hospital District

Todd Mastel – Corporate Director, Business Operations

Lindsay Hetu – Interim Executive Director, Clinical Operations, East Kootenay

February 17, 2023

Agenda

- IH Capital process – quick summary
- Planning projects update
- 2023/24 Capital Funding Request Review of Items
- EKRH Temporary Oncology update/photos
- Questions



IH Capital Process Quick Summary

- Annual capital planning cycle consisting of:
 - Submissions from local sites & programs
 - Prioritization by clinical leaders, content experts & Physicians
 - Costing
 - Matching needs to funding sources & managing risk of aging infrastructure
 - Approval of capital plan by IH Senior Executive & Board
 - Submission to RHDs & MoH
- Balancing Sustainability/Population Needs/Future Service Models
- High cost escalation, supply chain delays & limited Contractor availability



Planning Projects Update

- **EKRH Oncology and Renal Planning**

- Planning Budget = \$250K, RHD Share = \$100K

- ➤ Planning work is experiencing cost pressures (~\$50K). We will have an additional funding request in 2023/24

- **Current Status:**

- Stantec is the prime Consultant
- User Group Engagement Sessions underway – expected completion April 2023
- Business Plan Documents complete – expected completion September 2023

- **Cranbrook Long Term Care Business Plan Update**

- ➤ Rebuild of FW Green Home expanding from 60 beds to 130 beds

- Planning Budget = \$250K, RHD Share = \$100K approved in 2020/21
- Completion of Business Plan has been impacted by instability in the construction market affecting pricing, scheduling and Contractor availability
- We continue to work with Ministry of Health on these challenges



2023/24 Capital Funding Request Review of Items



\$5.3M Total Funding Request

Facility	Location	Project Description	Total Budget	RHD Share	Previous RHD Approval		2023/24 Funding Request
					Amount	B/L #	
Construction Projects over \$100,000							
Dr. F.W. Green Memorial Home	Cranbrook	Roof Top Units	\$ 837,250	\$ 334,900			\$ 334,900
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Creston Valley Hospital	Creston	Heating Boiler Replacement	1,638,000	655,200	400,000	124	255,200
Swan Valley Lodge	Creston	Chiller, 60-Ton Water Cooled	1,311,000	524,400			524,400
Elkford Health Centre	Elkford	Primary Care Network	170,000	68,000			68,000
Elk Valley Hospital	Fernie	Primary Care Network	450,000	180,000			180,000
Construction Projects under \$100,000							
Dr. F.W. Green Memorial Hospital	Cranbrook	Security Camera Upgrade	80,000	32,000			32,000
East Kootenay Regional Hospital	Cranbrook	Emergency Department Triage Renovation	99,000	39,600			39,600
East Kootenay Regional Hospital	Cranbrook	Outside Stair Replacement	75,000	30,000			30,000
East Kootenay Regional Hospital	Cranbrook	Psychiatry Main Door Replacement	60,000	24,000			24,000
Swan Valley Lodge	Creston	Kitchenette Replacement	81,000	32,400			32,400
IH-Wide Digital Health							
Regional		Various	1,514,250	605,700			605,700
Digital Health Under \$100,000							
Sparwood Health Centre	Sparwood	Wi-Fi Expansion	45,000	18,000			18,000
Equipment over \$100,000							
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Equipment under \$100,000 (Global Grant)							
All Facilities		Equipment between \$5,000 and \$100,000	1,005,750	402,300			402,300
TOTAL			\$ 16,431,750	\$ 5,852,700	\$ 539,800		\$ 5,312,900



Construction Projects over \$100K

1. FW Green Home Cranbrook Roof Top HVAC Units

- Total Budget = \$837K, RHD Share = \$335K
 - replace 4 units installed in 1992
 - if the rebuild project is approved these units can be used on other buildings with similar needs so we can leverage their full useful life.

2. EKRH Nursery and Nursing Station Renovation

- Total Budget = \$3.160M
 - Working with EK Foundation for Health on \$1.8M fundraising campaign (to be confirmed)
 - Balance of \$1.360M funded MoH = \$0.816M, RHD = \$0.540M
 - Expanded space with improved flow & set-up of equipment required to care for sick newborns
 - We are increasing our staffing as well which together will decrease number of patients needing to be referred out for care.



Construction Projects over \$100K

3. EKRH Elevator Modernization

- Total Budget = \$338K, RHD Share = \$135K
 - upgrades to the elevator near the Psychiatric unit servicing the S.W. portion of the hospital
 - due to the age of the elevator, parts are no longer available

4. EKRH Oncology Temporary Relocation (additional request)

- Total Budget = \$305K, RHD Share = \$122K
- Previous RHD approval = \$40K, **additional request = \$82K**
 - temporary relocation the main floor of this facility until the planning project is completed and a permanent location approved

5. EKRH Oncology & Renal – Planning (additional request)

- Total Budget = \$300K, RHD Share = \$120K
- Previous RHD approval = \$100K, **additional request = \$20K**
 - Increase is result of the sole bid submitted for the request for proposal being higher than expected



Construction Projects over \$100K

6. Creston Valley Hospital Primary Care Network space

- Total Budget = \$1.40Million, RHD Share = \$560K
 - renovate space within the Hospital lower level
 - Includes patient treatment & consultation rooms

7. Creston Valley Hospital Boiler Replacement (additional request)

- Total Budget = \$1.638Million, RHD Share = \$655K
- Previous RHD approval = \$400K, **additional request = \$255K**
 - Replacing 2 boilers from the 1960s that are past expected life with 4 smaller more efficient units
 - Cost increases are due to:
 - CSA requirement for dual fuel source capability (primary natural gas, back-up diesel)
 - Decoupling Domestic Hot Water
 - Inflationary pressures on sourcing



Construction Projects over \$100K

8. Swan Valley Lodge Creston Chiller replacement

- Total Budget = \$1.311M, RHD Share = \$524K
 - replace existing unit which was installed in 1996
 - current equipment is at risk of failure

9. Elkford Primary Care Network space

- Total Budget = \$170K, RHD Share = \$68K
 - renovate space within the Elkford Health Centre to create an additional patient treatment & consultation room

10. Elk Valley Hospital Primary Care Network space

- Total Budget = \$450K, RHD Share = \$180K
 - renovate space within the Health Unit section of the hospital in Fernie
 - Includes patient treatment & consultation rooms



Construction Projects under \$100,000

1. FW Green Home Cranbrook Security Camera Upgrade

- Total Budget = \$80K, RHD Share = \$32K
 - replace the existing which is over 20 years old with expansion for more cameras to provide better coverage

2. EKRH Emergency Triage Area Renovation

- Total Budget = \$99K, RHD Share = \$39K
 - Address violence risks to staff, increasing functionality, improved sight lines to waiting room, addition of a confidential patient interview station

3. EKRH Outside Stair Replacement

- Total Budget = \$75K, RHD Share = \$30K
 - Replace concrete staircase in rear of facility near the Psychiatry department. The nose of each stair is wearing off and the staircase is being eaten away from salt which is used in winter months



Construction Projects under \$100,000

4. EKRH Psychiatry Unit Main Door Replacement

- Total Budget = \$60K, RHD Share = \$24K
 - The frames and doors require replacement with new panic and card swipe hardware

5. Swan Valley Lodge Creston Kitchenette Replacement

- Total Budget = \$81K, RHD Share = \$32K
 - kitchenette replacement for the Mountain View Terrace unit
 - this kitchenette is original to the 1995 build
 - will include millwork, cabinets and installation of a partial wall for access security
 - Similarly the Harris unit kitchenette was replaced in 2022/23.



IH-Wide Digital Health

- IH-Wide initiative with benefits distributed equally across all regions costing approximately \$13.7 Million
- Cost allocation to the RHD's based on population
- Kootenay East allocation = 11% (\$1.514 Million, KERHD 40% = \$0.606 Million)
- Additionally Wi-Fi expansion/replacement at Sparwood Health Centre (\$45K, KERHD 40% = \$18K)



IH-Wide Digital Health

Includes multiple elements

- Network infrastructure hardware & software
- Continuation of MyHealthPortal expansion
 - patients access to their information and appointments
- Upgrade Home Health and Long term care assessment tools
- Protection from cyber-attacks

A screenshot of the MyHealthPortal sign-in page. The page has a white background with a grey header area. The header contains the MyHealthPortal logo and the text "Sign In". Below the header, there is a welcome message: "Welcome to Interior Health's MyHealthPortal." followed by a note about browser compatibility: "For best performance, we recommend using the latest browser versions of Google Chrome, Microsoft Edge and Safari. All older versions and other browsers not listed here are not recommended and will not be supported." Below this is another note: "Please be advised that our Terms and Conditions have been updated and you will be prompted to read and accept at your next log in." The sign-in form consists of two input fields: "Logon ID (required)" and "Password (required)". Below the fields are two buttons: "Sign in" and "Sign up". There are also links for "Forgot Logon ID?" and "Forgot Password?".

Equipment over \$100K

1. EKRH CT Scanner Replacement

- Total Budget = \$3.018Million, RHD Share = \$1.207Million
 - Computed Tomography (CT) Scanner replacing a 2011 model in the Medical Imaging department that is approaching end of life/out of support
 - includes upgrading existing space to meet current radiation safety & safe patient handling ergonomic requirements

2. EKRH Additional Pharmacy Medstations

- Total Budget = \$325K, RHD Share = \$130K
 - Automated Dispensing Cabinets (ADC) for medications
 - This technology has brought improvements in patient safety and workflow
 - This would replace existing manual drug distribution areas (i.e. locked cabinets/small rooms)
 - Areas converting are Obstetrics/Pediatrics, Daycare Surgery & Ambulatory Care



Equipment over \$100K

3. EKRH Ears, Nose and Throat (ENT) Navigation System

- Total Budget = \$219K, RHD Share = \$88K
 - surgical navigation system similar to a global positioning system in a car
 - Surgeon has the ability to “see” the instruments as they are inserted into the body to perform procedures
 - replacing a 2011 unit where parts and support will no longer be available
 - **The EKFH is considering fully funding this item. If their Board approves then KERHD funding will not be required. We will update KERHD Board on the outcome at your next meeting.**



Equipment under \$100,000

- **Global Grant for equipment that costs between \$5,000 and \$100,000**
- Total Budget = \$1.006Million, RHD Share = \$402K
- A reconciliation of items by location is provided after year end.



EKRH Temporary Oncology Update/Photos



EKRH Oncology Temporary Relocation

Scope of Work

- Relocate Oncology to main floor (current Rehabilitation area)
- 9 patient care stations each with wall-mount privacy curtains
- Physician office & patient consult rooms so that 2 GP Oncologists can work at the same time
- Group room for family consults & telehealth appointments
- Nurse Station
- Patient Reception area
- New dedicated Patient Washroom
- Back of house supply, soiled utility areas
- Total Budget = \$305K, RHD Share = \$122K for Construction
- **EKFH is additionally supporting the equipment needs for this new space**
- **Current Status**
 - Construction started 1st week of January
 - Estimated completion April 2023.







We are Partners

Thanks to KERHD, the East Kootenay Foundation for Health and the Health Care Auxiliaries in the East Kootenay for your support.





Questions



KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

Request for Decision

File No: H610 001

Date February 2, 2023
Author Debbie Renaud, DCFO
Subject Temporary Borrowing Resolution

REQUEST

Because hospital districts receive property tax revenue in August, and expenses are incurred throughout the year, short-term borrowing may be required to finance payments made in the first part of the year. The Hospital District Act requires that a resolution be made annually to authorize this borrowing.

OPTIONS

1. THAT the Kootenay East Regional Hospital District borrow a sum not exceeding One Million (\$1,000,000) Dollars for the purpose of paying the 2023 operating expenditures and bank interest charges until requisition payments are received in August.

RECOMMENDATION

Option 1

Request for Decision

File No: 210 001

Date February 5, 2023
Author Debbie Renaud, Deputy CFO
Subject KERHD Audit Planning Report from BDO Canada LLP 2022

REQUEST

Response to the KERHD Audit Planning Report from BDO Canada LLP.

OPTIONS

1. THAT a letter be sent to BDO Canada LLP identifying the following concerns or significant risks, and requesting that they be given consideration in the course of the year-end audit: (insert list of concerns)
2. THAT BDO Canada LLP be advised that there are no significant concerns, or significant risks, that the Board feels require particular attention during the audit.
3. THAT BDO Canada LLP be advised that for the purposes of the audit, the appropriate person in the governance structure with whom to communicate, is the Board Chair.

RECOMMENDATION

Option 3, and either Option 1 or 2 if the Board feels it appropriate.

BACKGROUND/ANALYSIS

Attached is an audit planning report from our auditors, BDO Canada LLP, regarding the 2022 year-end audit. In the letter, they are requesting feedback from the Board on various subjects. In particular, they would like to hear from the Board if there is any question as to BDO's independence from the RDEK (their ability to provide an unbiased opinion), or if there are particular issues or risks that the Board feels warrant particular attention in the audit. They have noted that an absence of a response is taken as an indication that the Board does not have any issues.

