

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT
Financial Statements
Year Ended December 31, 2017

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To Board of Directors of Alberni-Clayoquot Regional Hospital District

We have audited the accompanying financial statements of Alberni-Clayoquot Regional Hospital District, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the statements of operations, change in net debt and cash flows for the years ended December 31, 2017, and December 31, 2016, and notes, comprising 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberni-Clayoquot Regional Hospital District as at December 31, 2017 and December 31, 2016 and its results of operations, its changes in net debt, and its cash flows for the years ended December 31, 2017, and December 31, 2016 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 9, 2018

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Financial Position

As at December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 2,315,656	\$ 2,369,954
Accounts receivable	3,251	1,937
Municipal Finance Authority debt reserve deposit (Note 3)	294,801	289,162
	2,613,708	2,661,053
FINANCIAL LIABILITIES		
Accrued interest	25,147	25,150
Debenture debt (Note 5) (Schedule 1)	3,813,652	4,811,484
	3,838,799	4,836,634
ACCUMULATED DEFICIT	\$ (1,225,091)	\$ (2,175,581)



Teri Fong, CPA, CGA
Manager of Finance

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT**Statement of Operations****Year Ended December 31, 2017**

	Budget 2017	2017	2016
REVENUE			
Taxation (Schedule 2)	\$ 1,848,208	1,848,208	1,699,559
Grants in lieu of taxes	8,000	11,770	16,037
Interest revenue	20,000	32,685	56,014
Actuarial income	-	505,169	573,500
	1,876,208	2,397,832	2,345,110
EXPENSES			
Debenture debt interest	\$ 303,000	302,684	\$ 391,912
Administrative costs	18,000	18,000	18,000
Grants to Island Health	1,118,950	1,126,658	1,033,720
	1,439,950	1,447,342	1,443,632
ANNUAL SURPLUS	\$ 436,258	950,490	901,478

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Accumulated Surplus

Year Ended December 31, 2017

	2017	2016
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ (2,175,581)	\$ (3,077,059)
Annual surplus	950,490	901,478
ACCUMULATED SURPLUS - END OF YEAR	\$ (1,225,091)	\$ (2,175,581)

The accompanying notes are an integral part of these financial statements

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

Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	\$ 950,490	\$ 901,478
Non-cash items included in surplus:		
Debt actuarial adjustments	(505,169)	(573,500)
Changes in non-cash working capital:		
Accounts receivable	(1,314)	89
Municipal Finance Authority debt reserve deposit	(5,639)	(8,058)
Accrued interest	(3)	(9,052)
	(6,956)	(17,021)
Cash flow from operating activities	438,365	310,957
FINANCING ACTIVITIES		
Repayment of long term debt	(492,663)	(506,336)
DECREASE IN CASH FLOW	(54,298)	(195,379)
Cash - beginning of year	2,369,954	2,565,333
CASH - END OF YEAR	\$ 2,315,656	\$ 2,369,954

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

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

Commencing with the 2017 fiscal year, the District has adopted public sector accounting standards. Previously, the District's financial statements were prepared in accordance with a specified basis of accounting which included deviations from public sector accounting standards.

The District has consistently applied the same accounting policies in its statement of financial position as at January 1, 2016, the date of transition to the framework, and throughout as if these policies had always been in effect.

These financial statements are the first financial statements for which the District has applied these standards.

Key adjustments on the District's financial statements resulting from the adoption of these accounting standards are as follows:

- presenting grants to hospitals as an expense instead of as an asset;
- presenting debt payments as a reduction in liability rather than as an expense; and
- presenting reserves related to Section 20 (3) as a restricted component of accumulated surplus rather than as a liability, and contributions to the reserve as a transfer within accumulated surplus rather than as an expense.

The impact of the conversion to new accounting standards on the accumulated surplus at January 1, 2016 and the comparative annual surplus have been applied retrospectively with restatement of prior periods.

Budget reporting

The budget information reported in the statement of operations and the statement of change in net financial assets represents the 2017 budget as adopted by the District's Board on March 8, 2017.

