

**Kootenay East
Regional Hospital District
Financial Statements**
For the year ended December 31, 2023

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Managements' Responsibility for Financial Reporting

In accordance with Section 814 of the Local Government Act and Section 167 of the Community Charter, I am pleased to submit the 2023 financial statements for the Kootenay East Regional Hospital District, together with the report of our auditors, BDO Canada LLP.


The preparation of the financial statements and schedules is the responsibility of the Hospital District's management. The statements have been prepared in accordance with Canadian generally accepted accounting principles for governments. These principles are based upon recommendations of the Public Sector Accounting Board ("PSAB") of CPA Canada.

Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The Hospital District maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by BDO Canada LLP Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers. The auditor's report expresses their opinion on these financial statements. The auditors have full and free access to the accounting records.

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Holly Ronnquist, CPA, CMA
Chief Financial Officer

May 10, 2024



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Independent Auditor's Report

To the Directors of Kootenay East Regional Hospital District

Opinion

We have audited the financial statements of Kootenay East Regional Hospital District, which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Kootenay East Regional Hospital District as at December 31, 2023, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Kootenay East Regional Hospital District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We draw attention to the fact that the supplementary information on Schedule 1 does not form part of the audited financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express any opinion, review, conclusion or any form of assurance on this supplementary information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Kootenay East Regional Hospital District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Kootenay East Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Kootenay East Regional Hospital District's financial reporting process.



Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kootenay East Regional Hospital District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Kootenay East Regional Hospital District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Kootenay East Regional Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Vernon, British Columbia
May 10, 2024

Kootenay East Regional Hospital District Statement of Financial Position

| December 31 | 2023 | 2022 |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash (Note 1) | \$ 9,454,975 | \$ 9,935,074 |
| Portfolio Investments (Note 2) | <u>23,240,058</u> | <u>14,375,145</u> |
| | <u>32,695,033</u> | <u>24,310,219</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 79,535 | 31,156 |
| Due to Regional District of East Kootenay (Note 3) | <u>246,018</u> | <u>2,219,436</u> |
| Net assets and accumulated surplus | \$ 32,369,480 | \$ 22,059,627 |

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 Chief Financial Officer

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

| For the year ended December 31 | 2023 | 2023 | 2022 |
|---|----------------------|----------------------|----------------------|
| | <i>Budget</i> | <i>Actual</i> | <i>Actual</i> |
| Revenue | | | |
| Property Tax Requisition (Schedule) | \$ 10,921,152 | \$ 10,921,152 | \$ 10,537,873 |
| Contributions from First Nations | 60,000 | 89,511 | 85,762 |
| Federal grants in lieu of taxes | 22,000 | 58,954 | 32,591 |
| Interest and other | 30,000 | 1,473,117 | 233,803 |
| Interior Health - Health Transit funding | 366,133 | 430,265 | 406,672 |
| | <u>11,399,285</u> | <u>12,972,999</u> | <u>11,296,701</u> |
| Expenses | | | |
| Health transit contracts | 363,509 | 378,401 | 400,594 |
| Administration | 85,008 | 76,989 | 74,331 |
| Capital grants | 10,942,926 | 2,207,756 | 3,784,654 |
| | <u>11,391,443</u> | <u>2,663,146</u> | <u>4,259,579</u> |
| Annual surplus | 7,842 | 10,309,853 | 7,037,122 |
| Accumulated surplus, beginning of year | <u>22,059,627</u> | <u>22,059,627</u> | <u>15,022,505</u> |
| Accumulated surplus, end of year | <u>\$ 22,067,469</u> | <u>\$ 32,369,480</u> | <u>\$ 22,059,627</u> |

Kootenay East Regional Hospital District

Statement of Cash Flows

| For the year ended December 31 | 2023 | 2022 |
|---|---------------|--------------|
| Operating activities | | |
| Annual surplus | \$ 10,309,853 | \$ 7,037,122 |
| Changes in non-cash operating balances | | |
| Due from Regional District of East Kootenay | (1,973,418) | 4,749,234 |
| Accounts receivable | - | 44,075 |
| Accounts payable and accrued liabilities | 48,379 | (164,930) |
| | 8,384,814 | 11,665,501 |
| Investing activities | | |
| Acquisition of portfolio investments | (8,864,913) | (5,961,464) |
| Net change in cash | (480,099) | 5,704,037 |
| Cash, beginning of year | 9,935,074 | 4,231,037 |
| Cash, end of year | \$ 9,454,975 | \$ 9,935,074 |

Kootenay East Regional Hospital District Summary of Significant Accounting Policies

December 31, 2023

1. Summary of Significant Accounting Policies

Nature of Business The Kootenay East Regional Hospital District (the "Hospital District") is responsible for granting aid for the establishment, acquisition, reconstruction, enlargement, operation and maintenance of hospitals and hospital facilities in accordance with the Hospital District Act.

Basis of Presentation The financial statements of the Hospital District are the representations of management and are prepared in accordance with Canadian generally accepted accounting policies for local government entities using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Revenue Recognition Revenue from member municipalities is recognized when the requisition amounts are determined and the member municipalities are notified of their obligation. Grant revenue is recognized when received, and interest revenue is recognized on an accrual basis as it is earned.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Significant estimates in these financial statements include the determination of the useful lives over tangible capital assets, valuation of the asset retirement obligations, valuation of the contaminated sites obligation, and assessment of legal claims. For common financial statement items, such as accounts payable and accrued liabilities, measurement uncertainty is inherent but not assessable. These estimates and assumptions are based on management's judgment and the best information available at the time of preparation and may differ significantly from actual results. Estimates are reviewed annually to reflect new information as it becomes available.