SPECIFIC CONSIDERATIONS

Previous Board Action

In the past, the Board's direction was to have the auditors communicate with the Board Chair to discuss any issues of concern.

Attachment



Tel: (250) 545-2136
Fax: (250) 545-3364
www.bdo.ca

BDO Canada LLP
2706 30th Avenue, Suite 202
Vernon, British Columbia
V1T 2B6

February 7, 2023

Kootenay East Regional Hospital District
19-24th Avenue South
Cranbrook, BC
V1C 3H8

Dear Holly Ronquist, CPA, CMA,

We understand that you wish to engage us as the auditors of Kootenay East Regional Hospital District for its fiscal year ended December 31, 2022 and subsequent years.

We are pleased to perform the engagement subject to the terms and conditions of this Agreement, to which the attached Standard Terms and Conditions form an integral part. The definitions set out in the Standard Terms and Conditions are applicable throughout this Agreement. This Agreement will remain in place and fully effective for future years until varied or replaced by another relevant written agreement.

Markus Schrott will be the Engagement Partner for the audit work we perform for you. The Engagement Partner will call upon other individuals with specialized knowledge to assist in the performance of services.

Our Role as Auditors

We will conduct our audit(s) 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 prepared in accordance with Canadian Public Sector Accounting Standards 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to your 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 your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.



Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

Role of Management and Those Charged with Governance

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

Financial Statement Services

We will obtain your approval, if during the course of our engagement we:

- (a) prepare or change a journal entry; or
- (b) prepare or change an account code or a classification for a transaction.

As agreed, we will provide assistance in the preparation of the financial statements.

These services create a threat to our independence. We, therefore, require that the following safeguards be put into place:



- (a) that you create the source data for all accounting entries;
- (b) that you develop any underlying assumptions for the accounting treatment and measurement entries; and
- (c) that you review and approve the draft financial statements, including the notes to the financial statements.

Tax Services

Our audit is conducted primarily to enable us to express an opinion on the financial statements. The audit process is not designed to provide us with a full understanding of your tax situation and in particular, to allow us to determine whether the entity has specific tax compliance issues. We understand that you are not looking to BDO to provide you with any guidance or advice in regard to tax planning or compliance.

Additional Services

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

Fee Estimation

The estimated base fee for this engagement is \$7,750. The additional time requirement to implement Canadian Auditing Standard (CAS) 315, *Identifying and Assessing the Risks of Material Misstatement* is approximately 30% of this base fee (estimated \$2,300) for a total of \$10,050. All invoices are subject to our technology and administration fee of 7% before applicable taxes.

Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with Canadian Public Sector Accounting Standards and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place. Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. Our billing rates may be subject to change from time to time at our discretion with or without notice to you.

Delays in providing the complete list of agreed upon working papers/schedules to BDO will result in additional fees as follows:

- 1 week delay - additional 10% of estimated fees
- 1 month delay - additional 20% of estimated fees

Should a delay occur, we cannot guarantee completion of our work by your deadline.



We will also bill you for our out-of-pocket expenses, our administrative and technology charge, and applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and Provincial Sales Tax. Our administrative and technology charge is calculated as 7% of our professional fee and represents an allocation of estimated costs associated with our technology infrastructure and support staff time costs.

Our fees will be invoiced and payable as follows:

- \$3,000 interim payment;
- \$6,000 prior to issuance of assurance report; and
- \$1,050 within 10 days after issuance of our final invoice along with any additional required final payments.

Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached as Appendix 1. You should ensure that you read and understand them. **The Standard Terms and Conditions include clauses that limit our professional liability.**

Please sign and return the attached copy of this Agreement to indicate your agreement with it. If you have any questions concerning this Agreement, please contact us before signing it.

It is a pleasure for us to be of service and we look forward to many future years of association with you.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

Signature

Date

Name (please print)

Position

Please carefully review this Agreement, which includes the attached Standard Terms and Conditions, prior to signing it. A complete copy of the signed engagement letter should be returned to us.



Appendix 1 - Standard Terms and Conditions

1 Overview and Interpretation

1.1 This Agreement sets forth the entire agreement between the parties in relation to Services and it supersedes all prior agreements, negotiations or understandings, whether oral or written, with respect to Services, including without limitation any non-disclosure agreements entered into in advance of this Agreement. This Agreement applies to Services whenever performed (including before the date of this Agreement). To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.

1.2 In this Agreement, the following words and expressions have the meanings set out below:

This Agreement - these Standard Terms and Conditions, the letter to which they are attached, supporting schedules or other appendices to the letter, and any Summary of Services letters issued in future years

Services - the services provided or to be provided under this Agreement, and any other services which we agree to provide to you subsequent to the date of this Agreement that are not covered by a separate engagement letter

We, us, our, BDO - refer to BDO Canada LLP, a Canadian limited liability partnership organized under the laws of the Province of Ontario

You, your - the party or parties contracting with BDO under this Agreement. You and your does not include BDO, its affiliates or BDO Member Firms

BDO Member Firm or Firms - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited

Confidential Information - all non-public proprietary or confidential information and Personal Information, including Client Documents

Personal Information - personal information that is or could be attributed to identifiable individuals

Client Documents - information (including internal financial information and internal records and reports) provided to us by you or on your behalf in connection with the performance of the Services

2 BDO Network and Sole Recourse

2.1 BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.

2.2 We may use other BDO Member Firms or subcontractors to provide Services; however, we remain solely responsible for Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.



- 2.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 2.2 above, as well as all liability protections contained herein, as if they were a party to this Agreement. For greater certainty, you agree that other BDO Member Firms that are subcontractors may enforce any limitations or exclusions of liability available to us under this Agreement.

3 Respective Responsibilities

- 3.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of Services.
- 3.2 You shall be responsible for your personnel's compliance with your obligations under this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.

4 Working Papers and Deliverables

- 4.1 **Ownership** - All reports (including assurance reports where applicable), written advice, working papers, and internal materials created or developed by us pursuant to this Agreement are owned by us, and we retain all property rights therein. All Client Documents continue to be your property, provided that we retain copies of such documents as necessary for our internal record keeping (including as required to comply with our professional obligations).
- 4.2 **Oral advice and draft deliverables** - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.
- 4.3 **Translated documents** - If you engage us to translate any documents, advice, opinions, reports or other work product of BDO from one language to another, you are responsible for the accuracy of the translation work.
- 4.4 **Reliance by Third Parties** - Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you, and are intended for the benefit of only you. Items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The receipt by any third parties of any advice, opinions, reports or other work product is not intended to create any duty of care, professional relationship or any present or future liability between such third parties and us. For greater certainty, we expressly disclaim any liability of any nature or kind resulting from the disclosure to or unauthorized reliance by any third party on our advice, opinions, reports or other work product.
- 4.5 **Consent to use the Report** - Nothing in this Agreement shall be construed as consent to the use of our report in connection with a continuous disclosure document, a public or private offering document, an annual report or any other document and we expressly do not provide such consent. If you request consent for the use of our report, we will consider, at the relevant time, providing consent and any conditions that we may attach to such consent. Our consent must be in writing.
- 4.6 **Consent requests** - In order to provide consent, professional standards require that we read the other information in the related document and consider whether such information



is materially inconsistent with the related financial statements. Any consent request must be made on a sufficiently timely basis to allow us to consider your identification and resolution of events occurring in the period since the date of our report, and to obtain updated written representation letters. Such procedures will be performed at your cost and will be documented in a separate engagement letter.

5 Confidentiality

- 5.1 We will use Confidential Information provided by you only in relation to the Services or for internal and administrative purposes. We will not disclose any Confidential Information, except where required by law, regulation or professional obligation. You agree, however, that we may disclose Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services, provided that such parties are bound by reasonable confidentiality obligations no less stringent than in this Agreement.

6 Analytics

- 6.1 Notwithstanding any other provision, BDO uses Confidential Information to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings and for data analytics and other insight generation, including by aggregating de-identified data. Information developed in connection with these purposes may be used or disclosed to current or prospective clients as part of service offerings, however BDO will not use or disclose any Confidential Information in a way that would permit you to be identified.

7 Privacy and Consent for Use of Personal Information

- 7.1 In order to provide our Services, we may be required to access and collect Personal Information of individuals that is in your custody. You agree that we may collect, use, store, transfer, disclose and otherwise process Personal Information as required for the purpose of providing the Services. Personal Information may be processed in various jurisdictions in which we or applicable BDO Member Firms and subcontractors providing Services operate and as such Personal Information may be subject to the laws of such jurisdictions. Personal Information will at all times be collected, used, stored, transferred, disclosed or processed in accordance with applicable laws and professional regulations and we will require any service providers and BDO Members that process Personal Information on our behalf to adhere to such requirements. Any collection, use, storage, transfer or disclosure of Personal Information is subject to BDO's Privacy Statement available at <https://www.bdo.ca/en-ca/legal-privacy/legal/privacy-policy/>.

- 7.2 You represent and warrant that:

- (a) you have the authority to provide the Personal Information to us in connection with the performance of our Services, and
- (b) the Personal Information provided to us has been provided in accordance with applicable law, and you have obtained all required consents of the individuals to whom such Personal Information relates in order to permit BDO to collect, use and disclose the Personal Information in the course of providing the Services.

8 Independence

- 8.1 Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to our clients in the performance of our Services. We will communicate to you any relationships between BDO (including its related entities) and you



that, in our professional judgment, may reasonably be thought to bear on our independence.

9 Offers of Employment

- 9.1 Any discussions that you, or any party acting on your behalf, have with professional personnel of our Firm regarding employment could pose a threat to our independence. Your recruitment of an engagement team member from the current or prior year's engagement may compromise our independence and our ability to render agreed Services to you. Engagement team members may include current and former partners and staff of BDO, other BDO Member Firms and other firms who work under our direction. Therefore, you agree to inform us prior to any such discussions so that you and we can implement appropriate safeguards to maintain our independence.

10 Professional and Regulatory Oversight and Legal Processes

- 10.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files must periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to your engagement to the practice inspectors for the sole purpose of their inspection.
- 10.2 Certain law enforcement, regulatory and other governmental bodies may also have the right under law or regulation to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law or regulation, we will advise you of any such document request or production order we receive in connection with any such investigation prior to providing any documents in response to such request or order.
- 10.3 We are sometimes required by law, regulation, subpoena or other legal process, or upon your request, to produce documents or personnel as witnesses in connection with legal or regulatory proceedings. Where BDO is not a party to such proceedings, you shall reimburse us at our current standard billing rates for professional time and expenses, including without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance or request by you.

11 Electronic Communications

- 11.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.

12 Limitation of Liability

- 12.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO's liability will be several, and not joint and several, and BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.



- 12.2 In no event shall BDO be liable for indirect, consequential, special, incidental, aggravated, punitive or exemplary damages, losses or expenses, or for any loss of revenues or profits, loss of opportunity, loss of data, or other commercial or economic loss or failure to realize expected savings, including without limitation expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 12.3 BDO shall in no event be liable under this Agreement or otherwise in connection with the Services for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Liabilities") in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
- (a) three times the fees paid to BDO by you, in a twelve consecutive month period, for the Services provided pursuant to this Agreement giving rise to the claim; and
 - (b) \$25,000.
- 12.4 The limitations of liability in this section apply whether or not the Liabilities asserted by you against BDO are incurred by you directly or as a result of a claim or demand against you by a third party.
- 12.5 No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
- 12.6 You agree claims or actions relating to the delivery of Services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.
- 12.7 For purposes of this Section, the term "BDO" shall include BDO Canada LLP and its subsidiaries, associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section shall apply to the fullest extent of the law, regardless of the form of the claim, whether in contract, statute, tort (including without limitation, negligence) or otherwise.

13 Indemnity

- 13.1 To the fullest extent permitted by applicable laws, in the event of a claim or demand by a third party against BDO that arises out of or relates to the Services, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, or expenses resulting from such third party claim or demand, except to the extent that the same is finally determined to have resulted from BDO's negligence or intentional misconduct.

14 Alternative Dispute Resolution

- 14.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement, including any question regarding its existence, interpretation, validity, breach or termination, or the Services provided hereunder, through good faith negotiations.

