

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT
Financial Statements
Year Ended December 31, 2019

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

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Year Ended December 31, 2019

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KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Tel (250) 480-3500
Fax (250) 480-3539

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Alberni-Clayoquot Regional Hospital District

Opinion

We have audited the financial statements of Alberni-Clayoquot Regional Hospital District (the District), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets and accumulated surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberni-Clayoquot Regional Hospital District as at December 31, 2019, and its results of operations, its changes in net financial assets and accumulated surplus and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.



We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

May 13, 2020
Victoria, Canada

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Financial Position

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 3,253,888	\$ 3,157,671
Accounts receivable	8,007	7,640
Municipal Finance Authority debt reserve fund deposit (Note 3)	281,850	301,215
	3,543,745	3,466,526
LIABILITIES		
Accounts payable	6,782	68,729
Accrued interest	20,386	25,130
Debt (Note 5) (Schedule 1)	1,679,836	2,768,832
	1,707,004	2,862,691
Commitments (Note 8)		
Subsequent event (Note 9)		
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS	\$ 1,836,741	\$ 603,835



Teri Fong, CPA, CGA
Chief Financial Officer

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT**Statement of Operations****Year Ended December 31, 2019**

	Budget 2019	2019	2018
REVENUE			
Taxation (Schedule 2)	\$ 1,800,000	1,800,000	1,998,981
Grants in lieu of taxes	8,000	7,552	13,090
Interest revenue	20,000	78,473	57,184
Actuarial income	-	596,101	552,043
	1,828,000	2,482,126	2,621,298
EXPENSES			
Interest on debt	\$ 304,000	292,081	\$ 303,348
Administrative costs	22,000	22,000	18,000
Grants to Island Health	1,050,735	935,139	471,024
	1,376,735	1,249,220	792,372
ANNUAL SURPLUS	\$ 451,265	1,232,906	1,828,926

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Statement of Changes in Net Financial Assets (Debt)

and Accumulated Surplus (Deficit)

Year Ended December 31, 2019

	Budget 2019	2019	2018
NET FINANCIAL ASSETS (DEBT) AND ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR	\$ 603,835	\$ 603,835	\$ (1,225,091)
Annual surplus	451,265	1,232,906	1,828,926
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS - END OF YEAR	\$ 1,055,100	\$ 1,836,741	\$ 603,835

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT**Statement of Cash Flow****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 1,232,906	\$ 1,828,926
Non-cash items included in surplus:		
Actuarial Income	(596,101)	(552,043)
Changes in non-cash working capital:		
Accounts receivable	(367)	(4,389)
Municipal Finance Authority debt reserve fund deposit	19,365	(6,414)
Accounts payable	(61,947)	68,729
Accrued interest	(4,744)	(17)
	(47,693)	57,909
Cash flow from operating activities	589,112	1,334,792
FINANCING ACTIVITIES		
Repayment of debt	(492,895)	(492,777)
INCREASE IN CASH FLOW	96,217	842,015
Cash - beginning of year	3,157,671	2,315,656
CASH - END OF YEAR	\$ 3,253,888	\$ 3,157,671

The accompanying notes are an integral part of these financial statements

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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 of British Columbia 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 Hospital 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 Professional Accountants.

Budget reporting

The budget information reported in the statement of operations and the statement of change in net financial assets represents the 2019 budget as adopted by the District's Board on March 27, 2019.

Debt

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

Revenue recognition

Taxation 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.

3. DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (the "MFA") is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. When this occurs, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund deposits at December 31, 2019 is \$281,850 (2018 - \$301,215).

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, \$22,000 (2018 - \$18,000) of administrative support services from the Alberni-Clayoquot Regional District.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

5. DEBT

All borrowings for the Hospital District are with the Municipal Finance Authority of British Columbia (MFA). Debt interest costs are charged against revenue as incurred. The debenture debt "Schedule 1" reflects the amount of debt payable.

Principal payments due within the next five year and thereafter are as follows:

2020	\$947,200
2021	506,827
2022	148,248
2023	66,683
2024	5,370
Thereafter	<u>5,507</u>
	\$1,679,835

6. FINANCIAL INSTRUMENTS

For cash, accounts receivable, accounts payable and accrued interest, the carrying value of these financial statements is cost which approximates their fair market values due to their short-term maturity or capacity for prompt liquidation. The District is not exposed to significant credit risk on accounts receivable. 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.

7. BUDGET RECONCILIATION

Budget figures represent the budget bylaw adopted by the Board on March 27, 2019.

Adjustments to the 2019 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 27, 2019.	\$ -
Add principal debt payments	493,000
Less surplus from prior years	<u>(41,735)</u>
Surplus per Statement of Operations	\$ 451,265

8. COMMITMENTS

As at December 31, 2019, the Hospital District has outstanding grant commitments to Island Health in the amount of \$285,265 (2018 - \$786,000).

9. SUBSEQUENT EVENT

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the District are not known at this time.

ALBERNI-CLAYOQUOT REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt

(Schedule 1)

Year Ended December 31, 2019

By-law	MFA Issue	Maturity date	Term	Rate	Amount Borrowed	Total Instalments to date	Actuarial addition	2019 Balance	2018 Balance
82	93	06 Apr 2025	20	5.10%	\$ 14,342	\$ 9,259	\$-	\$ 5,083	\$ 5,858
75	93	06 Apr 2025	20	5.10%	73,282	47,310	-	25,972	29,932
75	79	03 Jun 2023	20	2.25%	335,361	162,275	84,580	88,506	110,182
75	78	03 Dec 2022	20	2.25%	438,966	225,683	118,672	94,611	123,697
82	77	01 Jun 2022	20	1.75%	189,866	97,615	55,080	37,172	50,060
75	77	01 Jun 2022	20	1.75%	1,421,473	730,813	412,363	278,297	374,786
82	75	01 Dec 2021	20	1.75%	1,395,420	759,620	432,464	203,336	300,446
75	75	01 Dec 2021	20	1.75%	3,120,611	1,698,756	967,128	454,726	671,895
82	73	01 Dec 2020	20	1.67%	66,158	39,938	21,498	4,722	9,473
75	73	01 Dec 2020	20	1.67%	4,071,247	2,457,712	1,322,965	290,570	582,963
75	72	01 Jun 2020	20	1.67%	3,048,354	1,840,216	1,054,032	154,106	377,784
75	71	01 Dec 2019	20	2.10%	1,243,870	788,512	455,358	-	89,022
Unamortized debenture discount								42,734	42,734
					15,418,950	8,857,709	4,924,140	\$ 1,679,835	\$ 2,768,832

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, 2019

	Budget 2019	2019	2018
MUNICIPALITIES			
City of Port Alberni	\$ 692,282	692,282	766,805
District of Tofino	313,209	313,209	349,169
District of Ucluelet	160,637	160,637	174,527
	<u>1,166,128</u>	1,166,128	1,290,501
FIRST NATIONS			
Huu-ay-aht First Nations	281	281	359
Yuułuʔiłʔatḥ Government	217	217	1,683
Uchucklesaht Tribe Government	37	37	-
Toquaht Nation	-	-	-
	<u>535</u>	535	2,042
ELECTORAL AREAS			
"A" Bamfield	51,857	51,857	60,379
"B" Beaufort	33,455	33,455	35,508
"C" Long Beach	66,504	66,504	74,062
"D" Sproat Lake	265,963	265,963	294,785
"E" Beaver Creek	103,597	103,597	114,305
"F" Cherry Creek	111,961	111,961	127,399
	<u>633,337</u>	633,337	706,438
	<u>\$ 1,800,000</u>	1,800,000	1,998,981