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YEAR ENDED

DECEMBER 31, 2009

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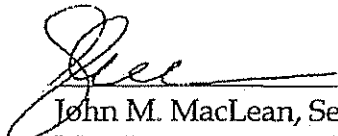
Schedule of Debenture Debt – Schedule I

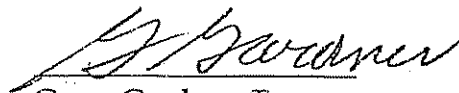
Management's Responsibility

The consolidated financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by Board of Directors. The consolidated financial statements have been prepared in accordance with the appropriate generally accepted accounting principles in Canada and include amounts based on informed judgments and estimates of the expected effects of current events and transactions. Financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

In meeting its responsibility for the reliability of financial data, management relies on internal accounting, operating and system controls. Controls include an organizational structure providing for effective segregation of responsibilities, delegation of authority and personal accountability, and careful selection and training of personnel; the application of accounting and administrative policies and procedures necessary to ensure adequate internal control over transactions, assets and records. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets.

L. Soligo & Associates Ltd. has been appointed by the Board of Directors as independent auditors to examine and report on the consolidated financial statements and their report follows this one. They have full and free access to regional hospital district staff and records.


John M. MacLean, Secretary
West Kootenay-Boundary
Regional Hospital District


Gerry Gardner, Treasurer
West Kootenay-Boundary
Regional Hospital District

L. Soligo & Associates Ltd.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors of the
West Kootenay-Boundary Regional Hospital District:

We have audited the consolidated statement of financial position of the West Kootenay-Boundary Regional Hospital District as at December 31, 2009 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the hospital district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the hospital district as at December 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles, as set out in the significant accounting policies note to these financial statements.

L. Soligo & Associates Ltd.
CHARTERED ACCOUNTANTS

TRAIL, B.C.
May 4, 2010

WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2009

ASSETS

	2009	2008
Cash and Cash Equivalents	\$ 5,541,308	\$ 6,461,087
Receivables	1,132	1,002
Municipal Finance Authority Debt Reserve Fund (Note 2)		
Cash Reserves	89,748	87,262
Demand Note Reserves	437,880	437,880
	6,070,068	6,987,231
Expenditures Capitalized (Note 4)	5,318,547	5,927,506
	\$ 11,388,615	\$ 12,914,737

LIABILITIES AND SURPLUS

LIABILITIES

Accounts Payable	\$ -	\$ 137,996
Accrued Interest Payable	31,340	31,341
Municipal Finance Authority Debt Reserve Fund (Note 2)	527,628	525,141
	558,968	694,478
Temporary borrowing	-	-
Debenture debt (Schedule 1)	5,457,555	6,175,311
	6,016,523	6,869,789

SURPLUS

Reserve For Future Capital Expenditures (Note 7)	2,363,745	3,000,000
Operating	3,008,347	3,044,948
	5,372,092	6,044,948
	\$ 11,388,615	\$ 12,914,737


Treasurer


**WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31 2009**

	2009 Budget	2009 Actual	2008 Actual
REVENUE			
Tax Requisitions	\$ 2,263,799	\$ 2,263,799	\$ 4,266,006
Grants in Lieu of Taxes	1,000	8,931	8,065
Interest Earned	100,000	66,612	224,555
Debenture Refunds	-	14,632	13,296
Prior Year Surplus	3,051,233	-	-
TOTAL REVENUE	\$ 5,416,032	\$ 2,353,974	\$ 4,511,922
EXPENDITURE			
Debt Servicing	\$ 1,046,662	\$ 1,026,626	\$ 1,242,502
Capital Grants	4,240,410	1,883,216	2,331,574
Administrative Services	82,460	82,460	80,370
External Audit	3,500	3,075	2,975
Officer Travel	1,000	-	-
Director Remuneration	23,000	16,925	13,090
Director Expenses	13,000	10,611	9,189
Office Supplies	1,000	1,810	-
Meeting Expenses	5,000	2,107	1,869
TOTAL EXPENDITURE	\$ 5,416,032	\$ 3,026,830	\$ 3,681,569
SURPLUS / (DEFICIT)	\$ -	\$ (672,856)	\$ 830,353
ACCUMULATED SURPLUS, Beginning of year		6,044,948	5,214,595
ACCUMULATED SURPLUS, End of year		\$ 5,372,092	\$ 6,044,948