- 14.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation using a mediator chosen by mutual agreement of the parties.
- 14.3 All disputes remaining unsettled for more than 60 days following the parties first mediation session with a mediator, or such longer period as the parties mutually agree upon, shall be referred to and finally resolved by arbitration. The parties agree that one arbitrator shall be appointed within twenty (20) days of receipt of the request for arbitration. If the parties cannot agree on the appointment of an arbitrator in such period then either party may immediately apply for the appointment of an arbitrator to a court of competent jurisdiction in the Province of the governing law as contained herein pursuant to such Province's applicable *Arbitration Act*. The place of arbitration shall be in the capital of the Province of the governing law as contained herein. Unless the arbitrator otherwise determines, the fees of the arbitrator and the costs and expenses of the arbitration will be borne and paid equally by the parties. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision whatsoever. The parties hereby waive any such right of appeal or judicial review which may otherwise be provided for in any provincial arbitration statute. Judgement upon the award, including any interim award, rendered by the arbitrator may be entered in any court having jurisdiction. The arbitration shall be kept confidential and the existence of the arbitration proceeding and any element thereof (including but not limited to any pleadings, briefs or other documents submitted and exchanged and testimony and other oral submissions and any awards made) shall not be disclosed beyond the arbitrator(s), the parties, their counsel and any person to whom disclosure is necessary to the conduct of the proceeding except as may be lawfully required in judicial proceedings relating to the arbitration or otherwise.

15 Limitation Period

- 15.1 You shall make any claim relating to Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 15.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than four years after the completion of the Services under this Agreement.
- 15.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

16 Québec Personnel

- 16.1 We may sometimes have individual partners and employees performing Services within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Any such members performing professional services hereunder assumes full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. Any limitation of liability clauses in this Agreement shall therefore not apply to limit the personal civil liability of partners and



employees who are members of the Ordre des comptables professionnels agréés du Québec.

17 Termination

- 17.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).
- 17.2 You or we may terminate this Agreement at any time upon written notice of such termination to the other party. We will not be liable for any loss, cost or expense arising from such termination. You agree to pay us for all Services performed up to the date of termination, including Services performed, work-in-progress and expenses incurred by us up to and including the effective date of the termination of this Agreement.

18 Governing Laws

- 18.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of British Columbia in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law.

19 Survival

- 19.1 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

20 Force Majeure

- 20.1 We will not be liable for any delays or failures in performance or breach of contract due to events or circumstances beyond our reasonable control, including acts of God, war, acts by governments and regulators, acts of terrorism, accident, fire, flood or storm or civil disturbance.

21 Assignment

- 21.1 No party may assign, transfer or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22 Severability

- 22.1 The provisions of this Agreement shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, impaired or invalidated, and each such remaining provision shall be valid and enforceable to the fullest extent permitted by law.

Version: v4 202205

Kootenay East Regional Hospital District

Audit planning report to the Board of Directors
for the year ended December 31, 2022

START



To the Board of Directors of Kootenay East Regional Hospital District

We are pleased to provide you with this planning report to highlight and explain key issues which we believe to be relevant to the audit of Kootenay East Regional Hospital District (the "Hospital District") financial statements for the year ended December 31, 2022.

The enclosed planning report includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities. This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our draft audit report opinion and discussing our conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP
February 7, 2023



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Audit at a glance

LEAD PARTNER ON YOUR AUDIT	Markus Schrott CPA, CA
	E: mschrott@bdo.ca
	T: 250-275-8852
START DATE	January 2023
END DATE	April 2023



Your dedicated BDO audit team

Markus Schrott, CPA, CA
Engagement Partner

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Manager

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Audit Senior

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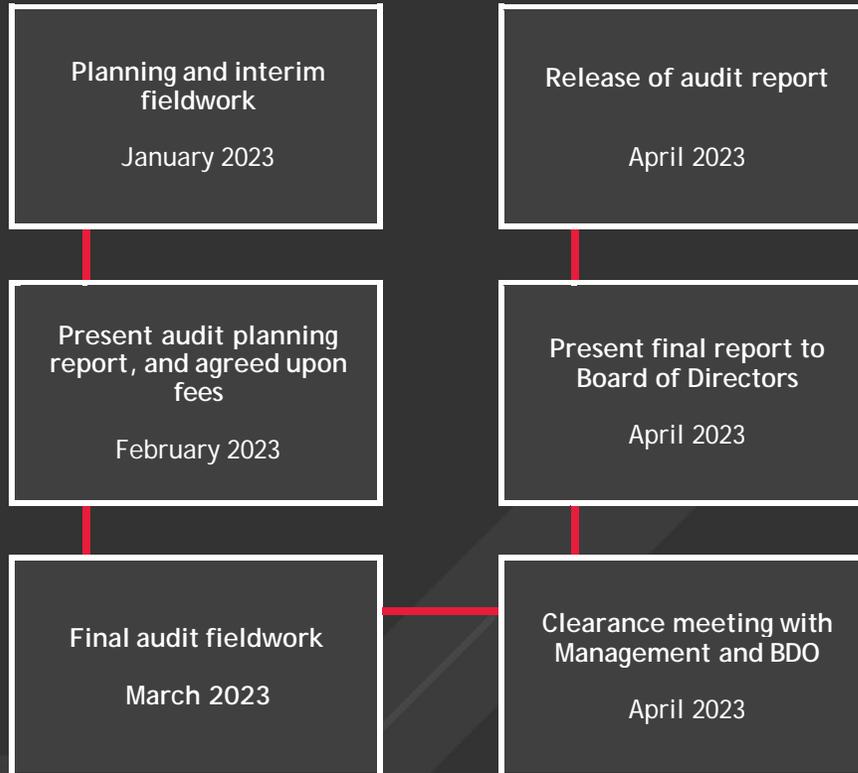
Our independence



We have identified relationships between Kootenay East Regional Hospital District and our Firm that may reasonably be thought to have influenced our independence. These are further discussed in Appendix B.



Audit timeline



For the year ended December 31, 2022



BDO'S DIGITAL AUDIT SUITE APT Next Gen

We use our APT Next Gen software and documentation tool to save time, streamline processes, and go paperless with your audit.

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Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter attached as Appendix A to this letter, is set out below:

Year-End Audit Work

- ▶ Work with management towards the timely issuance of the financial statements.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the Board of Directors including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.



We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.



Auditor's responsibilities: fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Hospital District's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the Hospital District, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in Kootenay East Regional Hospital District; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the Hospital District. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.



Significant risks and planned responses

We have identified the following significant risks that require special audit consideration. These risks were identified based on our knowledge of the Hospital District, our past experience, and input from management and the Board of Directors. Please review these significant risks and let us know your thoughts on these or any other areas of concern.

Financial statement areas	Risks noted	Audit approach
Management Override of Internal Controls	Per CAS 240.32, irrespective of our assessment of the risk of management override of controls, audit procedures must be performed to address the risk.	Review of transactions recorded in various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures.
Accumulated Surplus	Risk that opening accumulated surplus does not agree to prior year ending accumulated surplus.	Review of transactions directly recorded to accumulated surplus accounts and examine support.

Materiality

We determined preliminary materiality to be \$259,000, based on 3% of Revenues.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

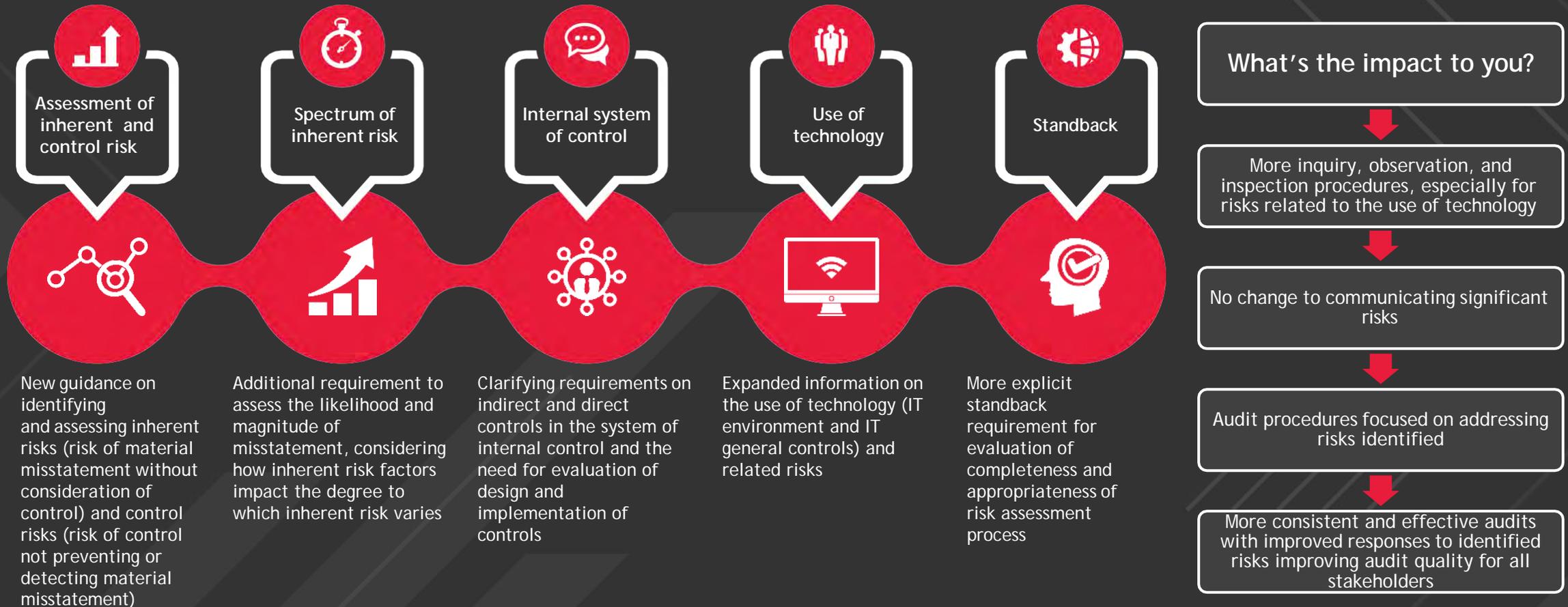
Our materiality calculation is based on the Hospital District's preliminary results. If actual results change significantly, we will communicate those changes to the Board of Directors as part of our year-end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Board of Directors, other than those which we determine to be "clearly trivial."

We encourage management to correct any misstatements identified throughout the audit process.

Updates to our audit process

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:



Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your Organization. Our audit process differs from the typical audit in our use of in-field reviews, subject to COVID-19 safety protocols. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly. We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)

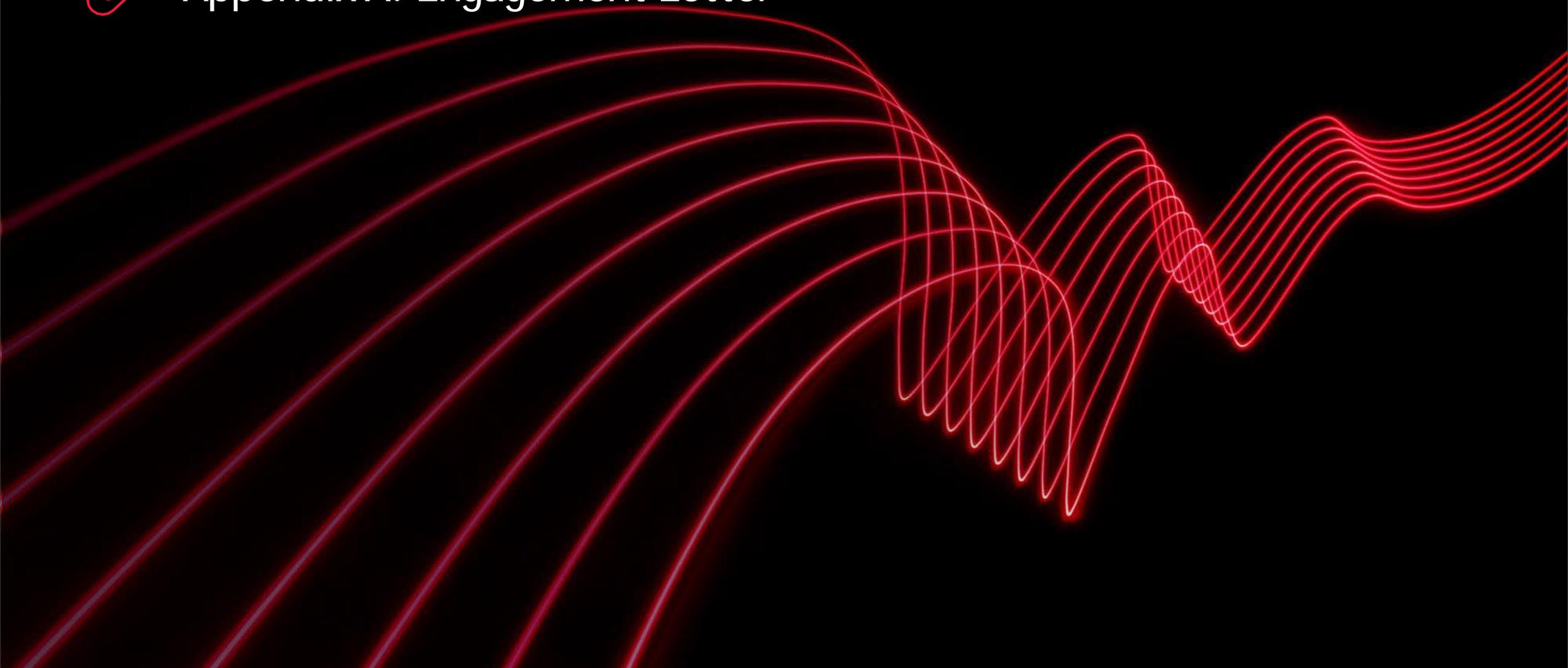


Appendices

- ▶ Appendix A: Engagement Letter
- ▶ Appendix B: Independence Letter
- ▶ Appendix C: PSAS Update



Appendix A: Engagement Letter





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BDO Canada LLP
2706 30th Avenue, Suite 202
Vernon, British Columbia
V1T 2B6

February 7, 2023

Kootenay East Regional Hospital District
19-24th Avenue South
Cranbrook, BC
V1C 3H8

Dear Holly Ronquist, CPA, CMA,

We understand that you wish to engage us as the auditors of Kootenay East Regional Hospital District for its fiscal year ended December 31, 2022 and subsequent years.

