Financial Statements of

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Year ended March 31, 2016

May 24, 2016

Independent Auditor's Report

To the Board of Commissioners of
Forensic Psychiatric Services Commission

We have audited the accompanying financial statements of Forensic Psychiatric Services Commission, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net debt and financial assets and cash flows for the year then ended, and the related notes, which comprise 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 accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, 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 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.

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Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net debt and financial assets and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 15 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2016

		2016		2015
Financial assets				
Cash and cash equivalents (note 2)	$	375	$	229
Accounts receivable (note 3)		23,930		26,972
		24,305		27,201
Liabilities				
Accounts payable and accrued liabilities (note 4)		10,116		13,099
Deferred research and designated contributions		-		22
Asset retirement obligations (note 5)		318		319
Retirement allowance (note 6(a))		5,718		5,420
Deferred capital contributions (note 7)		9,366		7,471
		25,518		26,331
Net (debt) financial assets	$	(1,213)	$	870
Non-financial assets				
Tangible capital assets (note 8)	$	9,402	$	7,545
Inventories held for use		57		56
Prepaid expenses		497		471
		9,956		8,072
Accumulated surplus	$	8,743	$	8,942

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

Carla Gregor

Chair of the Commission

Lyn Pelletier

Commissioner

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Operations and Accumulated Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(k))	2016	2015
Revenues:			
Provincial Health Services Authority contributions	$ 58,014	$ 59,579	$ 60,863
Medical Services Plan	7,723	7,371	7,364
Amortization of deferred capital contributions (note 7)	1,148	824	396
Recoveries from other health authorities and BC government reporting entities	519	532	475
Other (note 10(a))	94	348	503
Research and designated contributions	-	22	8
	67,498	68,676	69,609
Expenses (note 10(b)):			
Mental health and substance use	67,329	68,664	69,430
Corporate	169	211	144
	67,498	68,875	69,574
Annual (deficit) surplus	$ -	$ (199)	$ 35
Accumulated surplus, beginning of year	8,942	8,942	8,907
Accumulated surplus, end of year	$ 8,942	$ 8,743	$ 8,942

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Changes in Net (Debt) Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(k))	2016	2015
Annual (deficit) surplus	$ -	$ (199)	$ 35
Acquisition of tangible capital assets	(3,617)	(2,721)	(5,763)
Asset retirement obligations	-	3	(3)
Amortization of tangible capital assets	1,185	861	434
	(2,432)	(2,056)	(5,297)
Acquisition of inventories held for use	-	(226)	(195)
Acquisition of prepaid expenses	-	(5,757)	(5,759)
Consumption of inventories held for use	-	225	205
Use of prepaid expenses	-	5,731	8,602
	-	(27)	2,853
Decrease in net financial assets	(2,432)	(2,083)	(2,444)
Net financial assets, beginning of year	870	870	3,314
Net (debt) financial assets, end of year	$ (1,562)	$ (1,213)	$ 870

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016	2015
Cash flows from (used in) operating activities:		
Annual (deficit) surplus	$ (199)	$ 35
Items not involving cash:		
Amortization of deferred capital contributions	(824)	(396)
Accretion of asset retirement obligations	2	5
Amortization of tangible capital assets	861	434
Retirement allowance expense	525	618
BC Public Service Long-term Disability Plan	-	(195)
	365	501
Net change in non-cash operating items (note 11(a))	10	(403)
Net change in cash from operating activities	375	98
Capital activities:		
Acquisition of tangible capital assets (note 11(b))	(2,721)	(5,763)
Net change in cash from capital activities	(2,721)	(5,763)
Financing activities:		
Retirement allowance benefits paid	(227)	(88)
Capital contributions	2,719	5,763
Net change in cash from financing activities	2,492	5,675
Increase in cash and cash equivalents	146	10
Cash and cash equivalents, beginning of year	229	219
Cash and cash equivalents, end of year	$ 375	$ 229

Supplementary cash flow information (note 11)

See accompanying notes to financial statements.

The Forensic Psychiatric Services Commission (the "Commission") was established as a Crown corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health (the "Ministry") on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority ("PHSA" or the "Authority"), which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry and is one of six health authorities in British Columbia ("BC"). The Commission is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Commission is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as "Agencies") are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Mental Health Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch; and

Health Shared Services BC.