Kootenay East Regional Hospital District Summary of Significant Accounting Policies

December 31, 2023

Financial Instruments Cash, accounts receivable, accounts payable and long-term debt are measured at cost or amortized cost. Temporary investments are recorded at cost, unless the market value of temporary investments has declined below cost, in which case they are written down to market value. The carrying amount of each of these financial instruments is presented on the Statement of Financial Position.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Segment Disclosures The Regional Hospital District operates with one segment, therefore no additional segmented disclosures are required.

2. Cash

Cash is held at a financial institution earning interest at a rate of Prime less 1.80% (2022 - 1.80%) per annum.

3. Portfolio Investments

Portfolio investments consist of MFA Money Market funds bearing interest at market rates.

Kootenay East Regional Hospital District

Notes to Financial Statements

December 31, 2023

4. Due from Regional District of East Kootenay

The Regional Hospital District is related to the Regional District of East Kootenay by way of common members on the Board of Directors.

The amount due to the Regional District of East Kootenay at the year end is \$246,018 (2022 - \$2,219,436).

5. Budget

The budget data presented in these financial statements is based upon the Budget Bylaw adopted by the Board on February 17, 2023. The Budget Bylaw was prepared on a modified accrual basis and requires that the cash inflows for the period must at a minimum equal the cash outflows.

Budgeted cash inflows include transfers from prior year surplus carried forward. These transactions are not recognized as revenues in the Hospital District's statement of operations as they do not meet the inclusion requirements under the public sector accounting standards (PSAS).

PSAS requires that budget amounts be presented in the financial statements on the same basis of accounting for actual amounts. The reconciliation below shows the difference between the operating budgets per the approved Bylaw and the budget figures reported in these statements.

| | 2023 |
|--|-------------|
| Budget Surplus - statement of operations | \$ 7,842 |
| Adjust for budgeted items not included in the statement of operations: | |
| Budgeted transfers to reserves | (7,872,585) |
| Budgeted transfers from accumulated surplus | 7,864,743 |
| Budget Bylaw for the year | \$ - |

Kootenay East Regional Hospital District

Notes to Financial Statements

December 31, 2023

6. Financial Instruments

The Hospital District is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Hospital District's objectives, policies and processes for managing those risks and the methods used to measure them.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital District is exposed to credit risk through its cash and portfolio investments.

The Hospital District manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments in the Ministry of Finance Authority (MFA) which meets the investment requirements of Section 183 of the Community Charter of the Province of BC. As a result, the Hospital District has reduced exposure to market or value risk.

Interest rate risk

Investments that are subject to interest risk are MFA pooled investment funds. The risk is caused by changes in interest rates. As interest rates rise, the fair value of the MFA pooled investment funds decrease and, as interest rates fall, the fair value of these investments increase. As a result of diversification by security type, only a portion of the overall investment portfolio is exposed to interest rate risk.

To mitigate interest rate risk and market risk on its portfolio investments, the Hospital District holds its MFA long-term pooled investment funds for 10 years or longer.

Liquidity risk

Liquidity risk is the risk that the Hospital District will not be able to meet its financial obligations as they fall due. The Hospital District is exposed to liquidity risk through its accounts payable. To help manage the risk, the Hospital District has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Hospital District's five year financial plan is approved by the Board of Directors, which includes operational activities and capital investments.

Kootenay East Regional Hospital District
Schedule (unaudited) - Property Tax Requisition

| For the year ended December 31 | <i>2023</i> | 2023 | <i>2022</i> |
|---------------------------------------|----------------------|----------------------|----------------------|
| | <i>Budget</i> | Actual | <i>Actual</i> |
| Village of Radium | \$ 211,613 | \$ 211,613 | \$ 203,102 |
| Village of Canal Flats | 76,877 | 76,877 | 77,073 |
| City of Cranbrook | 1,736,528 | 1,736,528 | 1,713,077 |
| City of Fernie | 963,639 | 963,639 | 900,392 |
| City of Kimberley | 706,475 | 706,475 | 656,780 |
| District of Sparwood | 526,492 | 526,492 | 509,648 |
| District of Invermere | 511,830 | 511,830 | 501,649 |
| District of Elkford | 346,720 | 346,720 | 344,057 |
| Electoral Area A | 534,201 | 534,201 | 507,864 |
| Electoral Area B | 592,019 | 592,019 | 553,222 |
| Electoral Area C | 742,774 | 742,774 | 731,134 |
| Electoral Area E | 283,615 | 283,615 | 277,412 |
| Electoral Area F | 1,309,587 | 1,309,587 | 1,226,366 |
| Electoral Area G | 173,957 | 173,957 | 169,312 |
| Town of Golden | 481,235 | 481,235 | 473,786 |
| Golden Rural | 509,150 | 509,150 | 503,001 |
| Town of Creston | 428,880 | 428,880 | 414,083 |
| Creston Rural - Area A | 184,562 | 184,562 | 186,677 |
| Creston Rural - Area B | 424,025 | 424,025 | 414,482 |
| Creston Rural - Area C | 176,973 | 176,973 | 174,756 |
| | \$ 10,921,152 | \$ 10,921,152 | \$ 10,537,873 |