

Alberni-Clayoquot Regional Hospital District

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Mollon Tyler-Mollon

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Chairperson and Directors of the Alberni-Clayoquot Regional Hospital District,

Report on Financial Statements

We have audited the accompanying financial statements of the Alberni-Clayoquot Regional Hospital District, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements 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. In making those risk assessments, the auditor considers internal control relevant to the entity's 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Alberni-Clayoquot Regional Hospital District as at December 31, 2011 and the results of its operations and cash flow for the year then ended in accordance with the basis of accounting described in the Summary of Significant Accounting Policies.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Chairperson and Directors of the Alberni-Clayoquot Regional Hospital District and the Ministry of Health for complying with the Hospital District Act. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.



CHARTERED ACCOUNTANTS

Port Alberni, BC
June 18, 2012

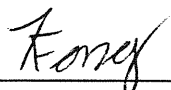
Alberni-Clayoquot Regional Hospital District

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

PAGE 1

	2011	2010
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,444,602	\$ 1,923,499
Accounts receivable (note 3)	1,544	2,060
Municipal Finance Authority debt reserve deposit (note 4)	989,806	988,685
Grants to district hospitals - capitalized	<u>9,648,918</u>	<u>10,621,809</u>
	<u>12,084,870</u>	<u>13,536,053</u>
LIABILITIES		
Accrued interest	121,846	141,008
Due to Alberni-Clayoquot Regional District (note 5)	15,000	15,000
Reserves related to Section 20(3)	902,107	1,442,165
Municipal Finance Authority debt reserve (note 4)	989,806	988,685
Debenture debt (note 6, schedule 1)	9,913,154	10,886,045
Unamortized debenture discount (note 6)	<u>42,734</u>	<u>42,734</u>
	<u>11,984,647</u>	<u>13,515,637</u>
ACCUMULATED SURPLUS	<u>\$ 100,223</u>	<u>\$ 20,416</u>



Teri Fong, CGA
Manager of Finance

The accompanying notes are an integral part of these statements

Alberni-Clayoquot Regional Hospital District

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

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	2011 Actual	2011 Budget	2010 Actual
REVENUE			
Taxation (schedule 2)	\$ 2,255,779	\$ 2,255,780	\$ 2,107,365
Grants in lieu of taxes	12,417	6,000	9,657
Other income	<u>49,496</u>	<u>18,000</u>	<u>34,244</u>
	<u>2,317,692</u>	<u>2,279,780</u>	<u>2,151,266</u>
EXPENSES			
Sinking fund installments (schedule 1)	601,440	601,440	603,819
Interest and fees on debentures (schedule 1)	894,445	938,997	946,754
Administrative costs	15,000	15,000	15,000
Contribution to section 20(3) reserve	<u>727,000</u>	<u>727,000</u>	<u>594,000</u>
	<u>2,237,885</u>	<u>2,282,437</u>	<u>2,159,573</u>
Annual surplus (deficit)	79,807	(2,657)	(8,307)
Accumulated surplus at beginning of year	<u>20,416</u>	<u>20,416</u>	<u>28,723</u>
Accumulated surplus at end of year	<u>\$ 100,223</u>	<u>\$ 17,759</u>	<u>\$ 20,416</u>

The accompanying notes are an integral part of these statements

Alberni-Clayoquot Regional Hospital District

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

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	2011 Actual	2011 Budget	2010 Actual
Annual surplus (deficit)	\$ 79,807	\$ (2,657)	\$ (8,307)
Net financial assets at beginning of year	<u>20,416</u>	<u>20,416</u>	<u>28,723</u>
Net financial assets at end of year	<u>\$ 100,223</u>	<u>\$ 17,759</u>	<u>\$ 20,416</u>

