

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT
Financial Statements
Year Ended December 31, 2015

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

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Year Ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of Regional District of Alberni-Clayoquot which comprise the consolidated statement of financial position and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

The Regional District of Alberni-Clayoquot operates landfill closure facilities of which the closure and post-closure liabilities are not susceptible to satisfactory audit verification and are carried on the consolidated statement of financial position at \$2,187,854. Accordingly, our verification of this liability was limited to the amounts recorded in the accounts of the regional district and we were not able to determine whether any adjustments might be necessary to certain liabilities, expenses or surpluses.

Qualified Opinion

In my opinion, except for the effects of the matter described in the preceding paragraph, the consolidated financial statements present fairly, in all material respects the financial position of Regional District of Alberni-Clayoquot as at December 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

R. Anderson & Associates Inc.

Port Alberni, B.C.
May 11, 2016

R. ANDERSON & ASSOCIATES INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Financial Position

December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	\$ 2,565,333	\$ 2,247,235
Accounts receivable <i>(Note 3)</i>	2,026	2,388
Municipal Finance Authority debt reserve deposit <i>(Note 4)</i>	851,618	848,870
Grants to district hospitals - capitalized	5,584,350	6,521,551
	9,003,327	9,620,044
FINANCIAL LIABILITIES		
Accrued interest	34,202	34,505
Municipal Finance Authority debt reserve <i>(Note 4)</i>	851,618	848,870
Reserves related to Section 20(3)	1,899,745	1,823,674
Debenture debt <i>(Note 6)</i> (Schedule 1)	5,848,586	6,785,787
Unamortized debenture discount <i>(Note 6)</i>	42,734	42,734
	8,676,885	9,535,570
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS <i>(Note 7)</i>	\$ 326,442	\$ 84,474

Teri Fong, CPA, CGA
Manager of Finance

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Operations

Year Ended December 31, 2015

	Budget 2015	2015	2014
REVENUE			
Taxation (Schedule 2)	\$ 1,693,526	\$ 1,693,527	\$ 1,985,727
Grants in lieu of taxes	8,000	16,012	35,279
Other income	20,000	24,751	42,094
	1,721,526	1,734,290	2,063,100
EXPENSES			
Sinking fund installments	809,000	508,804	519,609
Interest and fees on debenture	429,000	415,518	492,291
Administrative costs	18,000	18,000	18,000
Contribution to section 20(3) reserve	550,000	550,000	1,550,000
	1,806,000	1,492,322	2,579,900
ANNUAL SURPLUS	\$ (84,474)	\$ 241,968	\$ (516,800)

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Accumulated Surplus

Year Ended December 31, 2015

	2015	2014
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 84,474	\$ 601,274
Annual surplus	241,968	(516,800)
ACCUMULATED SURPLUS - END OF YEAR (Note 7)	\$ 326,442	\$ 84,474

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2015

	Budget 2015	2015	2014
ANNUAL SURPLUS	\$ (84,474)	\$ 241,968	\$ (516,800)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	84,474	84,474	601,274
NET FINANCIAL ASSETS - END OF YEAR	\$ -	\$ 326,442	\$ 84,474

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

Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Annual surplus	\$ 241,968	\$ (516,800)
Changes in non-cash working capital:		
Accounts receivable	361	(690)
Grants to district hospitals - capitalized	937,201	972,727
Accrued interest	(302)	(8,720)
	937,260	963,317
Cash flow from operating activities	1,179,228	446,517
FINANCING ACTIVITIES		
Repayment of long term debt	(508,804)	(519,608)
Actuarial adjustment to long term debt	(428,397)	(453,118)
Cash flow used by financing activities	(937,201)	(972,726)
INVESTING ACTIVITY		
Reserves related to Section 20(3)	76,071	1,328,991
INCREASE IN CASH FLOW	318,098	802,782
Cash - beginning of year	2,247,235	1,444,453
CASH - END OF YEAR	\$ 2,565,333	\$ 2,247,235

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

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 2015 budget as adopted by the District's Board on March 11, 2015.

Debenture 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.

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ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

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

	2015	2014
Accrued Interest receivable	\$ 2,026	\$ 2,388

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, 2015

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:

2016	\$	506,336
2017		492,663
2018		492,778
2019		492,896
2020		451,783

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, 2015

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, 2015 the fund balances are:

	Capital Fund	Revenue Fund	Reserve Fund	2015
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR	\$ 306,970	\$ 377,040	\$ (599,536)	\$ 84,474
Annual surplus (deficit)	-	318,045	(76,077)	241,968
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR	\$ 306,970	\$ 695,085	\$ (675,613)	\$ 326,442

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, 2015

B.C.H.F.A. By-law	By-law No.	Type of Security Issued	Maturity date	Term	Rate	2015 Balance	2014 Balance	2016 Requirements as of December 31, 2015	
								Principal	Interest
RHD-EC-13	54	Sinking Fund	30 Nov 2023	20	7.875%	\$ 13,626	\$ 27,046	\$ 8,259	\$ 17,295
RHD-EC-13(1)	54	Sinking Fund	30 Nov 2023	20	7.875%	5,526	11,052	5,526	11,572
RHD-CDV-3(B)	54	Sinking Fund	11 Jun 2017	20	7.875%	-	18,354	-	-
1999F	54, 74, 75	Sinking Fund	01 Dec 2019	5, 5, 20	5.840%, 5.840%, 5.990%	349,662	427,826	41,233	26,121
2000S	75	Sinking Fund	01 Jun 2020	20	6.450%	1,045,809	1,228,742	101,051	64,015
2000F	75, 82	Sinking Fund	01 Jun 2020	20	6.360%	1,419,433	1,667,720	137,152	86,886
2001F	75, 82, 83	Sinking Fund	01 Jun 2022	20	5.100%	1,839,319	2,096,854	136,576	137,739
2002S	77	Sinking Fund	01 Jun 2020	20	5.900%	748,167	835,681	48,731	49,146
2002F	78	Sinking Fund	01 Jun 2020	20	5.250%	203,818	227,659	13,275	9,218
2003S	75	Sinking Fund	03 Jun 2023	20	5.250%	173,927	191,273	10,142	7,043
2005S	93	Sinking Fund	04 Jun 2025	20	5.100%	49,299	53,580	4,390	2,402
						\$ 5,848,586	\$ 6,785,787	\$ 506,335	\$ 411,437

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Member Municipalities Tax Requisitions

(Schedule 2)

Year Ended December 31, 2015

	Budget 2015	2015	2014
MUNICIPALITIES			
Port Alberni	\$ 658,537	\$ 658,537	\$ 785,893
District of Tofino	271,905	271,905	323,053
District of Ucluelet	147,666	147,666	174,148
	1,078,108	1,078,108	1,283,094
FIRST NATIONS			
Huu-ay-aht First Nations	596	596	712
Yuu?u?i??at?	2,829	2,829	2,129
Uchuckleshaht	49	49	141
	3,474	3,474	2,982
ELECTORAL AREAS			
"A" Bamfield	57,317	57,317	70,637
"B" Beaufort	29,803	29,803	32,932
"C" Long Beach	69,862	69,862	68,439
"D" Sproat Lake	249,715	249,715	289,190
"E" Beaver Creek	94,827	94,827	113,101
"F" Cherry Creek	110,421	110,421	125,352
	611,945	611,945	699,651
	\$ 1,693,527	\$ 1,693,527	\$ 1,985,727