We are pleased to perform the engagement subject to the terms and conditions of this Agreement, to which the attached Standard Terms and Conditions form an integral part. The definitions set out in the Standard Terms and Conditions are applicable throughout this Agreement. This Agreement will remain in place and fully effective for future years until varied or replaced by another relevant written agreement.

Markus Schrott will be the Engagement Partner for the audit work we perform for you. The Engagement Partner will call upon other individuals with specialized knowledge to assist in the performance of services.

Our Role as Auditors

We will conduct our audit(s) 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 prepared in accordance with Canadian Public Sector Accounting Standards 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to your 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 your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.



Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

Role of Management and Those Charged with Governance

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

Financial Statement Services

We will obtain your approval, if during the course of our engagement we:

- (a) prepare or change a journal entry; or
- (b) prepare or change an account code or a classification for a transaction.

As agreed, we will provide assistance in the preparation of the financial statements.

These services create a threat to our independence. We, therefore, require that the following safeguards be put into place:



- (a) that you create the source data for all accounting entries;
- (b) that you develop any underlying assumptions for the accounting treatment and measurement entries; and
- (c) that you review and approve the draft financial statements, including the notes to the financial statements.

Tax Services

Our audit is conducted primarily to enable us to express an opinion on the financial statements. The audit process is not designed to provide us with a full understanding of your tax situation and in particular, to allow us to determine whether the entity has specific tax compliance issues. We understand that you are not looking to BDO to provide you with any guidance or advice in regard to tax planning or compliance.

Additional Services

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

Fee Estimation

The estimated base fee for this engagement is \$7,750. The additional time requirement to implement Canadian Auditing Standard (CAS) 315, *Identifying and Assessing the Risks of Material Misstatement* is approximately 30% of this base fee (estimated \$2,300) for a total of \$10,050. All invoices are subject to our technology and administration fee of 7% before applicable taxes.

Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with Canadian Public Sector Accounting Standards and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place. Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. Our billing rates may be subject to change from time to time at our discretion with or without notice to you.

Delays in providing the complete list of agreed upon working papers/schedules to BDO will result in additional fees as follows:

- 1 week delay - additional 10% of estimated fees
- 1 month delay - additional 20% of estimated fees

Should a delay occur, we cannot guarantee completion of our work by your deadline.



We will also bill you for our out-of-pocket expenses, our administrative and technology charge, and applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and Provincial Sales Tax. Our administrative and technology charge is calculated as 7% of our professional fee and represents an allocation of estimated costs associated with our technology infrastructure and support staff time costs.

Our fees will be invoiced and payable as follows:

- \$3,000 interim payment;
- \$6,000 prior to issuance of assurance report; and
- \$1,050 within 10 days after issuance of our final invoice along with any additional required final payments.

Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached as Appendix 1. You should ensure that you read and understand them. **The Standard Terms and Conditions include clauses that limit our professional liability.**

Please sign and return the attached copy of this Agreement to indicate your agreement with it. If you have any questions concerning this Agreement, please contact us before signing it.

It is a pleasure for us to be of service and we look forward to many future years of association with you.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

Signature	Date
-----------	------

Name (please print)	Position
---------------------	----------

Please carefully review this Agreement, which includes the attached Standard Terms and Conditions, prior to signing it. A complete copy of the signed engagement letter should be returned to us.



Appendix 1 - Standard Terms and Conditions

1 Overview and Interpretation

1.1 This Agreement sets forth the entire agreement between the parties in relation to Services and it supersedes all prior agreements, negotiations or understandings, whether oral or written, with respect to Services, including without limitation any non-disclosure agreements entered into in advance of this Agreement. This Agreement applies to Services whenever performed (including before the date of this Agreement). To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.

1.2 In this Agreement, the following words and expressions have the meanings set out below:

This Agreement - these Standard Terms and Conditions, the letter to which they are attached, supporting schedules or other appendices to the letter, and any Summary of Services letters issued in future years

Services - the services provided or to be provided under this Agreement, and any other services which we agree to provide to you subsequent to the date of this Agreement that are not covered by a separate engagement letter

We, us, our, BDO - refer to BDO Canada LLP, a Canadian limited liability partnership organized under the laws of the Province of Ontario

You, your - the party or parties contracting with BDO under this Agreement. You and your does not include BDO, its affiliates or BDO Member Firms

BDO Member Firm or Firms - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited

Confidential Information - all non-public proprietary or confidential information and Personal Information, including Client Documents

Personal Information - personal information that is or could be attributed to identifiable individuals

Client Documents - information (including internal financial information and internal records and reports) provided to us by you or on your behalf in connection with the performance of the Services

2 BDO Network and Sole Recourse

2.1 BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.

2.2 We may use other BDO Member Firms or subcontractors to provide Services; however, we remain solely responsible for Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.



2.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 2.2 above, as well as all liability protections contained herein, as if they were a party to this Agreement. For greater certainty, you agree that other BDO Member Firms that are subcontractors may enforce any limitations or exclusions of liability available to us under this Agreement.

3 Respective Responsibilities

3.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of Services.

3.2 You shall be responsible for your personnel's compliance with your obligations under this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.

4 Working Papers and Deliverables

4.1 **Ownership** - All reports (including assurance reports where applicable), written advice, working papers, and internal materials created or developed by us pursuant to this Agreement are owned by us, and we retain all property rights therein. All Client Documents continue to be your property, provided that we retain copies of such documents as necessary for our internal record keeping (including as required to comply with our professional obligations).

4.2 **Oral advice and draft deliverables** - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.

4.3 **Translated documents** - If you engage us to translate any documents, advice, opinions, reports or other work product of BDO from one language to another, you are responsible for the accuracy of the translation work.

4.4 **Reliance by Third Parties** - Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you, and are intended for the benefit of only you. Items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The receipt by any third parties of any advice, opinions, reports or other work product is not intended to create any duty of care, professional relationship or any present or future liability between such third parties and us. For greater certainty, we expressly disclaim any liability of any nature or kind resulting from the disclosure to or unauthorized reliance by any third party on our advice, opinions, reports or other work product.

4.5 **Consent to use the Report** - Nothing in this Agreement shall be construed as consent to the use of our report in connection with a continuous disclosure document, a public or private offering document, an annual report or any other document and we expressly do not provide such consent. If you request consent for the use of our report, we will consider, at the relevant time, providing consent and any conditions that we may attach to such consent. Our consent must be in writing.

4.6 **Consent requests** - In order to provide consent, professional standards require that we read the other information in the related document and consider whether such information



is materially inconsistent with the related financial statements. Any consent request must be made on a sufficiently timely basis to allow us to consider your identification and resolution of events occurring in the period since the date of our report, and to obtain updated written representation letters. Such procedures will be performed at your cost and will be documented in a separate engagement letter.

5 Confidentiality

- 5.1 We will use Confidential Information provided by you only in relation to the Services or for internal and administrative purposes. We will not disclose any Confidential Information, except where required by law, regulation or professional obligation. You agree, however, that we may disclose Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services, provided that such parties are bound by reasonable confidentiality obligations no less stringent than in this Agreement.

6 Analytics

- 6.1 Notwithstanding any other provision, BDO uses Confidential Information to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings and for data analytics and other insight generation, including by aggregating de-identified data. Information developed in connection with these purposes may be used or disclosed to current or prospective clients as part of service offerings, however BDO will not use or disclose any Confidential Information in a way that would permit you to be identified.

7 Privacy and Consent for Use of Personal Information

- 7.1 In order to provide our Services, we may be required to access and collect Personal Information of individuals that is in your custody. You agree that we may collect, use, store, transfer, disclose and otherwise process Personal Information as required for the purpose of providing the Services. Personal Information may be processed in various jurisdictions in which we or applicable BDO Member Firms and subcontractors providing Services operate and as such Personal Information may be subject to the laws of such jurisdictions. Personal Information will at all times be collected, used, stored, transferred, disclosed or processed in accordance with applicable laws and professional regulations and we will require any service providers and BDO Members that process Personal Information on our behalf to adhere to such requirements. Any collection, use, storage, transfer or disclosure of Personal Information is subject to BDO's Privacy Statement available at <https://www.bdo.ca/en-ca/legal-privacy/legal/privacy-policy/>.

- 7.2 You represent and warrant that:

- (a) you have the authority to provide the Personal Information to us in connection with the performance of our Services, and
- (b) the Personal Information provided to us has been provided in accordance with applicable law, and you have obtained all required consents of the individuals to whom such Personal Information relates in order to permit BDO to collect, use and disclose the Personal Information in the course of providing the Services.

8 Independence

- 8.1 Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to our clients in the performance of our Services. We will communicate to you any relationships between BDO (including its related entities) and you



that, in our professional judgment, may reasonably be thought to bear on our independence.

9 Offers of Employment

- 9.1 Any discussions that you, or any party acting on your behalf, have with professional personnel of our Firm regarding employment could pose a threat to our independence. Your recruitment of an engagement team member from the current or prior year's engagement may compromise our independence and our ability to render agreed Services to you. Engagement team members may include current and former partners and staff of BDO, other BDO Member Firms and other firms who work under our direction. Therefore, you agree to inform us prior to any such discussions so that you and we can implement appropriate safeguards to maintain our independence.

10 Professional and Regulatory Oversight and Legal Processes

- 10.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files must periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to your engagement to the practice inspectors for the sole purpose of their inspection.
- 10.2 Certain law enforcement, regulatory and other governmental bodies may also have the right under law or regulation to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law or regulation, we will advise you of any such document request or production order we receive in connection with any such investigation prior to providing any documents in response to such request or order.
- 10.3 We are sometimes required by law, regulation, subpoena or other legal process, or upon your request, to produce documents or personnel as witnesses in connection with legal or regulatory proceedings. Where BDO is not a party to such proceedings, you shall reimburse us at our current standard billing rates for professional time and expenses, including without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance or request by you.

11 Electronic Communications

- 11.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.

12 Limitation of Liability

- 12.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO's liability will be several, and not joint and several, and BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.



- 12.2 In no event shall BDO be liable for indirect, consequential, special, incidental, aggravated, punitive or exemplary damages, losses or expenses, or for any loss of revenues or profits, loss of opportunity, loss of data, or other commercial or economic loss or failure to realize expected savings, including without limitation expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 12.3 BDO shall in no event be liable under this Agreement or otherwise in connection with the Services for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Liabilities") in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
- (a) three times the fees paid to BDO by you, in a twelve consecutive month period, for the Services provided pursuant to this Agreement giving rise to the claim; and
 - (b) \$25,000.
- 12.4 The limitations of liability in this section apply whether or not the Liabilities asserted by you against BDO are incurred by you directly or as a result of a claim or demand against you by a third party.
- 12.5 No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
- 12.6 You agree claims or actions relating to the delivery of Services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.
- 12.7 For purposes of this Section, the term "BDO" shall include BDO Canada LLP and its subsidiaries, associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section shall apply to the fullest extent of the law, regardless of the form of the claim, whether in contract, statute, tort (including without limitation, negligence) or otherwise.

13 Indemnity

- 13.1 To the fullest extent permitted by applicable laws, in the event of a claim or demand by a third party against BDO that arises out of or relates to the Services, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, or expenses resulting from such third party claim or demand, except to the extent that the same is finally determined to have resulted from BDO's negligence or intentional misconduct.

14 Alternative Dispute Resolution

- 14.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement, including any question regarding its existence, interpretation, validity, breach or termination, or the Services provided hereunder, through good faith negotiations.