Treasurer

**WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
AT DECEMBER 31, 2009**

	2009	2008
OPERATING TRANSACTIONS		
Cash generated from (required for):		
Excess of revenue over expenditure	\$ (672,856)	\$ 830,353
Receivables	(130)	955
Accounts payable	(137,996)	137,996
Accrued interest payable	-	(24,389)
	(810,982)	944,915
FINANCING ACTIVITIES		
Debenture debt principal repaid	(717,756)	(896,482)
INVESTING ACTIVITIES		
(Increase) reduction in expenditures capitalized	608,959	(272,102)
DECREASE IN CASH	(919,779)	(223,669)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,461,087	6,684,756
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,541,308	\$ 6,461,087
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 57,102	\$ 72,821
MFA Money Market Fund	5,484,206	6,388,266
	\$ 5,541,308	\$ 6,461,087


Treasurer

**WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2009**

1. GENERAL

The Hospital District is incorporated effective January 1, 1996 under Letters Patent issued December 14, 1995 by the Lieutenant Governor in Council for the Province of British Columbia. Its principal business activity is to provide the West Kootenay-Boundary Region Acute Health Care Facilities and Extended Health Care Facilities with funding for capital project construction and the purchase of equipment. The Hospital District is governed by the West Kootenay-Boundary Regional District Board of Directors and administration costs are borne by the Hospital District.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The West Kootenay-Boundary Regional Hospital District follows the normal practice for Hospital District accounting according to the principles of fund accounting. Under this policy the financial resources are segregated into various funds used for specific activities or to meet certain objectives. The basic funds are briefly described as follows:

- i) **General Revenue Fund** - This fund is the main fund of the Hospital District and is used to reflect the normal Hospital District operating activities including collection of taxation and grants and administering operations and servicing Hospital District debt.
- ii) **Capital Funds** - These funds are used to reflect capital expenditures for member Hospitals offset by the related long-term debt.

B. British Columbia Regional Hospital Districts

It is the policy of the District to follow accounting principles generally accepted for British Columbia regional hospital districts and to apply such principles consistently.

C. Capital Assets

Funding of approved expenditures of member hospitals are capitalized in the year of reimbursement and recorded at cost in the year of acquisition.

D. Debt Charges

Debt charges, including interest and sinking fund contributions, are charged against current revenue in the periods in which they are paid.

E. Debt reserve fund with Municipal Finance Authority of British Columbia

The Municipal Finance Authority of British Columbia (MFABC) provides capital financing for regional hospital districts. The MFABC is required to establish a Debt Reserve Fund into which each regional hospital district who shares in the proceeds of a debt issue are required to pay certain amounts set out in the debt agreements. These reserves are made up of cash deposits and demand notes as security for default on MFABC debenture debt. The cash portion of the reserves and the interest earned each year (less administration expenses) becomes an obligation of the MFABC to the regional hospital districts. The MFABC must then use this fund, if at any time there are insufficient funds, to meet payments on its obligations. When this occurs the regional hospital districts may be called upon to restore the fund. The reserves will be used or cancelled when the particular MFABC debentures mature.

F. Government Grants

Provincial and Federal Government grants in lieu of taxes are recorded when received.

G. Section 20 (Hospital District Act) Expenditures

It is the practice of the West Kootenay-Boundary Regional Hospital District to segregate funds raised as permitted by Section 20(3) of the *Hospital District Act* for the purchase of equipment, construction and reconstruction of hospitals and financing hospital projects pursuant to Section 20(1) of the *Hospital District Act* from funds raised to provide for the costs of administering the affairs of the Hospital District pursuant to Section 17(2) of the *Hospital District Act*.