The accompanying notes are an integral part of these statements

Alberni-Clayoquot Regional Hospital District

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2011

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	2011	2010
OPERATING ACTIVITIES		
Annual surplus (deficit) (note 7)	\$ 79,807	\$ (8,307)
Change in grants to district hospitals - capitalized	972,891	934,897
Net change in non cash working capital	<u>(18,646)</u>	<u>(21,766)</u>
	<u>1,034,052</u>	<u>904,824</u>
FINANCING ACTIVITIES		
Repayment of long term debt principal	(601,440)	(603,819)
Actuarial adjustment to long term debt	<u>(371,451)</u>	<u>(331,078)</u>
	<u>(972,891)</u>	<u>(934,897)</u>
INVESTING ACTIVITIES		
Increase (decrease) in reserves	<u>(540,058)</u>	<u>(532,989)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(478,897)	(563,062)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,923,499</u>	<u>2,486,561</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,444,602</u>	<u>\$ 1,923,499</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balance	<u>\$ 1,444,602</u>	<u>\$ 1,923,499</u>

The accompanying notes are an integral part of these statements

Alberni-Clayoquot Regional Hospital District

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
FOR THE YEAR ENDED DECEMBER 31, 2011

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BASIS OF PRESENTATION

The financial statements of the District are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants with the following deviations to comply with the accounting requirements prescribed by the Ministry of Health under the Hospital District Act:

- Grants to district hospitals are capitalized and recorded as an asset.
- There is no disclosure of the fair value of the financial assets and liabilities.
- Standards for recognition and disclosure of financial instruments have not been adopted.
- There is no disclosure of segmented reporting.
- Sinking fund installments are expensed in the year that they are paid.

GRANTS TO DISTRICT HOSPITALS

Grants to district hospitals are capitalized and recorded as an asset on the statement of financial position while the hospital is in operation. When a hospital ceases operation, the amount of unrecoverable grants is written off against capital surplus.

BUDGET REPORTING

The unaudited budget information reported in the statement of operations (page 2) and the statement of change in net debt (page 3) represents the 2011 budget as adopted by the District's Board on March 23, 2011.

LONG TERM DEBT

Long-term debt is recorded net of any related sinking fund installments and actuarial additions. Debt charges, including principal and interest, are charged against current revenue in the periods in which they are accrued. The debt schedule indicates the amount of debt payable in accordance with schedules received from the Municipal Finance Authority.

FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, accounts payable, and accrued interest is cost due to the short-term nature of these financial instruments. Financial instruments consist of cash, accounts receivable, accrued interest and long term debt. Unless otherwise noted, it is management's opinion that the Hospital District is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying value, unless otherwise noted.

Alberni-Clayoquot Regional Hospital District

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
FOR THE YEAR ENDED DECEMBER 31, 2011

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REVENUE AND EXPENDITURE RECOGNITION

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the District discharges the obligations that led to the collection of funds.

Revenues from other levels of governments, classified as grants in lieu of taxes, are recorded in the District's records as they are received.

Each Municipality and Electoral Area within the Regional District is requisitioned for their portion of each service in which they participate. These funds are then levied by the Municipalities and the Province (for Electoral Areas) to individual taxpayers and turned over to the District by August 1 of each year.

Expenditures are recorded on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due. Expenditures include the accrual of debt and related interest payable to the end of the fiscal period.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Since a precise determination of many assets and liabilities depends on future events, actual results may differ from such estimates and approximations.

Alberni-Clayoquot Regional Hospital District

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 1 NATURE OF THE ORGANIZATION

The Alberni-Clayoquot Regional Hospital District (District) was incorporated in 1967 under the Regional Hospital District Act. Its principal activities include the borrowing of monies from the Municipal Finance Authority and advancing those monies for hospital planning and development within the region.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009 the District retroactively adopted Section 1300 - Government Reporting Entity of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. This Section defines the scope of the government reporting entity in terms of the organizations whose financial affairs and resources would be included in government financial statements and establishes standards on how to account for and disclose those organizations in government financial statements. The result of adopting this policy has no effect on the figures reported in the financial statements.

Effective January 1, 2009 the District retroactively adopted the Financial Statement Reporting Framework for Local Governments which includes Section 1000 - Financial Statement Concepts, Section 1100 - Financial Statement Objectives, Section 1150 - Generally Accepted Accounting Principles, and Section 1200 - Financial Statement Presentation of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. These sections establish the concepts underlying the development and use of accounting principles in government financial statements, the objectives of government financial statements that are generally acceptable to the users and preparers of the statements, the standards for financial reporting in accordance with generally accepted accounting principles, and the general reporting principles and standards for the disclosure of information in government financial statements. As a result of adopting this policy, the District is now issuing the following financial statements; a statement of financial position, a statement of operations, a statement of change in net debt, and a statement of cash flow.