- 14.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation using a mediator chosen by mutual agreement of the parties.
- 14.3 All disputes remaining unsettled for more than 60 days following the parties first mediation session with a mediator, or such longer period as the parties mutually agree upon, shall be referred to and finally resolved by arbitration. The parties agree that one arbitrator shall be appointed within twenty (20) days of receipt of the request for arbitration. If the parties cannot agree on the appointment of an arbitrator in such period then either party may immediately apply for the appointment of an arbitrator to a court of competent jurisdiction in the Province of the governing law as contained herein pursuant to such Province's applicable *Arbitration Act*. The place of arbitration shall be in the capital of the Province of the governing law as contained herein. Unless the arbitrator otherwise determines, the fees of the arbitrator and the costs and expenses of the arbitration will be borne and paid equally by the parties. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision whatsoever. The parties hereby waive any such right of appeal or judicial review which may otherwise be provided for in any provincial arbitration statute. Judgement upon the award, including any interim award, rendered by the arbitrator may be entered in any court having jurisdiction. The arbitration shall be kept confidential and the existence of the arbitration proceeding and any element thereof (including but not limited to any pleadings, briefs or other documents submitted and exchanged and testimony and other oral submissions and any awards made) shall not be disclosed beyond the arbitrator(s), the parties, their counsel and any person to whom disclosure is necessary to the conduct of the proceeding except as may be lawfully required in judicial proceedings relating to the arbitration or otherwise.

15 Limitation Period

- 15.1 You shall make any claim relating to Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 15.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than four years after the completion of the Services under this Agreement.
- 15.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

16 Québec Personnel

- 16.1 We may sometimes have individual partners and employees performing Services within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Any such members performing professional services hereunder assumes full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. Any limitation of liability clauses in this Agreement shall therefore not apply to limit the personal civil liability of partners and



employees who are members of the Ordre des comptables professionnels agréés du Québec.

17 Termination

- 17.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).
- 17.2 You or we may terminate this Agreement at any time upon written notice of such termination to the other party. We will not be liable for any loss, cost or expense arising from such termination. You agree to pay us for all Services performed up to the date of termination, including Services performed, work-in-progress and expenses incurred by us up to and including the effective date of the termination of this Agreement.

18 Governing Laws

- 18.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of British Columbia in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law.

19 Survival

- 19.1 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

20 Force Majeure

- 20.1 We will not be liable for any delays or failures in performance or breach of contract due to events or circumstances beyond our reasonable control, including acts of God, war, acts by governments and regulators, acts of terrorism, accident, fire, flood or storm or civil disturbance.

21 Assignment

- 21.1 No party may assign, transfer or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22 Severability

- 22.1 The provisions of this Agreement shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, impaired or invalidated, and each such remaining provision shall be valid and enforceable to the fullest extent permitted by law.

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Appendix B: Independence Letter



February 7, 2023

Members of the Board of Directors
Kootenay East Regional Hospital District

Dear Members of the Board of Directors:

We have been engaged to audit the financial statements of Kootenay East Regional Hospital District (the "Hospital District") for the year ended December 31, 2022.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Hospital District and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since December 9, 2022, the date of our last letter.

We are aware of the following relationships between the Hospital District and us that, in our professional judgment, may reasonably be thought to have influenced our independence:

- We will provide assistance in the preparation of the financial statements. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian Public Sector Accounting Standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management provides us with a trial balance and draft financial statements, including notes, prior to completion of our audit.
 - Management creates the source data for all the accounting entries.
 - Management develops any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviews advice and comments provided and undertook their own analysis considering the Hospital District's circumstances and generally accepted accounting principles.



- Management reviews and approves all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
- Someone other than the preparer reviewed the proposed journal entries and financial statements

We hereby confirm that we are independent with respect to the Hospital District within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of the date of this letter.

This letter is intended solely for the use of the Board of Directors, management and those charged with governance of the Hospital District and should not be used for any other purpose.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

MS/



Appendix C: PSAS Update

Assurance and Accounting

Public Sector Accounting Standards (PSAS) Update 2022

Introduction

It has been a busy year for the Public Sector Accounting Board (PSAB or the “Board”). As public sector entities continue to adapt to the ever-changing market landscape, the Board has been hard at work advancing the progress of various projects such as its international and government not-for-profit strategies, as well as, issuing a revised conceptual framework.

This publication will provide a look at the impacts of the new standards effective over the next few years including Section PS 3280, *Asset Retirement Obligations*, the Financial Instruments suite of standards, and Section PS 3160, *Public Private Partnerships*. As well as, provide an overview of the projects the Board has on the go that will impact public sector entities in the future such as a revised employee benefits standard and new reporting model.

Standards Effective April 1, 2021

The following amendments to the public sector accounting (PSA) handbook will impact upcoming December 31, 2022 year-ends.

2019-2020 Annual Improvements

As a result of the 2019-2020 annual improvements process, the Board issued the following amendments:

- Amended the Introduction to Public Sector Accounting Standards to clarify that early adoption of a new or amended standard also requires the early adoption of all consequential amendments related to that standard. This also clarifies that the consequential amendments cannot be early adopted if the related amended standard has not also been early adopted.
- Updated the disclosure requirements in individual standards relating to Section PS 3380, *Contractual Rights*, to require the disclosure of both contractual rights and contractual obligations; and
- Replace the term contingencies in individual standards with the term's contingent assets and contingent liabilities.

The Board issued these amendments in November 2020 with earlier adoption permitted.

Modification of PSAB's GAAP Hierarchy

As part of PSAB's International Strategy decision, Section PS 1150, *Generally Accepted Accounting Principles*, has been amended to position International Public Sector Accounting Standards (IPSAS) as the first accounting framework that should be consulted where situations or transactions are not covered by primary sources of GAAP or in situations where assistance is needed to apply primary sources of GAAP.

This amendment would only apply to new transactions or other events where the entity currently has no accounting policy outlined and chooses to look outside of the PSA Handbook for guidance in developing an accounting policy. Public sector entities would not be required to revise existing accounting policies determined prior to this amendment.

Standards Effective April 1, 2022

Public sector entities must consider the impacts the following new and amended standards will have on their March 31, 2023 and December 31, 2023 year ends. Refer to the publications provided in the table at the end of this section for more detailed information on these changes.

Asset Retirement Obligations

In March 2018, the Board issued new Section PS 3280, *Asset Retirement Obligations*. Prior to this, the PSA Handbook did not include specific guidance on accounting for asset retirement obligations. In applying this standard in practice, it is very important that public sector entities take the time to perform a thorough analysis when deciding which asset retirement costs are in the scope of this standard. Once the proper scoping has been completed the remaining guidance in the standard should be used to ensure proper recognition, measurement, presentation and disclosure.

Scope

The standard only applies to legal obligations, including obligations created by promissory estoppel. This standard impacts tangible capital assets controlled by public sector entities, regardless of whether or not they are in productive use or not.

Some examples of costs that would potentially fall within the scope of this standard include:

- Costs to remove asbestos and fuel tanks;
- Costs incurred to retire an x-ray or similar machine;
- Solid waste landfill closure and post closure liabilities; and
- Costs to remove customizations/ leasehold improvements from leased premises.

To perform proper scoping for asset retirement obligations, management should ensure employees with the appropriate knowledge are involved to ensure all potential asset retirement obligations are identified.

Recognition and Measurement

Under the new standard, an asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset controlled by a public sector entity. Asset retirement obligations associated with tangible capital assets include post-retirement operation, maintenance, and monitoring costs. A liability for an asset retirement obligation would be recognized when all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Recognition of asset retirement costs is accomplished by increasing the carrying amount of the related tangible capital asset, or a component thereof, and then expensing this amount in a rational and systematic manner. A present value technique may be the best method of estimating the liability. Depending on the nature of a re-measurement and whether the asset remains in productive use, subsequent re-measurement of the liability could result in either a change in the carrying amount of the related tangible capital asset or a component thereof, or an expense. Asset retirement costs associated with an asset that is not recognized on the public sector entity's financial statements and those associated with assets no longer in productive use would be expensed immediately.

Landfills

The new standard includes landfill related asset retirement obligations within its scope so that all asset retirement obligations are accounted for consistently within the public sector. Existing Section PS 3270, *Solid Waste Landfill Closure and Post-closure Liability*, will be withdrawn once Section PS 3280 becomes effective. This change will result in asset retirement obligations associated with landfills recognized earlier than they are under the current guidance.

Amendments to Section PS 3260

Changes have been made to Section PS 3260, *Liability for Contaminated Sites*, to clarify what will fall within the scope of this standard vs. the scope of the new asset retirement obligation standard. Additionally, under the new standard any expected recoveries associated with the asset retirement obligation would not be netted against the liability. In the past, Section PS 3260 has allowed recoveries to be netted against the liability. To improve consistency between the two standards, Section PS 3260 has been amended to no longer allow netting.

For more details on this new standard and its application please refer to our publication [Asset Retirement Obligations \(ARO\): A Practical Approach to Section PS 3280](#).

Financial Instruments, Foreign Currency, Financial Statement Presentation and Portfolio Investments

Sections PS 3450, *Financial Instruments*, and PS 2601, *Foreign Currency Translation*, are applicable for fiscal years beginning on or after April 1, 2021, for public sector entities that did not previously apply the CPA Canada Handbook – Accounting prior to adopting the PSA Handbook (for example governments). At the same time public sector entities adopt these two Sections, they must also adopt Section PS 1201, *Financial Statement Presentation*, Section PS 3041, *Portfolio Investments*, and the effective interest method outlined in paragraph .25 of Section PS 3050, *Loans Receivable*. For more details on these standards, please refer to our publication [A Guide to Accounting for Financial Instruments in the Public Sector](#).

Over the past few years, the effective date of these Sections was delayed several times due to concerns raised by senior governments in some provinces on the implementation of Sections PS 2601 and PS 3450 related to recognition and measurement of derivatives, the lack of hedge accounting, and the accounting treatment for bond repurchases. The Board investigated various options to address these concerns and issued three further amendments to the above standards. The details of the amendments are described below, and these amendments would be effective in the same periods the above standards are first applied.

Federal Government Narrow-Scope Amendments

The Board issued amendments to Section PS 2601 to address the presentation of the exchange gain or loss component of a financial instruments change in fair value when that financial instrument is associated with the federal government's foreign reserves. Section PS 1201 was amended to clarify, that foreign exchange gains or losses from such instruments are not required to be presented in the statement of remeasurement gains and losses.

Foreign Exchange Narrow-Scope Amendments

The Board issued amendments to Section 2601 to allow all public sector entities to make an accounting policy election for financial assets and financial liabilities arising from a foreign currency transaction to, on initial recognition, recognize their exchange gains and losses, including the foreign exchange gain or loss component of changes in fair value, directly in the statement of operations.

Section PS 1201 has been amended as a result of the above, to clarify that the exchange gains and losses subject to the election would not be recognized in the statement of remeasurement gains and losses. Section PS 3450 has been amended to require disclosure of the carrying value of financial assets and liabilities to which the above election is applied in the notes to the financial statements.

Presentation Narrow-Scope Amendments

The Board issued amendments to Section PS 1201 clarify the presentation of derivatives. The amendments include:

- The remeasurement impact of derivatives and other categories of financial instruments may be presented as separate line items on the statement of changes in net debt;
- A new subtotal for the change in net debt excluding the impact of remeasurement gains and losses may be presented on the statement of change in net debt; and
- A footnote on the net debt indicator may be included in the statement of financial position to refer readers to the additional detail provided on the statement of changes in net debt.

The resources listed below provide additional information on the changes discussed in this section of the publication.

Amendment/ New Standard	Resources
New Section PS 3280, <i>Asset Retirement Obligations</i>	<ul style="list-style-type: none"> • Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280 • PSAB at a Glance: Section PS 3280, Asset Retirement Obligations
New Sections PS 3450, <i>Financial Instruments</i> ; PS 2601, <i>Foreign Currency Translation</i> ; PS 3041, <i>Portfolio Investments</i> ; PS 1201, <i>Financial Statement Presentation</i> ; and amendments to Section PS 3050, <i>Loans Receivable</i> , on accounting for financial instruments	<ul style="list-style-type: none"> • A Guide to Accounting for Financial Instruments in the Public Sector • PSAB at a Glance: Section PS 1201, Financial Statement Presentation • PSAB at a Glance: Section PS 2601, Foreign Currency Translation • PSAB at a Glance: Section PS 3041, Portfolio Investments • PSAB at a Glance: Section PS 3050, Loans Receivable • PSAB at a Glance: Section PS 3450, Financial Instruments

Standards Effective April 1, 2023

Public sector entities must consider the impacts the following new and amended standards will have on their March 31, 2024 and December 31, 2024 year ends. Refer to the publications provided in the table at the end of this section for more detailed information on these changes.

Revenue

In November 2018, the Board issued new Section PS 3400, *Revenue*. Prior to this, the PSA Handbook only contained guidance on specific revenue transactions such as, taxation, government transfers, etc. As a result, many public sector entities consulted other sources of GAAP when accounting for types of revenue for which the PSA Handbook did not provide specific guidance, which resulted in diversity in practice.

The new standard establishes overall guidance on how to account for and report revenue. The standard makes a distinction between transactions that include performance obligations (exchange transactions) and those that do not include a performance obligation (non-exchange transactions). A performance obligation is an enforceable promise to provide specific goods or services to a specific payor. Based on the definition, in order to identify a performance obligation a public sector entity must be able to identify a distinct good or service and a specific payor. Revenue from transactions with performance obligations is recognized when (or as) the public sector entity satisfies a performance obligation by providing the goods or services to a payor. Therefore, once a performance obligation is identified, an assessment is needed to determine whether revenue recognition occurs over a period of time or at a point in time.