3. ANNUAL BUDGET

The current year budget is the budget approved by the Minister of Health which may vary from the budget adopted by the Board of Directors.

4. EXPENDITURES CAPITALIZED

The expenditures capitalized will remain on the balance sheet until the applicable debentures are paid off, at which time both corresponding figures will be deleted. The individual health authority may carry the same respective capital expenditures on their balance sheets.

5. CONTRACTUAL OBLIGATIONS

At December 31, 2009, individual hospitals or the Interior Health Authority of British Columbia had contracted for construction and refurbishing projects. These obligations are those of the Interior Health Authority and not the West Kootenay-Boundary Regional Hospital District.

6. COMMITMENTS

Several major hospital construction and reconstruction projects have been approved against which expenditures have been capitalized. These projects will be administered, and contracts will be let by the Interior Health Authority that owns the health facility concerned.

7. RESERVE FOR FUTURE CAPITAL EXPENDITURES

A Reserve for Future Capital Expenditures was established by the Board in 2007. The Reserve is invested in a Money Market Fund with the Municipal Finance Authority of British Columbia and is included in Cash and Cash Equivalents.

	2009	2008
Balance at the Beginning of the Year	\$ 3,000,000.00	\$ 2,416,990.44
Contributions(Withdrawals)	(636,255.00)	500,000.00
Interest Earnings	0.00	63,009.56
Balance at the end of the Year	\$ 2,363,745.00	\$ 3,000,000.00

8. DEBENTURE DEBT

Principal repayments on issued debt of the Hospital District for the next five years are approximately as follows:

2010	\$ 697,475
2011	772,064
2012	805,766
2013	840,956
2014	551,351
Subsequent	<u>1,789,943</u>
	<u>\$ 5,457,555</u>

9. ADMINISTRATIVE SERVICES AGREEMENT

During the year, the West Kootenay-Boundary Regional Hospital District entered into an agreement with Regional District of Central Kootenay to provide administrative services for a five year term. The future minimum payments under this agreement are as follows:

2010	\$ 79,948
2011	79,948
2012	79,948
2013	79,948
2014	<u>79,948</u>
	<u>\$399,740</u>

Payments are subject to adjustments based on the B.C. Consumer Price Index for 2011 – 2014.

L. Soligo & Associates Ltd.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

We have audited and reported separately herein on the consolidated financial statements of the West Kootenay-Boundary Regional Hospital as at, and for the year ended, December 31, 2009.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

L. Soligo & Associates Ltd.

CHARTERED ACCOUNTANTS

TRAIL, B.C.
May 4, 2010

WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
REVENUE FUND
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2009

ASSETS

	2009	2008
Cash and Cash Equivalents	\$ 5,541,308	\$ 6,461,087
Receivables	1,132	1,002
Municipal Finance Authority Debt Reserve Fund (Note 2)		
Cash Reserves	89,748	87,262
Demand Note Reserves	437,880	437,880
Expenditures Capitalized (Note 4)		
	\$ 6,070,068	\$ 6,987,231

LIABILITIES AND SURPLUS

Accounts Payable	\$ -	\$ 137,996
Accrued Interest Payable	31,340	31,341
Due to Capital Fund	139,008	247,805
Municipal Finance Authority Debt Reserve Fund (Note 2)	527,628	525,141
Due to Reserve For Future Capital Expenditures (Note 7)	2,363,745	3,000,000
OPERATING SURPLUS	3,008,347	3,044,948
	\$ 6,070,068	\$ 6,987,231


Treasurer

WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
REVENUE FUND
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31 2009