Effective December 31, 2001, the Commission and the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with PHSA. The amalgamated Commission is considered a continuation of the former Commission for financial reporting purposes.

Effective April 1, 2016, the operations of Health Shared Services BC were transferred to BC Clinical and Support Services Society, a separate legal entity independent of PHSA.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Commission.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 15.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(d) Asset retirement obligations:

The Commission recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Commission reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(e) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

(i) Defined benefit obligations, including multiple employer benefit plans (continued):

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2015 – 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing, if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Commission to pay benefits occurs.

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

(g) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Commission is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the Commission in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(i) Foreign currency translation:

The Commission's functional currency is the Canadian dollar. The Commission does not have significant transactions denominated in foreign currencies.

(j) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Commission's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Commission's Fiscal 2015/2016 Budget approved by the Board of Directors on April 23, 2015. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net (debt) financial assets.

(l) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Commission.

1. Significant accounting policies (continued):

(l) Future accounting standards (continued):

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions.* PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Commission.

(iii) In June 2015, PSAB issued PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3210 on the financial statements of the Commission.

(iv) In June 2015, PSAB issued PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the financial statements of the Commission.

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1. Significant accounting policies (continued):

(l) Future accounting standards (continued):

(v) In June 2015, PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the financial statements of the Commission.

(vi) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. The Commission adopted the requirements of PS 3430 earlier, in the fiscal year that began on April 1, 2016.

(Amounts expressed in thousands of dollars)

2. Cash and cash equivalents:

		2016		2015
Cash and cash equivalents	$	194	$	61
Restricted cash		181		168
	$	375	$	229

Restricted cash is related to patient trust accounts.

3. Accounts receivable:

		2016		2015
Provincial Health Services Authority	$	22,887	$	24,809
Medical Services Plan		894		1,795
Federal government		70		293
Other health authorities and BC government reporting entities		23		3
Patients, clients and agencies		-		3
Other		69		82
		23,943		26,985
Allowance for doubtful accounts		(13)		(13)
	$	23,930	$	26,972

4. Accounts payable and accrued liabilities:

		2016		2015
Salaries and benefits payable	$	3,868	$	2,593
Trade accounts payable and accrued liabilities		3,655		8,017
Accrued vacation pay		2,412		2,321
Patient trust funds		181		168
	$	10,116	$	13,099

(Amounts expressed in thousands of dollars)

5. Asset retirement obligations:

		2016		2015
Asset retirement obligations, beginning of year	$	319	$	311
Change in estimates		(3)		3
Accretion		2		5
Asset retirement obligations, end of year	$	318	$	319

The Commission has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises at future dates. The settlement of these obligations will occur at the expiry of the leases.

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $326 (2015 – $325) over the term to expected settlement, at a credit-adjusted risk-free rate of 0.65% (2015 – 0.56%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2015 – 2.00%).

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed.

6. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Commission's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2015 and extrapolated to March 31, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived. The next expected valuation will be as of December 31, 2018.

(Amounts expressed in thousands of dollars)

6. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2016	2015
Accrued benefit obligation:		
Severance benefits	$ 3,347	$ 3,012
Sick leave benefits	2,547	2,322
	5,894	5,334
Unamortized actuarial (loss) gain	(176)	86
Accrued benefit liability	$ 5,718	$ 5,420

The accrued benefit liability for retirement allowance reported on the statement of financial position is as follows:

	2016	2015
Accrued benefit liability, beginning of year	$ 5,420	$ 4,890
Net benefit expense:		
Current service cost	311	326
Interest expense	217	236
Amortization of actuarial (gain) loss	(3)	56
Net benefit expense	525	618
Benefits paid	(227)	(88)
Accrued benefit liability, end of year	$ 5,718	$ 5,420

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement benefit obligation are as follows:

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

6. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Commission and other provincially funded organizations.

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Commission participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2015 extrapolated to March 31, 2016 indicated a deficit of $1,978 (2015 – surplus of $9,860). Contributions of $1,824 (2015 – $1,087) were expensed during the year. The PHSA plan covers approximately 10,300 active employees, of which approximately 400 are employees of the Commission (2015 – 400). The next expected valuation will be as of December 31, 2016.