Transactions with Performance Obligations Satisfied at a Point in Time

A performance obligation is satisfied, and revenue is recognized when control of the benefits for a good or service have been transferred to the payor. Some indicators that control has been transferred include, but are not limited to:

- When the payor is able to use or direct the use, sell, or exchange and obtain substantially all the remaining benefits from the good or service; or
- When the payor has hold of the good or service and can use it at their discretion.

If a performance obligation is not satisfied over a period of time (as described in the next section below), then it must be recognized at a point in time considering the above criteria. An example of a transaction where a performance obligation would be recognized at a point in time would be when a public sector entity sells a recycling bin, since after the initial sale transaction the payor controls the asset and there are no further performance obligations for the public sector entity to complete.

Transactions with Performance Obligations Satisfied Over Time

When control of the benefits associated with a good or service passes to the payor over time, then the entity recognizes revenue over a period of time if any of the following indicators are met:

- The payor simultaneously receives and consumes the benefit as the public sector entity fulfils the performance obligation;
- The public sector entity's performance creates or enhances an asset that the payor controls or uses as the asset is created or enhanced;
- The public sector entity's performance does not create an asset with an alternative use to the public sector entity, and the public sector entity has an enforceable right to payment for performance completed to date;
- The public sector entity is expected to continually maintain or support the transferred good or service under the terms of an arrangement; or
- The payor is granted access to a specific good or service under the terms of an arrangement.

A portion of the transaction price allocated to each performance obligation is recognized as revenue as the performance obligation is satisfied. An example of a transaction with performance obligations settled over time would be a college providing a certificate course consisting of weekly lectures over an eight-month period to a student who pays \$4,000 up front, since the college must perform multiple performance obligations over a period of time.

Transactions with no Performance Obligations

Some transactions entered into by a public sector entity do not have any performance obligations attached to them. When this is the case, revenue would be recognized when the public sector entity has authority to claim or retain an inflow of economic resources and a past event or transaction that gives rise to an asset has occurred. An example of a transaction without a performance obligation would be a municipality issuing a parking ticket or fine.

Transition

Adoption of the standard will be accounted for as a change in accounting policy and may be applied retroactively with restatement of prior periods or prospectively.

Purchased Intangibles

In November 2020, the Board issued new a new public sector guideline (PSG) on purchased intangibles. Prior to this, the PSA Handbook prohibited the recognition of purchased intangibles in the financial statements of public sector entities following PSAS without the PS 4200 series of standards. The main highlights of this new PSG-8 include:

- Defining purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.
- Purchased intangibles are recognized as assets when they meet the definition of an asset and the general recognition criteria in Section PS 1000, *Financial Statement Concepts*. Section PS 3210, *Assets*, provides guidance on applying the asset definition.
- PSG-8 does not provide specific in-depth guidance on how to account for purchased intangibles, but directs the reader to consider the following guidance in determining how to account for purchased intangibles:
 - The definition of an asset in Section PS 1000 and the additional guidance on the asset definition in Section PS 3210;
 - The recognition, measurement, and disclosure concepts in Section PS 1000; and
 - The GAAP Hierarchy in Section PS 1150, *Generally Accepted Accounting Principles*.
- Purchased intangibles are classified as non-financial assets.
- PSG-8 is applied retroactively or prospectively in accordance with Section PS 2120, *Accounting Changes*.

The Board also amended Sections PS 1000 and Section PS 1201 to allow for the recognition of purchased intangibles and removed the disclosure requirements for unrecognized purchased intangibles as a result of the issuance of PSG-8.

Public Private Partnerships

An issue that was identified as a priority in PSAB's 2014 Project Priority Survey was accounting for public private partnerships. These types of arrangements are becoming more common across Canada as government entities look for new ways to finance capital projects, and authoritative guidance on how to account for them was needed. After obtaining feedback from stakeholders, in April 2021, the Board issued new Section PS 3160, *Public Private Partnerships*. The main features of the new standard include:

Scope

- This section applies to public private partnerships between a public sector entity and a private sector partner for infrastructure-project delivery with risk allocation that provides for public sector control of the asset at any point during the arrangement and in which the private sector partner satisfies all the obligations required.
- The private sector partner is obligated to:
 - design, build, acquire or better new or existing infrastructure;
 - finance the transaction past the point where the infrastructure is ready for use; and
 - operate and/or maintain the infrastructure.

Examples of P3 arrangements in the scope of this section:

- The public sector contracts with a private corporation to design, finance and construct a facility. Once completed, the ownership is transferred to the public sector. The public sector then leases the facility back to the private sector, which operates the facility.
- The public sector contracts with the private sector for the design, financing, construction and operation of a new project for a specified time (known as the concession period). During the concession period, the private sector owns and operates the facility, earning a return on its investment through a lease arrangement with the public sector or through user charges. At the end of the period, the public sector takes possession of the facility and has the option of running the facility itself, or giving another contract to the private sector partner.

Recognition

- Where infrastructure is acquired or bettered through a public private partnership, it is recognized as an asset of the public sector entity when the public sector entity controls:
 - The purpose and use of the infrastructure;
 - Access to the future economic benefits and exposure to risks of the infrastructure asset; and
 - Significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.
- At the same time that the infrastructure asset is recognized, an offsetting liability is also recognized. The type of consideration provided to the private sector partner determines the type of liability that is recognized. This distinction will impact subsequent measurement of the liability.
 - Where the consideration is cash or another financial asset, the public sector entity recognizes a financial liability (financial liability model).
 - Where the consideration is the granting of rights (such as the right to charge end users), the public sector entity recognizes a performance obligation (user-pay model).

Initial Measurement

- An infrastructure asset is initially recognized at cost. Where the cost of acquiring or constructing the infrastructure is both determinable and verifiable such as from a procurement process or contractual agreement, these amounts would be used to initially measure cost.
- Where the cost information is not readily determinable or verifiable, the cost is then equal to the estimated fair value of the asset at the transaction date.
- The offsetting liability is initially measured at the same value as the infrastructure asset less any amounts already paid to the private sector partner.

Subsequent Measurement

- The infrastructure would be accounted for similar to other assets and would be amortized over its useful life in a rational and systematic manner.
- The subsequent measurement of the liability will depend on the model used for initial measurement.
 - Under the financial liability model, the financial liability would be subsequently measured at amortized cost using the effective interest method.
 - Under the user pay model the liability is subsequently reduced as revenue is recognized by the private sector partner based on the terms of the public private partnership arrangement.

Transition

- This Section may be applied retroactively or prospectively as follows:
 - Prospective application is used for an infrastructure asset and related liability where control of the infrastructure asset arose on or after April 1, 2023.
 - Retroactive application is used with or without prior period restatement, for an infrastructure asset and related liability where control of the asset arose prior to April 1, 2023 and the asset and related liability have not been previously recognized.
 - Retroactive application is also used with or without prior period restatement, for an infrastructure asset and related liability where control of the asset arose prior to April 1, 2023 and where the asset and related liability were previously recognized and now require adjustment upon applying this new Section.

The resources listed below provide additional information on the changes discussed in this section of the publication.

<i>Amendment/ New Standard</i>	<i>Resources</i>
New Section PS 3400, <i>Revenue</i>	<ul style="list-style-type: none"> • PSAB at a Glance: Section PS 3400, Revenue
New Section PSG 8, <i>Purchased Intangibles</i>	<ul style="list-style-type: none"> • PSAB at a Glance: PSG-8, Purchased Intangibles
New Section PS 3160, <i>Public Private Partnerships</i>	<ul style="list-style-type: none"> • P3 Accounting: 1 New Standard, 2 Sectors, and the Public-Private Repercussions • PSAB at a Glance: Section PS 3160, Public Private Partnerships

Standards Effective April 1, 2026

Revised Conceptual Framework

In 2010, the Board decided to undertake a project to review and update the conceptual framework for the PSA Handbook to ensure it is still relevant and that it properly reflects and is grounded in the public sector environment. The conceptual framework guides the Board as it develops new standards or amends existing ones. In developing the revised conceptual framework, the Board sought feedback from stakeholders through three Consultation Papers, a Statement of Concepts and an Exposure Draft. The revised conceptual framework was approved by the Board in June 2022. It will replace the existing conceptual framework, which consists of Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. The revised conceptual framework includes the following 10 chapters:

- Introduction to the Conceptual Framework – this chapter defines the conceptual framework and outlines the needs and objectives.
- Characteristics of Public Sector Entities – This chapter builds upon and replaces Appendix A - *Unique Characteristics of Government* in existing Section PS 1100. Identifying the characteristics of public sector entities will result in concepts and standards appropriate to the public sector.
- Financial Reporting Objective – This chapter identifies the primary users as the public and its elected or appointed representatives. It also identifies the financial reporting objectives as the need to provide information for accountability purposes and the broad financial reporting accountabilities.
- Role of Financial Statements – This chapter creates a link between financial reporting and financial reporting in financial statements.
- Financial Statement Foundations – This chapter clearly identifies the foundations that currently underlie the existing conceptual framework.
- Financial Statement Objectives – This chapter builds upon and revise the objectives of existing Section PS 1100.
- Financial Statement Information – This chapter establishes the qualitative characteristics of financial information and considerations for including this information in the financial statements.
- Elements of Financial Statements – This chapter defines the four elements in the financial statements: assets, liabilities, revenues, and expenses.
- Recognition and Measurement in Financial Statements – This chapter covers the general recognition and measurement criteria. The concepts here remain unchanged from the existing conceptual framework.

- Presentation Concepts for Financial Statements – This chapter includes some presentation concepts from Section PS 1201, *Financial Statement Presentation*, as well as new presentation concepts to promote the preparation of understandable financial statements.

The revised conceptual framework is expected to be issued in the Handbook in December 2022 and will be effective for fiscal years beginning on or after April 1, 2026, with earlier adoption encouraged.

The Future of PSAS

The PSAB also has a number of projects on the go which seek to improve public sector standards to better meet stakeholder needs both now and in the future. The following provides a brief overview of these projects.

International Strategy

While developing its 2017-2021 Strategic Plan, the Board determined it was the appropriate time to review its approach to International Public Sector Accounting Standards (IPSAS). The Board's past approach was to influence the development of IPSAS. However, IPSAS has become a more robust framework over the past few years and some other countries are now adopting or adapting IPSAS for their own use. As a result, the Board decided it should evaluate whether this it's approach to IPSAS was still appropriate.

Based on feedback received from stakeholders, in 2020 Board decided the best way forward was to adapt IPSAS principles when developing future standards. This means that if a new project is undertaken by PSAB and an IPSAS already exists addressing the topic, the principles of that IPSAS will be used as a base for developing the corresponding Canadian PSAS. The Board has developed criteria to provide guidance on when departures from IPSAS principles are permitted. For example, where a principal in IPSAS conflicts with PSAS's conceptual framework or does not meet the Canadian public interest. This new approach is being applied to all new projects beginning on or after April 1, 2021, including the development of the new employee benefits standard discussed below.

Exposure Draft – Employment Benefits

A project on employee benefits was identified as a top priority in PSAB's 2014 Project Priority Survey. The project is needed as new types of pension plans have been introduced and there have been changes in the related accounting concepts since existing Sections PS 3250, *Retirement Benefits*, and Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, were issued many years ago.

The Board issued an Exposure Draft in July 2021 proposing to replace these two existing standards with new Section PS 3251, *Employee Benefits*. The principles in IPSAS 39, *Employee Benefits*, were used as the starting point in developing this guidance. This Exposure Draft is the first phase of PSAB's multi-phase approach to this project. The focus in this phase is on deferral provisions and discount rate guidance. In future phases, the Board will focus on developing guidance for accounting for non-traditional pension plans and other issues.

The main highlights of the Exposure Draft are as follows:

- **Deferral Provisions**
 - For actuarial gains and losses, the deferral and amortization approach would no longer be used.
 - Revaluations of the net defined benefit liability (asset) which, include actuarial gains and losses, are recognized immediately on the statement of financial position within the net defined benefit liability (asset) and accumulated other component of net assets.
 - These revaluations would not be reclassified to surplus or deficit in a subsequent period.
 - Plan assets would be measured at market value.
- **Discount Rate**
 - The discount rate used would depend on the funding status of the plan.
 - For a fully funded plan where the projected balance of plan assets exceeds projected benefit payment obligations for all project periods, the discount rate used would be the expected market-based return on plan assets.
 - For an unfunded plan where the projected balance of plan assets does not exceed projected benefit payment obligations for any projected period, the discount rate used would be the provincial governments bond rate.
 - Lastly, for partially funded plans where the projected balance of plan assets exceeds projected benefit periods for fewer than all projected periods, the discount rate would be a single discount rate that reflects the fully funded rate for periods where the balance of plan assets is projected to be greater than or equal to projected benefit payments and the unfunded rate for all other periods.
- **Other Proposed Changes**
 - The net interest on the net defined benefit liability (asset) would be determined by multiplying the net defined benefit liability (asset) by the rate used to discount the post employment benefit obligation.
 - Minor modifications to the guidance for joint defined benefit plans including changing legal terminology to accounting terminology by replacing references to "sponsors" with "participating entities" and directing entities to use multi-employer plan guidance.
 - More detailed disclosure requirements.

