

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT
Financial Statements
Year Ended December 31, 2013

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Index to Financial Statements

Year Ended December 31, 2013

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Accumulated Surplus	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flow	7
Notes to Financial Statements	8 - 11
Schedule of Debenture Debt (<i>Schedule 1</i>)	12
Schedule of Member Municipalities Tax Requisitions (<i>Schedule 2</i>)	13

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Directors of Alberni-Clayoquot Regional Hospital District

We have audited the accompanying financial statements of Alberni-Clayoquot Regional Hospital District, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in accumulated surplus, changes 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 of these financial statements in accordance with the basis of accounting described in Note 2, 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 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 presentation of the financial statements.

(continues)

Independent Auditor's Report to the Chairperson and Directors of Alberni-Clayoquot Regional Hospital District
(continued)

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, the financial statements of Alberni-Clayoquot Regional Hospital District for the year ended December 31, 2013 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Basis of Accounting and Restrictions on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. 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.



Port Alberni, B.C.
April 23, 2014

CERTIFIED GENERAL ACCOUNTANTS

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Financial Position

December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash	\$ 1,444,453	\$ 1,419,110
Accounts receivable (Note 3)	1,699	16,157
Municipal Finance Authority debt reserve deposit (Note 4)	861,372	898,759
Grants to district hospitals - capitalized	7,494,278	8,640,260
	9,801,802	10,974,286
FINANCIAL LIABILITIES		
Accrued interest	43,224	64,885
Municipal Finance Authority debt reserve (Note 4)	861,372	898,759
Reserves related to Section 20(3)	494,683	612,069
Debenture debt (Note 6) (Schedule 1)	7,758,514	8,904,497
Unamortized debenture discount (Note 6)	42,734	42,734
	9,200,527	10,522,944
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Note 7)	\$ 601,275	\$ 451,342



Teri Fong, CGA
Manager of Finance

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT**Statement of Operations****Year Ended December 31, 2013**

	Budget 2013	2013	2012
REVENUE			
Taxation (Schedule 2)	\$ 1,914,072	\$ 1,914,072	\$ 1,998,169
Grants in lieu of taxes	8,000	21,560	13,513
Other income	20,000	124,069	339,975
	1,942,072	2,059,701	2,351,657
EXPENSES			
Sinking fund installments	1,169,000	762,977	597,419
Interest and fees on debenture	601,000	578,791	632,937
Administrative costs	18,000	18,000	15,000
Contribution to section 20(3) reserve	550,000	550,000	755,183
	2,338,000	1,909,768	2,000,539
ANNUAL SURPLUS	\$ (395,928)	\$ 149,933	\$ 351,118

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Accumulated Surplus

Year Ended December 31, 2013

	2013	2012
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 451,342	\$ 100,223
Annual surplus	149,933	351,118
ACCUMULATED SURPLUS - END OF YEAR (Note 7)	\$ 601,275	\$ 451,341

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2013

	Budget 2013	2013	2012
ANNUAL SURPLUS	\$ (395,928)	\$ 149,933	\$ 351,118
NET FINANCIAL ASSETS - BEGINNING OF YEAR	451,343	451,342	100,224
NET FINANCIAL ASSETS - END OF YEAR	\$ 55,415	\$ 601,275	\$ 451,342

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT**Statement of Cash Flow**

Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Annual surplus	\$ 149,933	\$ 351,118
Changes in non-cash working capital:		
Accounts receivable	14,457	(14,613)
Grants to district hospitals - capitalized	1,145,982	1,008,658
Accrued interest	(21,662)	(56,959)
Due to Regional District of Alberni-Clayoquot	-	(15,000)
	1,138,777	922,086
Cash flow from operating activities	1,288,710	1,273,204
FINANCING ACTIVITIES		
Repayment of long term debt	(762,573)	(597,419)
Actuarial adjustment to long term debt	(383,408)	(411,239)
Cash flow used by financing activities	(1,145,981)	(1,008,658)
INVESTING ACTIVITY		
Reserves related to Section 20(3)	(117,386)	(290,038)
INCREASE (DECREASE) IN CASH FLOW	25,343	(25,492)
Cash - beginning of year	1,419,110	1,444,602
CASH - END OF YEAR	\$ 1,444,453	\$ 1,419,110

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2013

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and the statement of change in net financial assets represents the 2013 budget as adopted by the District's Board on March 13, 2013.

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.

(continues)

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3. ACCOUNTS RECEIVABLE

	2013	2012
Accounts receivable	\$ 1,699	\$ 16,157

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.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2013

5. RELATED PARTY

The Alberni-Clayoquot Regional Hospital District is related to the Alberni-Clayoquot Regional District; the same individuals are the Board of Directors for 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, \$18,000 of administrative support services from the Alberni-Clayoquot Regional District.