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust were structured as a multi-employer plan prior to December 31, 2014. Contributions to this pool for the nine month period ended December 31, 2014 of $805 were expensed during the year ended March 31, 2015. From January 1, 2015, the Commission no longer participates in this pool. Starting January 1, 2015, the contributions are made to and benefits are provided through the long-term disability and health and welfare benefit plan.

(iii) Joint benefit trusts:

The 2014-2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016/17 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Trust will transition to the joint benefit trusts.

(Amounts expressed in thousands of dollars)

6. Employee benefits (continued):

(c) Employee pension benefits:

The Commission and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $536 (2015 – $145) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 184,000 active members, of which approximately 120 are employees of the Commission (2015 – 70). The actuarial valuation date was as of December 31, 2015, with results available in fall 2016. The next expected valuation will be as of December 31, 2018.

Employer contributions to the Public Service Pension Plan of $2,627 (2015 – $2,816) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2014 indicated a surplus of approximately $194,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 56,000 active members, of which approximately 450 are employees of the Commission (2015 – 480). The next actuarial valuation will be as of March 31, 2017.

7. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2016	2015
Deferred capital contributions, beginning of year	$ 7,471	$ 2,104
Capital contributions received:		
Provincial Health Services Authority	2,719	5,763
Amortization for the year	(824)	(396)
Deferred capital contributions, end of year	$ 9,366	$ 7,471

The Commission does not have unspent capital contributions.

(Amounts expressed in thousands of dollars)

8. Tangible capital assets:

Cost	2015	Additions	Disposals	Transfers	2016
Land improvements	$ 43	$ -	$ -	$ -	$ 43
Buildings	1,128	-	-	-	1,128
Equipment	3,334	68	-	7,418	10,820
Information systems	800	-	-	-	800
Leasehold improvements	2,655	-	(1)	1,287	3,941
Vehicles	701	-	-	-	701
Construction in progress	6,085	2,651	-	(8,705)	31
Total	$ 14,746	$ 2,719	$ (1)	$ -	$ 17,464

Accumulated amortization	2015	Amortization	2016
Land improvements	$ 43	$ -	$ 43
Buildings	480	83	563
Equipment	2,878	606	3,484
Information systems	781	5	786
Leasehold improvements	2,354	148	2,502
Vehicles	665	19	684
Total	$ 7,201	$ 861	$ 8,062

Cost	2014	Additions	Transfers	2015
Land improvements	$ 43	$ -	$ -	$ 43
Buildings	1,128	-	-	1,128
Equipment	3,367	44	(77)	3,334
Information systems	784	16	-	800
Leasehold improvements	2,654	1	-	2,655
Vehicles	624	-	77	701
Construction in progress	380	5,705	-	6,085
Total	$ 8,980	$ 5,766	$ -	$ 14,746

(Amounts expressed in thousands of dollars)

8. Tangible capital assets (continued):

Accumulated amortization	2014	Amortization	Transfers	2015
Land improvements	$ 43	$ -	$ -	$ 43
Buildings	397	83	-	480
Equipment	2,808	147	(77)	2,878
Information systems	761	20	-	781
Leasehold improvements	2,202	152	-	2,354
Vehicles	556	32	77	665
Total	$ 6,767	$ 434	$ -	$ 7,201

Net book value	2016	2015
Buildings	$ 565	$ 648
Equipment	7,336	456
Information systems	14	19
Leasehold improvements	1,439	301
Vehicles	17	36
Construction in progress	31	6,085
Total	$ 9,402	$ 7,545

Tangible capital assets are funded as follows:

	2016	2015
Deferred capital contributions	$ 9,366	$ 7,471
Internally funded	36	74
Tangible capital assets	$ 9,402	$ 7,545

9. Commitments and contingencies:

(a) Construction in progress:

As at March 31, 2016, the Commission had outstanding commitments for construction in progress of $332 (2015 – $2,983).