The proposed standard would have an effective date of April 1, 2026, and would require retroactive transition. The Board is currently deliberating feedback received on the Exposure Draft.

Exposure Draft - Section PS 1202, Financial Statement Presentation

Related to PSAB's recent approval of the revised Conceptual Framework discussed earlier in this presentation, the Board has also been working on the development of a new reporting model. The Board considered the relative merits of many reporting models and feedback from stakeholders and is proposing the issuance of a new Section PS 1202, which will build upon existing Section PS 1201, *Financial Statement Presentation*, to better respond to the need for understandable financial statements. The Board issued an Exposure Draft in January 2021 proposed a new reporting model that would consist of:

- **A Statement of Financial Position** – Changes are being proposed to this statement to relocate the net debt indicator to its own statement (see below), and separate liabilities into financial and non-financial categories. The statement will be restructured to present total assets, then total liabilities to arrive at the net assets or net liabilities indicator. A new third component "accumulated other" would be added to net assets/liabilities.
- **A Statement of Net Financial Assets (Net Financial Liabilities)** – This is a new statement that would display a revised calculation of net debt. A net financial asset position means there are financial assets available to provide services in the future and to settle future financial liabilities. A net financial liability position means there is a need for additional financial assets to aid in settling past financial liabilities, it reflects the entity's ability to finance activities, provide services or settler financial liabilities in the future.
- **A Statement of Operations** - There are no proposed changes to this statement from what is currently required under existing Section PS 1201.
- **A Statement of Changes in Net Assets (Net Liabilities)** – This is a new statement that will show a reconciliation between the opening and closing balances of each component of net assets or net liabilities. This statement will allow the entity to be transparent about which revenues and expenses are recognized in surplus or deficit and those that are recognized directly in a component of net assets or net liabilities.
- **A Statement of Cash Flow** – The Board is proposing separating financing activities from other items on the cash flow statement. This will allow the statement to highlight net cash before financing activities to show whether all of an entity's other activity combined resulted in the need to raise cash through financing activities.
- **Accompanying Notes and Schedules.**

The Exposure Draft also proposes the addition of new budget requirements. These new budget requirements include presenting budget figures using the same basis of accounting, accounting principles, scope of activities and classifications as the actual amounts. As well as, an acknowledgement on the face of the statements where an actual-to-budget comparison could not be completed.

The proposed new standard would have an effective date of April 1, 2026 to align with the effective date of the new conceptual framework. The Board is currently reviewing the extensive feedback received from stakeholders on these proposals in the Exposure Draft as it develops the final standard.

Exposure Draft - 2022-2023 Annual Improvements

The PSAB has adopted an annual improvement process to correct errors in the wording or provide clarifications. In August 2022, the Board issued its 2022-2023 Annual Improvements Exposure Draft proposing the following changes to the PSA Handbook:

- Replace the term “summary financial statements” with “financial statements” or “financial reports”.
- Clarify the Introduction to Public Sector Guidelines and remove outdated guidance related to local governments.
- Update the transitional provisions in Section PS 3160, *Public Private Partnerships*, to explicitly state that early adoption is permitted.
- Change some references to the term “power” to “ability” or “authority” as appropriate, given the use of the term “power” to reference sovereign or equivalent powers in Chapter 5 of the revised conceptual framework.
- Update Section PS 3050, *Loans Receivable*, to address grammatical errors in the decision tree.
- Update PSG 8, *Purchased Intangibles*, to clarify its application to inter-entity transactions.
- Update the designation and numbering of existing appendices in the PSA Handbook to align with categories established by IPSAS; and
- Update the terminology in many standards from “government” to “public sector entity” or “entity” as appropriate.

The Board is deliberating feedback received on the Exposure Draft.

Government Not-for-Profit Strategy

While developing its 2017-2021 Strategic Plan, the Board signalled its intent to assess the specific needs of government not-for-profit organization (GNFPO) stakeholders and to assess if there is a need for some public sector accounting standards to apply differently to this particular group. The Board issued Consultation Papers in 2019 and 2021 seeking stakeholder feedback on the trends and needs in the GNFPO sector and the potential options as it relates to the future of the PS 4200 series of standards. As a result of the feedback received on these Consultation Papers the Board decided that the

best option going forward is to incorporate the PS 4200 series of standards into the PSA Handbook with potential customizations. This will involve the Board reviewing the PS 4200 series of standards to determine if they should be retained and where appropriate amending and including them into the PSA Handbook.

At the June 2022 meeting the Board approved the implementation plan to incorporate the PS 4200 series with potential customizations into PSAS. The Board will undertake a series of standard-level projects to review the PS 4200 series to determine which standards will be included. The Board expects to consider a project proposal to review tangible capital assets and collections at its upcoming December 2022 meeting. The Board will consult stakeholders on all proposed changes before amending the PSA Handbook.

We would encourage GNFPOs to stay up to date on this project and respond to documents issued for comment to provide their feedback. The latest information on this project can be found on the GNFPO Strategy page of the FRAS Canada website or by clicking [here](#).

PSAB's Future Work Plan Consultation

The Board issued a Future Work Plan Consultation for comment in August 2022. Through this consultation, the PSAB asked stakeholders which additional projects should be the Board's next priority when additional resources become available. The Board will review feedback received to decide on which projects to undertake next.

Public Sector Accounting Discussion Group

The Public Sector Accounting Discussion Group (PSADG) is a regular public forum at which issues arising on the application of the PSA Handbook can be discussed. The group meets two times a year and consists of members that include preparers, auditors, and users of government and government organization financial reports. The group's purpose is to assist the Board regarding issues arising on the application of the PSA Handbook and other areas of concern regarding public sector financial reporting, including emerging issues and issues on which the Board seeks advice. While the group does not issue any authoritative guidance or interpretations, as only the Board has the ability to do so, the group's meeting summaries provide meaningful insights on the application of the standards that can be used as a resource. These meeting summaries are available on the FRAS Canada website or by clicking [here](#). During the group's April 2021, November 2021 and May 2022 meetings, the following topics were discussed:

- **Section PS 3280, Asset Retirement Obligations (AROs): Issues Applying the Modified Retroactive Transition Method –** Discussion on applying the modified retrospective method of transitioning to Section PS 3280 to two scenarios; 1. A building constructed with asbestos when the legislation requiring its removal is enacted after the construction date and 2. A fully amortized asset that remains in productive use.

- **Section PS 3450: Embedded Derivatives in Own-use Contracts** – Discussion on whether embedded derivatives in own-use contracts are in the scope of Section PS 3450.
- **General Application Standards: Effective Dates and Application** – Discussion on the method of application (i.e., prospective, retroactive) for the general application standards such as Section PS 3200, Liabilities and Section PS 3210, Assets.
- **PSAB's Proposed New Reporting Model: Two Exposure Draft Proposals** – Discussion on benefits, issues and challenges with reporting natural capital in financial statements. Discussion on the proposal to create two categories of liabilities, financial and non-financial, and whether the distinction between them is clear.
- **PSAB Proposed Government Not-for-Profit Strategy** – Discussion on if the proposed GNFP Strategy of PSAS incorporating the PS 4200 series with potential customizations, best meets the Canadian public interest, and ways to implement it.
- **Climate-related Questions to Ask under Existing GAAP** – Discussion on the affect climate change will have on the financial statements of public sector entities and the implications of climate change as required under existing standards.
- **Accounting for Natural Capital: Emerging Issues Discussion** – Discussion on accounting for natural capital in public sector entities financial statements.
- **IPSASB Consultation Paper on Sustainability Reporting** – Discussion on the IPSASB preliminary views that: global public sector sustainability guidance is needed and the IPSASB can use its experience, processes and relationships to develop such standards; the IPSASB should collaborate with other international bodies to develop the general requirements for sustainability and climate-related disclosures; other sustainability topics that are important and why should they be prioritized.

We would encourage public sector entities to keep up to date on topics discussed at these meetings.

Conclusion

As we head closer to the end of the year, now is the time to discuss with your BDO advisor how the changes made, and the proposed changes to the PSA Handbook will affect your organization. Reach out to us today.

The information in this publication is current as of October 15, 2022.

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KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

File: H 220 001

TO: KERHD Directors; Shawn Tomlin, CAO
FROM: Holly Ronnquist, CFO
DATE: February 13, 2023
SUBJECT: 2023 Annual Budget and Interior Health 2023/2024 Capital Funding Request

REQUEST

Consideration of the 2023/2024 Interior Health capital funding request and 2023 Annual Budget Bylaw and Capital Expenditure Bylaw.

OPTIONS

1. THAT the 2023/2024 Interior Health capital funding request be approved.
2. THAT the 2023/2024 Interior Health capital funding request be approved, except for the following projects _____.
3. THAT the 2023/2024 Interior Health capital funding request be approved, with the addition of the following projects _____.

RECOMMENDATION

Option 1

BACKGROUND/ANALYSIS

The 2023 Annual Budget for the Kootenay East Regional Hospital District is presented for review and adoption. This budget provides for routine operating expenditures, including an increase in the Chair stipend from \$3,315 to \$3,527 annually and an increase of the Vice Chair stipend from \$500 to \$532 annually. The Director meeting rate remains at \$125 per meeting.

In the February 2020 meeting, the Board recognized the need to start putting reserves away in preparation of future infrastructure requirements throughout the entire KERHD region. The adopted 2020 Budget approved increases of \$30 per average residential property in 2020, 2021 and 2022 to build reserves for those future infrastructure projects.

The budget as presented shows taxation increasing by the amount of new construction from 2022 of \$67,000. The budget also includes a 3% inflationary increase starting in 2023.

The average residential property within the Hospital District boundary is \$467,858 in 2023. The proposed taxation will result in an increase of \$4 for the average residential property (from \$141 to \$145) in 2023. The increase in taxation will bring the KERHD 2023 mill rate to \$0.31/\$1,000 of assessment.

HEALTH TRANSIT

The Health Transit budget of \$403,816 is fully funded by Interior Health and does not impact taxation.

CAPITAL PROJECTS/GLOBAL GRANT

The budget includes funding of the 2023/24 Interior Health capital request of \$5,312,900 (detail on following page) and provides for routine capital funding increasing from \$3,250,000 in 2024 to \$4,000,000 in 2027. The 2022/23 capital request is \$2,272,700 higher than in 2022. The Global Grant requested by Interior Health for projects under \$100,000 is \$402,300. This is \$63,100 lower than in 2022. A schedule of the 2023/24 Interior Health capital request is provided below.

2023 Capital Funding

The 40% IH capital request for 2023 is \$5,312,900.

Facility	Location	Project	Funding Request
Construction Projects Over \$100,000			
Dr F.W. Green Memorial Home EK Regional Hospital	Cranbrook Cranbrook	Roof Top Units	334,900
EK Regional Hospital	Cranbrook	Nursery and Nursing Station Renovations	544,000
EK Regional Hospital	Cranbrook	Elevator Modernization	135,400
EK Regional Hospital	Cranbrook	Oncology Relocation (Budget Increase)	82,200
EK Regional Hospital	Cranbrook	Oncology and Renal Renovation – Planning (Budget Increase)	20,000
Creston Valley Hospital	Creston	Primary Care Network	560,000
Creston Valley Hospital	Creston	Heating Boiler Replacement (Budget Increase)	255,200
Swan Valley Lodge	Creston	Chiller, 60-Ton Water Cooled	524,400
Elkford Health Care Centre	Elkford	Primary Care Network	68,000
Elk Valley Hospital	Fernie	Primary Care Network	180,000
Construction Projects Under \$100,000			
Dr F.W. Green Memorial Home	Cranbrook	Security Camera Upgrade	32,000
EK Regional Hospital	Cranbrook	Emergency Department Triage Renovation	39,600
EK Regional Hospital	Cranbrook	Outside stair replacement	30,000
EK Regional Hospital	Cranbrook	Psychiatry Main Door Replacement	24,000
Swan Valley Lodge	Creston	Kitchenette Replacement	32,400
IH-Wide Digital Health			
Regional		Various	605,700
Digital Health Under \$100,000			
Sparwood Health Centre	Sparwood	Wi-Fi Expansion	18,000
Equipment Over \$100,000			
EK Regional Hospital	Cranbrook	CT Scanner	1,207,200
EK Regional Hospital	Cranbrook	Medstations – Additional	130,000
EK Regional Hospital	Cranbrook	Navigation System, ENT	87,600

		Equipment Under \$100,000 (Global Grant)	
All Facilities		Equipment between \$5,000 and \$100,000	\$402,300
Total 2023 Funding for Approval			\$5,312,900
Outstanding projects approved in previous years			6,771,845
Total Capital Budget			\$12,084,745

Funding of Projects

The financial plan, as presented, recommends that all approved 2023/24 capital projects be funded out of current year revenue. **No funds from the reserve are required.** Capital remaining from previous years’ commitments will be funded from previous years’ taxation (included in Prior Period Surplus).