NOTE 3 ACCOUNTS RECEIVABLE

	2011	2010
Accounts receivable	\$ 1,544	\$ 2,044
Goods and Services tax	-	16
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable - net	<u>\$ 1,544</u>	<u>\$ 2,060</u>

Alberni-Clayoquot Regional Hospital District

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 4 DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia provides capital financing for the Hospital District. The Authority is required to establish a Debt Reserve Fund into which each District and Member Municipality, who share in the proceeds of a debt issue through the District, are required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the Authority to the Hospital District. If at any time insufficient funds are provided by the Hospital District or Member Municipalities, the Authority will then use these funds to meet payments on its obligations. When this occurs, the Hospital District may be called upon to restore the fund.

NOTE 5 RELATED PARTIES

The Alberni-Clayoquot Regional Hospital District is related to the Alberni-Clayoquot Regional District; the same individuals are members of the Board of Directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Alberni-Clayoquot Regional District are the corresponding officers and employees of the Alberni-Clayoquot Regional Hospital District. Each of the Regional District and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Alberni-Clayoquot Regional Hospital District purchased, at cost, \$15,000 of administrative support services from the Alberni-Clayoquot Regional District.

NOTE 6 DEBENTURE DEBT

The debenture debt "Schedule 1" reflects the amount of debenture debt payable by the Alberni-Clayoquot Regional Hospital District. The outstanding amount payable is net of the Sinking Fund Balances as confirmed by the British Columbia Municipal Finance Authority. The Sinking Fund Balances are subject to periodic actuarial adjustments to reflect the earnings on the Sinking Fund Investment and accordingly will affect the debenture debt amount payable.

Principal payments due within the next five years are as follows:

2012	\$	597,224
2013		550,019
2014		529,568
2015		527,791
2016		527,791

The unamortized debenture discount will be applied in 2023 when the debenture is paid in full.

Alberni-Clayoquot Regional Hospital District

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 7 STATEMENT OF CASH FLOW

Annual surplus includes interest received during the year in the amount of \$21,753 (2010 - \$21,006) and interest paid in the amount of \$894,445 (2010 - \$946,754).

NOTE 8 FUND ACCOUNTING

The District uses fund accounting to account for various aspects of operations. Presently the District uses the following three funds:

- Capital fund - Provides funding and carries the debt related to capital projects that the District provides grants for.
- Revenue fund - Holds cash and receives interest on monies held by the District.
- Reserve fund - Segregates funds raised for the purchase of equipment, minor renovations to the hospitals, and related studies, as permitted by Section 20(3) of the Hospital District Act.

As at December 31, 2011 the fund balances are:

	Capital Fund	Revenue Fund	Reserve Fund	Total Funds
December 31, 2010 accumulated surplus	\$ 306,970	\$ (1,728,719)	\$ 1,442,165	\$ 20,416
Annual surplus (deficit)	<u>-</u>	<u>619,865</u>	<u>(540,058)</u>	<u>79,807</u>
December 31, 2011 accumulated surplus	<u>\$ 306,970</u>	<u>\$ (1,108,854)</u>	<u>\$ 902,107</u>	<u>\$ 100,223</u>

NOTE 9 FINANCIAL INSTRUMENTS

For cash, accounts receivable, accounts payable, and accrued interest, the carrying value of these financial statements approximated their fair market values due to their short-term maturity or capacity for prompt liquidation. The district is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the district has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. The district does not have a significant exposure to any individual customer or counterpart. Unless otherwise noted, it is management's opinion the District is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

NOTE 10 COMPARATIVE BUDGET FIGURES

Certain budget amounts have been reclassified to conform to the financial statement presentation adopted during the year.