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
REVENUE			
Tax Requisitions	\$ 2,263,799	\$ 2,263,799	\$ 4,266,006
Grants in Lieu of Taxes	1,000	8,931	8,065
Interest Earned	100,000	66,612	224,555
Debenture Refunds	-	14,632	13,296
Capital Reserve Transfer	-	636,255	
Prior Year Surplus	<u>3,051,233</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 5,416,032</u>	<u>\$ 2,990,229</u>	<u>\$ 4,511,922</u>
 EXPENDITURE			
Debt Servicing	\$ 1,046,662	\$ 1,026,626	\$ 1,242,502
Capital Grants	4,240,410	1,883,216	2,331,574
Administrative Services	82,460	82,460	80,370
External Audit	3,500	3,075	2,975
Officer Travel	1,000	-	-
Director Remuneration	23,000	16,925	13,090
Director Expenses	13,000	10,611	9,189
Office Supplies	1,000	1,810	-
Meeting Expenses	5,000	2,107	1,869
Contribution to Reserves	-	-	583,010
TOTAL EXPENDITURE	<u>\$ 5,416,032</u>	<u>\$ 3,026,830</u>	<u>\$ 4,264,579</u>
 SURPLUS / (DEFICIT)	 <u>\$ -</u>	 <u>\$ (36,601)</u>	 <u>\$ 247,343</u>
 ACCUMULATED SURPLUS, Beginning of year		 <u>3,044,948</u>	 <u>2,797,605</u>
 ACCUMULATED SURPLUS, End of year		 <u>\$ 3,008,347</u>	 <u>\$ 3,044,948</u>


Treasurer

WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
 CAPITAL FUND
 STATEMENT OF FINANCIAL POSITION
 AT DECEMBER 31, 2009

ASSETS

	2009	2008
DUE FROM REVENUE FUND	\$ 139,008	\$ 247,805
EXPENDITURES CAPITALIZED (note 4)		
Kootenay Boundary Regional Hospital (Trail B.C.)	1,117,837	1,380,933
Boundary Hospital (Grand Forks B.C.)	4,200,710	4,546,573
Kootenay Lake Hospital (Nelson B.C.)	-	-
	\$ 5,457,555	\$ 6,175,311

LIABILITIES AND EQUITY

DEBENTURE DEBT	\$ 5,457,555	\$ 6,175,311
EQUITY	-	-
	\$ 5,457,555	\$ 6,175,311


 Treasurer

WEST KOOTENAY-BOUNDARY REGIONAL HOSPITAL DISTRICT
 SCHEDULE OF DEBTENTURE DEBT
 FOR THE YEAR ENDING DECEMBER 31 2009
 MUNICIPAL FINANCE AUTHORITY ISSUES

SCHEDULE 1

MFA ISSUE NO.	BYLAW NO.	PURPOSE	TERM IN YEARS	DATE OF ISSUE	DATE OF MATURITY	BALANCE OUTSTANDING AT DECEMBER 31, 2008	ADDITIONS IN 2009	PRINCIPAL PAYMENTS IN 2009	ACTUARIAL ADDITIONS IN 2009	BALANCE OUTSTANDING AT DECEMBER 31, 2009	ACCRUED ACTUARIAL ADDITIONS IN 2009	ACCRUED BALANCE OUTSTANDING AT DECEMBER 31, 2009
70	30	Kootenay Boundary Regional Hospital (Tml. 95)	10	April 7, 2003	June 3, 2013	1,412,031	200,351	(200,351)	55,453	1,467,227	39,396	1,117,837
102	101	Boundary Hospital (Grand Forks, BC)	10	Nov. 1, 2007	Dec. 1, 2017	4,705,811	-	(455,741)	17,450	4,342,840	2,922	4,300,718
		TOTAL MFA DEBTENTURE ISSUES				9,200,742	-	(856,092)	72,783	5,400,907	42,312	6,457,555

INTEREST PAYMENTS IN 2009	REVERSE 2009 ACCURED INTEREST	ACCURED INTEREST IN 2009	TOTAL INTEREST IN 2009
158,373	(10,015)	10,015	158,373
252,161	(20,725)	20,725	252,161
390,534	31,340	31,340	139,373

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