Reserve Funds

The reserve fund has a balance of \$13,438,460 on December 31, 2022.

The draft budget shows a transfer of **\$7,872,585** to the reserve in 2023 which represents the taxation from the 2020 – 2022 increases of \$7,025,585 plus an additional \$846,000. Total transfers to reserves between 2024 to 2027 range from \$7,548,585 to \$7,883,858.

The reserve balance is estimated to be **\$52.05** million plus interest by 2027, less any amounts utilized for large projects that proceed within that time.

Taxation by Jurisdiction

The attached schedule shows the breakdown of the 2022 taxation by jurisdiction, for the Board’s reference.

Attachments

Kootenay East Regional Hospital District
Five Year Financial Plan
With Revenues and Expenditures
For the Twelve Months Ending Saturday, December 31, 2022

	2022	2022	2023	2024	2025	2026	2027
	BUDGET	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
<u>Revenue</u>							
Requisition	\$10,538,012	\$10,537,873	\$10,921,152	\$11,229,777	\$11,565,170	\$11,910,625	\$12,266,444
Payments in Lieu of Taxes	22,000	32,591	22,000	22,000	22,000	22,000	24,000
First Nations Contribution	60,000	85,762	70,000	70,000	70,000	70,000	70,000
IH Funding - Health Transit	366,133	406,672	408,816	408,816	408,816	408,216	408,216
Interest	30,000	233,803	100,000	30,000	30,000	30,000	30,000
Total Revenue	11,016,145	11,296,701	11,521,968	11,760,593	12,095,986	12,440,841	12,798,660
<u>Expenditures</u>							
Legislative	22,565	14,940	22,766	23,471	23,598	23,691	23,779
Salaries & Benefits	35,499	32,180	45,450	38,573	38,768	40,155	40,613
Administration & Overhead	22,125	25,075	24,345	22,345	22,545	22,845	23,045
Health Transit Contracts	363,509	400,594	405,816	407,316	407,316	407,316	407,316
Global Grant	465,400	465,400	402,300	465,000	465,000	465,000	465,000
Capital Grant - Current Year Projects	2,637,900		4,910,600	3,250,000	3,500,000	3,750,000	4,000,000
Capital Grant - Previously Committed	7,839,626	3,319,254	6,771,845				
Telephone & Utilities	100		100	100	100	100	100
Shared Overhead	4,719	1,433	6,665	5,203	4,801	4,876	4,949
Total Expenditures	11,391,443	4,258,876	12,589,887	4,212,008	4,462,128	4,713,983	4,964,802
Revenue less Expenditures	(375,298)	7,037,825	(1,067,919)	7,548,585	7,633,858	7,726,858	7,833,858
Transfers to Reserves	(7,443,585)	(7,443,585)	(7,872,585)	(7,548,585)	(7,633,858)	(7,726,858)	(7,833,858)
Transfers from Reserves	1,781,832	1,800,755					
Prior Period Surplus	6,037,051	7,545,509	8,940,504				
End of Year Surplus		8,940,504					
Reserve Fund Balance		13,438,460					

**Kootenay East Regional Hospital District
Five Year Financial Plan
With Revenues and Expenditures
For the Twelve Months Ending Saturday, December 31, 2022**

	<u>2022</u> BUDGET	<u>2022</u> ACTUAL	<u>2023</u> BUDGET	<u>2024</u> BUDGET	<u>2025</u> BUDGET	<u>2026</u> BUDGET	<u>2027</u> BUDGET
Requisition:							
9-996-00-11201 CITY OF CRANBROOK		1,713,077					
9-996-00-11202 CITY OF FERNIE		900,392					
9-996-00-11203 CITY OF KIMBERLEY		656,780					
9-996-00-11204 DISTRICT OF SPARWOOD		509,648					
9-996-00-11205 DISTRICT OF ELKFORD		344,057					
9-996-00-11206 DISTRICT OF INVERMERE		501,649					
9-996-00-11207 VILLAGE OF RADIUM		203,102					
9-996-00-11208 VILLAGE OF CANAL FLATS		77,073					
9-996-00-11209 TOWN OF CRESTON		414,083					
9-996-00-11210 TOWN OF GOLDEN		473,786					
9-996-00-11300 KERHD-Requisition	10,538,012	(141)	10,921,152	11,229,777	11,565,170	11,910,625	12,266,444
9-996-00-11301 ELECTORAL AREA A		507,864					
9-996-00-11302 ELECTORAL AREA B		553,222					
9-996-00-11303 ELECTORAL AREA C		731,274					
9-996-00-11304 ELECTORAL AREA E		277,412					
9-996-00-11305 ELECTORAL AREA F		1,226,366					
9-996-00-11306 ELECTORAL AREA G		169,312					
9-996-00-11310 GOLDEN RURAL		503,001					
9-996-00-11311 CRESTON RURAL - AREA A		186,677					
9-996-00-11312 CRESTON RURAL - AREA B		414,482					
9-996-00-11313 CRESTON RURAL - AREA C		174,756					
Total Requisition	<u>10,538,012</u>	<u>10,537,873</u>	<u>10,921,152</u>	<u>11,229,777</u>	<u>11,565,170</u>	<u>11,910,625</u>	<u>12,266,444</u>

KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

CAPITAL EXPENDITURE BYLAW NO. 130

WHEREAS the Board of the Kootenay East Regional Hospital District proposes to expend money for the capital expenditures described in Schedule A attached hereto and forming an integral part of this Bylaw;

AND WHEREAS those capital expenditures have received the approval required under section 23 of the *Hospital District Act*;

NOW THEREFORE the Board enacts the following capital expenditure and borrowing bylaw as required by sections 32 and 33 of the *Hospital District Act*.

AND WHEREAS those capital expenditures will be included in the 2023 budget;

NOW THEREFORE the Board of the Kootenay East Regional Hospital District enacts the following capital expenditure bylaw:

1. The Board hereby authorizes and approves the expenditure of money necessary to complete the capital expenditures as described in Schedule A attached to and forming part of this Bylaw.
2. This Bylaw may be cited for all intents and purposes as the “Kootenay East Regional Hospital District - Capital Expenditure Bylaw No. 130, 2023.”

READ A FIRST TIME the day of , 2023.

READ A SECOND TIME the day of ,2023.

READ A THIRD TIME the day of , 2023.

ADOPTED the day of , 2023.

CHAIR

CORPORATE OFFICER

SCHEDULE A

KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

CAPITAL EXPENDITURE BYLAW NO. 130

Name of Facility	Project or Equipment Description	Year	RHD Share (40%)	Province Share (60%)	Total Project Cost
Dr. F.W. Green Memorial Home Cranbrook	Roof Top Units	2023	334,900	502,350	837,250
East Kootenay Regional Hospital, Cranbrook	Nursery and Nursing Station Renovation	2023	544,000	2,616,000	3,160,000
East Kootenay Regional Hospital, Cranbrook	Elevator Modernization	2023	135,400	203,100	338,500
East Kootenay Regional Hospital, Cranbrook	Oncology Relocation (Budget Increase)	2023	82,200	123,300	205,500
East Kootenay Regional Hospital, Cranbrook	Oncology and Renal Renovation – Planning (Budget Increase)	2023	20,000	30,000	50,000
Creston Valley Hospital, Creston	Primary Care Network	2023	560,000	840,000	1,400,000
Creston Valley Hospital, Creston	Heating Boiler Replacement (Budget Increase)	2023	255,200	382,800	638,000
Swan Valley, Creston	Chiller, 60-Ton Water Cooled	2023	524,400	786,600	1,311,000
Elkford Health Care Centre, Elkford	Primary Care Network	2023	68,000	102,000	170,000
Elk Valley Hospital, Fernie	Primary Care Network	2023	180,000	270,000	450,000
Dr. F.W. Green Memorial Hospital, Cranbrook	Security Camera Upgrade	2023	32,000	48,000	80,000
East Kootenay Regional Hospital, Cranbrook	Emergency Department Triage Renovation	2023	39,600	59,400	99,000
East Kootenay Regional Hospital, Cranbrook	Outside Stair Replacement	2023	30,000	45,000	75,000
East Kootenay Regional Hospital, Cranbrook	Psychiatry Main Door Replacement	2023	24,000	36,000	60,000
Swan Valley Lodge, Creston	Kitchenette Replacement	2023	32,400	48,600	81,000
Regional	IH Wide Digital Health - Various	2023	605,700	908,550	1,514,250
Sparwood Health Centre, Sparwood	Wi-Fi Expansion	2023	18,000	27,000	45,000
East Kootenay Regional Hospital, Cranbrook	CT Scanner	2023	1,207,200	1,810,800	3,018,000
East Kootenay Regional Hospital, Cranbrook	Medstations – Additional	2023	130,000	195,000	325,000
East Kootenay Regional Hospital, Cranbrook	Navigation System, ENT	2023	87,600	131,400	219,000
All Facilities	Global Grant - Equipment between \$5,000 and \$100,000	2023	402,300	603,450	1,005,750
TOTAL:			\$ 5,312,900	\$7,969,350	\$ 13,282,250

This is Schedule A referred to in Bylaw No. 130 cited as "Kootenay East Regional Hospital District – Capital Expenditure Bylaw No. 130, 2023."

Chair

Corporate Officer

KOOTENAY EAST REGIONAL HOSPITAL DISTRICT

BYLAW NO. 132

A bylaw to adopt the Kootenay East Regional Hospital District 2023 Annual Budget.

The Board of the Kootenay East Regional Hospital District enacts as follows:

1. This Bylaw may be cited as “Kootenay East Regional Hospital District - Annual Budget Bylaw No. 132, 2023.”
2. The budget for the Kootenay East Regional Hospital District being Revenue and Expenditures as contained in Schedule A attached to and forming part of this Bylaw, is the 2023 Annual Budget for the Kootenay East Regional Hospital District.

READ A FIRST TIME the day of ,2023.

READ A SECOND TIME the day of , 2023.

READ A THIRD TIME the day of ,2023.

ADOPTED the day of ,2023.

CHAIR

CORPORATE OFFICER

SCHEDULE A
KOOTENAY EAST REGIONAL HOSPITAL DISTRICT
BYLAW NO. 132

Kootenay East Regional Hospital District
Five Year Financial Plan
With Revenues and Expenditures

For the Twelve Months Ending Saturday, December 31, 2022

	2022	2023	2024	2025	2026	2027
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
Revenue						
Requisition	\$10,538,012	\$10,921,152	\$11,229,777	\$11,565,170	\$11,910,625	\$12,266,444
Payments in Lieu of Taxes	22,000	22,000	22,000	22,000	22,000	24,000
First Nations Contribution	60,000	85,762	70,000	70,000	70,000	70,000
IH Funding - Health Transit	366,133	406,672	408,816	408,816	408,216	408,216
Interest	30,000	233,803	30,000	30,000	30,000	30,000
Total Revenue	11,016,145	11,521,968	11,760,593	12,095,986	12,440,841	12,798,660
Expenditures						
Legislative	22,565	14,940	22,766	23,471	23,598	23,779
Salaries & Benefits	35,499	32,180	45,450	38,573	38,768	40,613
Administration & Overhead	22,125	25,075	24,345	22,345	22,545	23,045
Health Transit Contracts	363,509	400,594	405,816	407,316	407,316	407,316
Global Grant	465,400	465,400	402,300	465,000	465,000	465,000
Capital Grant - Current Year Projects	2,637,900	4,910,600	3,250,000	3,500,000	3,750,000	4,000,000
Capital Grant - Previously Committed	7,839,626	3,319,254	6,771,845	100	100	100
Telephone & Utilities	100	100	100	100	100	100
Shared Overhead	4,719	1,433	6,665	5,203	4,876	4,949
Total Expenditures	11,391,443	4,258,876	12,589,887	4,212,008	4,713,983	4,964,802
Revenue less Expenditures	(375,298)	7,037,825	(1,067,919)	7,548,585	7,726,858	7,833,858
Transfers to Reserves	(7,443,585)	(7,443,585)	(7,872,585)	(7,548,585)	(7,726,858)	(7,833,858)
Transfers from Reserves	1,781,832	1,800,755				
Prior Period Surplus	6,037,051	7,545,509	8,940,504			
End of Year Surplus		8,940,504				
Reserve Fund Balance		13,438,460				

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This is Schedule A referred to in Bylaw No. 132 cited as "Kootenay East Regional Hospital District - Annual Budget Bylaw No. 132, 2023."

Chair _____

Corporate Officer _____

Date _____