Alberni-Clayoquot Regional Hospital District

SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

<u>By-Law No.</u>	<u>B.C.H.F.A. By-Law</u>	<u>Amount Outstanding</u>	<u>Type of Issue</u>	<u>Term</u>
57	BCRHDCDK	\$ 65,308	Sinking Fund	20 year
57	CDK02-25	22,327	Sinking Fund	20 year
57	HPCP50	4,697	Sinking Fund	20 year
57A	HPCP49	21,729	Sinking Fund	20 year
57	RHD-CD-N	30,823	Sinking Fund	20 year
54 & 57	RHD-CD-N1	3,937	Sinking Fund	20 year
54	RHDMTN-38	12,247	Sinking Fund	20 year
54	RHDMTN 53(3)	20,904	Sinking Fund	20 year
54	RHDMTN 53(2)	5,967	Sinking Fund	20 year
54	RHD-EC-13	66,065	Sinking Fund	20 year
54	RHD-CDN-3	30,121	Sinking Fund	20 year
54	RHD-EC-13(1)	36,385	Sinking Fund	20 year
54	RHD-EUS4(2)	121,256	Sinking Fund	20 year
54	RHD-CDV-3(B)	34,210	Sinking Fund	20 year
54, 74, 75	1999F	642,590	Sinking Fund	5, 5, 20 year
75	2000S	1,731,618	Sinking Fund	20 year
75, 82	2000F	2,350,254	Sinking Fund	20 year
75, 82, 83	2001F	2,798,187	Sinking Fund	20 year
77	2002S	1,074,003	Sinking Fund	20 year
78	2002F	292,583	Sinking Fund	20 year
75	2003S	238,512	Sinking Fund	20 year
75	2003F	243,635	Sinking Fund	20 year
93	2005S	<u>65,796</u>	Sinking Fund	20 year
		<u>\$ 9,913,154</u>		

Alberni-Clayoquot Regional Hospital District

SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

2012 Annual Requirements
On Outstanding Debentures at December 31, 2011

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Sinking Fund Installment</u>	<u>Interest</u>
09 Jan 2012	9.50%	\$ 26,573	\$ 79,800
09 Jan 2012	9.50%	9,424	26,638
10 Jun 2012	9.45%	1,992	5,557
08 May 2012	9.41%	9,216	25,595
23 Aug 2013	8.50%	6,077	17,850
23 Aug 2013	8.50%	837	2,176
09 Jun 2014	9.60%	1,777	5,222
23 Aug 2013	8.50%	4,947	10,702
23 Aug 2013	8.50%	1,412	3,055
30 Nov 2023	7.875%	8,259	17,295
23 Aug 2013	9.12%	7,178	15,336
30 Nov 2023	7.875%	5,526	11,572
11 Jun 2017	6.68%	9,134	19,714
09 Dec 2017	6.00%	2,577	4,163
01 Dec 2019	5.84%, 5.84%, 5.99%	41,233	39,182
01 Jun 2020	6.45%	101,051	96,023
01 Jun 2020	6.36%	137,152	130,328
01 Jun 2022	5.10%	136,576	256,962
01 Jun 2020	5.90%	48,731	97,647
01 Jun 2020	5.25%	13,275	23,572
03 Jun 2023	5.25%	10,142	18,415
03 Oct 2023	4.77%	10,360	16,357
04 Jun 2025	5.10%	<u>3,775</u>	<u>3,649</u>
		<u>\$ 597,224</u>	<u>\$ 926,810</u>

Alberni-Clayoquot Regional Hospital District

SCHEDULE OF MEMBER MUNICIPALITIES TAX REQUISITIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

	2011 Actual	2011 Budget	2010 Actual
MUNICIPALITIES			
City of Port Alberni	\$ 879,720	\$ 818,594	\$ 818,595
District of Tofino	380,845	350,000	350,000
District of Ucluelet	<u>233,053</u>	<u>226,944</u>	<u>226,944</u>
	<u>1,493,618</u>	<u>1,395,538</u>	<u>1,395,539</u>
 ELECTORAL AREAS			
"A" Bamfield	82,171	82,171	76,681
"B" Beaufort	35,809	35,809	35,164
"C" Long Beach	105,835	105,835	85,737
"D" Sproat Lake	298,970	298,970	287,257
"E" Beaver Creek	117,006	117,006	109,158
"F" Cherry Creek	<u>122,370</u>	<u>122,370</u>	<u>117,829</u>
	<u>762,161</u>	<u>762,161</u>	<u>711,826</u>
	 <u>\$ 2,255,779</u>	 <u>\$ 2,157,699</u>	 <u>\$ 2,107,365</u>