(Amounts expressed in thousands of dollars)

9. Commitments and contingencies (continued):

(b) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2017	$	708
2018		537
2019		445
2020		353
2021		239
Thereafter		322
	$	2,604

(c) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Commission's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2016, management is of the opinion that the Commission has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

10. Statement of operations:

(a) Other revenues:

		2016		2015
Recoveries from sales of goods and services	$	341	$	501
Other		7		2
	$	348	$	503

(Amounts expressed in thousands of dollars)

10. Statement of operations (continued):

(b) The following is a summary of expenses by object:

	2016	2015
Compensation:		
Compensation	$ 43,719	$ 44,134
Employee benefits	8,187	8,060
	51,906	52,194
Equipment and building services:		
Rent	5,816	6,164
Building and grounds service contracts	470	405
Equipment	330	247
Plant operations (utilities)	21	29
	6,637	6,845
Referred-out and contracted services:		
Health and support services providers	5,087	4,807
Other health authorities and BC government reporting entities	1,532	2,040
	6,619	6,847
Supplies:		
Food and dietary	943	807
Drugs and medical gases	598	571
Printing, stationery and office	153	131
Medical and surgical	133	129
Laundry and linen	63	36
Diagnostic	23	7
Housekeeping	13	11
Other	13	217
	1,939	1,909
Sundry:		
Professional fees	307	654
Travel	223	268
Communication and data processing	51	31
Patient transport	30	34
Other	278	345
	889	1,332
Amortization of tangible capital assets	861	434
Research and designated expenses	22	8
Accretion of asset retirement obligations	2	5
	$ 68,875	$ 69,574

(Amounts expressed in thousands of dollars)

11. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2016	2015
Accounts receivable	$ 3,042	$ (9,063)
Accounts payable and accrued liabilities	(2,983)	5,815
Deferred research and designated contributions	(22)	(8)
Inventories held for use	(1)	10
Prepaid expenses	(26)	2,843
	$ 10	$ (403)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2016	2015
(Reductions in) additions to asset retirement obligations (note 5)	$ (3)	$ 3
	$ (3)	$ 3

12. Related parties:

(a) BC government reporting entities:

The Commission is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The financial statements include transactions and balances with these parties in the following amounts:

	2016	2015
Revenues:		
Medical Services Plan	$ 7,371	$ 7,364
Other health authorities and government entities	532	475
	$ 7,903	$ 7,839

12. Related parties (continued):

(Amounts expressed in thousands of dollars)

(a) BC government reporting entities (continued):

		2016		2015
Expenses:				
Equipment and building services	$	5,275	$	5,426
Referred-out and contracted services		1,532		2,040
Supplies		192		241
Sundry		183		116
Compensation and benefits		81		148
	$	7,263	$	7,971
Accounts receivable:				
Medical Services Plan	$	894	$	1,795
Other health authorities and BC government reporting entities		23		3
	$	917	$	1,798
Accounts payable and accrued liabilities	$	197	$	5,326

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Commission.

During the year, the Commission was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2016, revenues include $1,427 (2015 – $1,069) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

13. Risk management:

The Commission is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Commission's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from the Commission's cash and cash equivalents and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

13. Risk management (continued):

(a) Credit risk (continued):

The Commission manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Commission periodically reviews its investments and is satisfied with the credit rating of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Commission periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

The Commission is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities. As at March 31, 2016, the amount of allowance for doubtful accounts was $13 (2015 - $13).

(b) Liquidity risk:

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they become due. It is the Commission's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Commission's principal source of funding is from the Ministry. The Commission is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Commission has complied with the external restrictions on the funding provided.

All financial assets and liabilities of the Commission have maturities within one year.

14. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

15. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Commission to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

(Amounts expressed in thousands of dollars)

15. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 (continued):

The impact of the departure from PSAS on the financial statements of the Commission is as follows:

As at March 31, 2014		
Increase in accumulated surplus	$	2,104
Decrease in deferred capital contributions		(2,104)
For the year ended March 31, 2015		
Increase in annual surplus		5,367
As at March 31, 2015		
Increase in accumulated surplus		7,471
Decrease in deferred capital contributions		(7,471)
For the year ended March 31, 2016		
Decrease in annual deficit		1,895
As at March 31, 2016		
Increase in accumulated surplus		9,366
Decrease in deferred capital contributions		(9,366)