Long-term debt

Long-term debt is obtained through the Municipal Finance Authority of British Columbia (MFA) whose policy is to issue debt denominated in Canadian dollars.

Revenue recognition

Property tax revenues are recognized in the period in which they are levied. Grants-in-lieu of property taxes and other revenues are recognized when amounts are known and collectability is reasonably assured. Interest revenue is recognized when earned.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

3. DEBT RESERVE FUND

The Municipal Finance Authority (MFA) requires the regional hospital district to establish a fund equal to one half of the annual instalment of principal and interest of long term debt issued. The fund is equal to one percent of the total principal.

4. 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.

5. DEBENTURE DEBT

All long-term debt is issued through the Municipal Finance Authority (MFA) of British Columbia. The Authority is the borrowing agent for municipalities and regional districts in the Province. All long term debt issued by the MFA is sinking fund debt. Long-term debt may only be repaid earlier than maturity where the MFA refinances an issue that includes a particular long-term debt issued by the Regional Hospital District.

Issued and outstanding debt including issue numbers and maturity dates are listed on Schedule 1 to these consolidated financial statements.

Payments of principal on issued debt of the Regional Hospital District for the next five years are approximately as follows:

2018	\$	492,778
2019		492,896
2020		451,783
2021		213,705
2022		77,255

6. 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

Notes to Financial Statements

Year Ended December 31, 2017

7. STATEMENT PRESENTATION

Since the regional hospital district does not have non-financial assets, a Statement of Net Financial Assets has not been presented.

8. BUDGET RECONCILIATION

Budget figures represent the budget bylaw adopted by the Board on March 8, 2017.

Adjustments to the 2017 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 8, 2017	\$	-
Add principal debt payments		493,000
Less surplus from prior years		(56,742)
<hr/>		
Surplus per Statement of Operations	\$	436,258

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt

(Schedule 1)

Year Ended December 31, 2017

MFA Issue	By-law	Maturity date	Term	Rate	Amount Borrowed	2017 Balance	2016 Balance
93	82	April 6, 2025	20	5.100	\$ 14,342	\$ 6,613	\$ 7,351
93	75	April 6, 2025	20	5.100	73,282	33,793	37,558
79	75	June 3, 2023	20	2.100	335,361	130,843	150,520
78	75	December 3, 2022	20	2.250	438,966	151,402	177,787
77	82	June 1, 2022	20	1.750	189,866	62,346	74,046
77	75	June 1, 2022	20	1.750	1,421,473	466,765	554,364
75	82	December 1, 2021	20	1.750	1,395,420	392,945	481,038
75	75	December 1, 2021	20	1.750	3,120,611	878,751	1,075,758
73	82	December 1, 2020	20	2.100	66,158	14,020	18,372
73	75	December 1, 2020	20	2.100	4,071,247	862,800	1,130,588
72	75	June 1, 2020	20	2.100	3,048,354	592,023	797,036
71	75	December 1, 2019	20	2.100	1,243,870	178,617	264,332
Unamortized debenture discount						42,734	42,734
					\$ 15,418,950	3,813,652	4,811,484

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

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Member Municipalities Tax Requisitions

(Schedule 2)

Year Ended December 31, 2017

	Budget 2017	2017	2016
MUNICIPALITIES			
Port Alberni	\$ 707,654	707,654	647,008
District of Tofino	319,200	319,200	282,455
District of Ucluelet	157,212	157,212	149,427
	<u>1,184,066</u>	1,184,066	1,078,890
FIRST NATIONS			
Huu-ay-aht First Nations	376	376	397
Yuu?u?i??at?	1,745	1,745	1,844
Uchuckleshaht	-	-	(49)
	<u>2,121</u>	2,121	2,192
ELECTORAL AREAS			
"A" Bamfield	57,408	57,408	58,458
"B" Beaufort	32,605	32,605	30,449
"C" Long Beach	70,008	70,008	70,366
"D" Sproat Lake	279,606	279,606	251,997
"E" Beaver Creek	105,121	105,121	98,179
"F" Cherry Creek	117,273	117,273	109,028
	<u>662,021</u>	662,021	618,477
	\$ 1,848,208	1,848,208	1,699,559