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 repayment terms are approximately:

2014	\$	519,504
2015		517,938
2016		518,047
2017		504,374
2018		492,778

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

Year Ended December 31, 2013

7. FUND ACCOUNTING

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

1. Capital fund - Provides funding and carries the debt related to capital projects for which the District has provided grants.
2. Revenue fund- Holds cash and receives interest on monies held by the District.
3. 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, 2013 the fund balances are:

	Capital Fund	Revenue Fund	Reserve Fund	2013
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR	\$ 306,970	\$ (467,697)	\$ 612,069	\$ 451,342
Annual surplus (deficit)	-	32,547	117,386	149,933
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR	\$ 306,970	\$ (435,150)	\$ 729,455	\$ 601,275

8. 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.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt

(Schedule 1)

Year Ended December 31, 2013

B.C.H.F.A. By-law	By-law No.	Type of Security Issued	Maturity date	Term	Rate	2013 Balance	2012 Balance	2014 Requirements as of December 31, 2013	
								Principal	Interest
RHD-CD-N	57	Sinking Fund	23 Aug 2013	20	8.500%	\$ -	\$ 15,787	\$ -	\$ -
RHD-CD-N1	54 & 57	Sinking Fund	23 Aug 2013	20	8.500%	-	2,017	-	-
RHDMTN-38	54	Sinking Fund	09 Jun 2014	20	9.600%	4,283	8,362	1,777	5,222
RHDMTN 53 (3)	54	Sinking Fund	23 Aug 2013	20	8.500%	-	10,707	-	-
RHDMTN 53 (2)	54	Sinking Fund	23 Aug 2013	20	8.500%	-	3,056	-	-
RHD-EC-13	54	Sinking Fund	30 Nov 2023	20	7.875%	40,258	53,264	8,259	17,295
RHD-CDN-3	54	Sinking Fund	23 Aug 2013	20	9.120%	-	15,428	-	-
RHD-EC-13(1)	54	Sinking Fund	30 Nov 2023	20	7.875%	16,578	25,330	5,526	11,572
RHD-EUS4(2)	54	Sinking Fund	11 Jun 2017	20	9.120%	84,711	103,429	9,134	19,714
RHD-CDV-3(B)	54	Sinking Fund	11 Jun 2017	20	7.875%	23,899	29,180	2,577	4,163
1999F	54, 74, 75	Sinking Fund	01 Dec 2019	5, 5, 20	5.840%, 5.840%, 5.990%	502,605	574,146	41,233	39,182
2000S	75	Sinking Fund	01 Jun 2020	20	6.450%	1,403,797	1,571,315	101,051	96,023
2000F	75, 82	Sinking Fund	01 Jun 2020	20	6.360%	1,905,316	2,132,681	137,152	130,328
2001F	75, 82, 83	Sinking Fund	01 Jun 2022	20	5.100%	2,342,126	2,575,718	136,576	137,739
2002S	77	Sinking Fund	01 Jun 2020	20	5.900%	919,027	998,405	48,731	49,146
2002F	78	Sinking Fund	01 Jun 2020	20	5.250%	250,364	271,989	13,275	9,218
2003S	75	Sinking Fund	03 Jun 2023	20	5.250%	207,794	223,528	10,142	12,729
2003F	75	Sinking Fund	03 Oct 2023	20	4.770%	-	228,329	-	-
2005S	93	Sinking Fund	04 Jun 2025	20	5.100%	57,755	61,826	4,071	3,049
						\$ 7,758,513	\$ 8,904,497	\$ 519,504	\$ 535,380

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Member Municipalities Tax Requisitions

(Schedule 2)

Year Ended December 31, 2013

	Budget 2013	2013	2012
MUNICIPALITIES			
Port Alberni	\$ 753,735	\$ 753,735	\$ 783,222
District of Tofino	309,538	309,538	324,600
District of Ucluelet	182,453	182,453	195,742
	1,245,726	1,245,726	1,303,564
FIRST NATIONS			
Huu-ay-aht First Nations	655	655	-
Yuu?u?i??at?	1,721	1,721	-
	2,376	2,376	-
ELECTORAL AREAS			
"A" Bamfield	75,721	75,721	72,541
"B" Beaufort	31,805	31,805	32,801
"C" Long Beach	94,239	94,239	93,425
"D" Sproat Lake	246,347	246,347	268,904
"E" Beaver Creek	103,728	103,728	108,064
"F" Cherry Creek	114,129	114,129	118,870
	665,969	665,969	694,605
	\$ 1,914,071	\$ 1,914,071	\$ 1,998,169