

**STUART-NECHAKO REGIONAL HOSPITAL DISTRICT**

**SUPPLEMENTARY AGENDA**

**THURSDAY, APRIL 20, 2017**

<b><u>PAGE</u></b>	<b><u>REPORT</u></b>	<b><u>ACTION</u></b>
2-17	Roxanne Shepherd, Treasurer - 2016 Audited Financial Statements	Recommendation (Page 2)
	<b><u>NEW BUSINESS</u></b>	
	<b><u>ADJOURNMENT</u></b>	

# Stuart-Nechako

## Regional Hospital District

# Memo

April 12, 2017

### Board Supplemental Agenda – April 20, 2017

**To:** Chair Petersen and the Board of Directors  
**From:** Roxanne Shepherd, Treasurer  
**Regarding:** 2016 Audited Financial Statements

---

Attached for the Board's review and approval is a copy of the DRAFT Audited Financial Statements for the year ended December 31, 2016 which includes the audit report from Price Waterhouse Coopers.

Also attached for review and approval is a copy of the 2016 Audit Findings Report to the Board of Directors, which explains the results of the 2016 audit.

The Auditors will be attending the Board meeting to report on the results of the audit and to answer any questions from Directors.

I would be pleased to answer any questions.

Recommendation:

(all/directors/majority)

1. That the memorandum from the Treasurer, dated April 10, 2017 regarding the 2016 audited financial statements be received; and
2. That the audited Financial Statements for the year ended December 31, 2016 be approved for signature.
3. That the 2016 Audit Findings Report be approved for signature.

**STUART - NECHAKO REGIONAL  
HOSPITAL DISTRICT**

**Financial Statements**

**December 31, 2016**

**DRAFT**



## INDEPENDENT AUDITORS' REPORT

**To the Directors of  
Stuart – Nechako Regional Hospital District**

We have audited the accompanying financial statements of the Stuart – Nechako Regional Hospital District, which comprise the statement of financial position as at December 31, 2016, and the statements of financial activities, and of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation 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.

### **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 judgement, 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 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 is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Stuart – Nechako Regional Hospital District as at December 31, 2016, and its financial performance and its cash flow for the year then ended in accordance with Canadian public sector accounting standards. As required by the Hospital District Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

**April 20, 2017  
Prince George, BC**

**Chartered Professional Accountants**

*PricewaterhouseCoopers LLP  
556 North Nechako Road, Suite 10, Prince George British Columbia, Canada V2K 1A1  
T: +1 250 564 2515, F: +1 250 562 8722, [www.pwc.com/ca](http://www.pwc.com/ca)*

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## STUART - NECHAKO REGIONAL HOSPITAL DISTRICT

## STATEMENT OF FINANCIAL POSITION

December 31, 2016

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note3)	\$ 1,949,749	\$ 1,404,227
Accounts receivable	<u>5,259</u>	<u>3,214</u>
	1,955,008	1,407,441
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>24,940</u>	<u>24,092</u>
<b>NET FINANCIAL POSITION</b>	<u>\$ 1,930,068</u>	<u>\$ 1,383,349</u>

Approved By The Board:

Chairperson \_\_\_\_\_

Treasurer \_\_\_\_\_

6

STUART - NECHAKO REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2016

	2016		2015
	<u>Budget</u> (unaudited) (Note 6)	<u>Actual</u>	<u>Actual</u>
<b>REVENUE</b>			
Property tax requisition	\$ 1,790,000	\$ 1,790,001	\$ 1,790,000
Interest	5,000	21,103	29,899
Grants in lieu of taxes	8,000	9,042	6,220
	<u>1,803,000</u>	<u>1,820,146</u>	<u>1,826,119</u>
<b>EXPENDITURES</b>			
Grants for capital expenditures	1,795,994	1,260,411	2,087,768
Administration and audit	27,000	23,016	24,074
	<u>1,822,994</u>	<u>1,273,427</u>	<u>2,111,840</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	(19,994)	546,719	(285,721)
<b>FINANCIAL POSITION AT BEGINNING OF THE YEAR</b>	<u>1,383,349</u>	<u>1,383,349</u>	<u>1,669,070</u>
<b>FINANCIAL POSITION AT END OF THE YEAR</b>	<u>\$ 1,363,355</u>	<u>\$ 1,930,068</u>	<u>\$ 1,383,349</u>

DRAFT

## STUART - NECHAKO REGIONAL HOSPITAL DISTRICT

## STATEMENT OF CASH FLOW

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
<b>ANNUAL SURPLUS</b>		
Excess revenue (expenditures) for the year	<u>\$ 546,719</u>	<u>\$ (285,721)</u>
Changes in non-cash working capital:		
Accounts receivable	(2,046)	2,427
Accounts payable and accruals	<u>849</u>	<u>(2,310,707)</u>
	<u>(1,197)</u>	<u>(2,308,280)</u>
<b>INCREASE (DECREASE) DURING THE YEAR</b>	<b>545,522</b>	<b>(2,594,001)</b>
<b>CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF THE YEAR</b>	<u>1,404,227</u>	<u>3,998,228</u>
<b>CASH AND TEMPORARY INVESTMENTS AT END OF YEAR</b>	<u>\$ 1,949,749</u>	<u>\$ 1,404,227</u>

**STUART-NECHAKO REGIONAL HOSPITAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2016**

The Stuart-Nechako Regional Hospital District ("Regional Hospital District") was incorporated in November 1, 1998, and commenced operations on January 1, 1999. The Regional Hospital District provides funding to the following facilities, all operated by the Northern Health Authority: the Fraser Lake Diagnostic and Treatment Centre, the Granisle Health Centre, the Lakes District Hospital and the Pines Multi-level Care Facility (both in Burns Lake), the St. John Hospital, and the Stuart Nechako Manor (both located in Vanderhoof), and the Stuart Lake Hospital (Fort St. James).

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Regional Hospital District prepares its financial statements in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

No Schedule of Expenditures by function has been presented because the Regional Hospital District has only one function – providing financing for equipment, renovation and construction of Hospitals and Health Centres.

No Consolidated Statement of Change in Net Debt has been included because the Regional Hospital District does not own non-financial assets. The function of this statement is to reconcile financial and non-financial assets.

Budget figures disclosed throughout the financial statements have been extracted from the 2016 final budget, adopted in March 24, 2016 and are unaudited.

Subsequent amendments to the budget bylaw are not reflected in the budget figures.

**Revenue Recognition**

Revenue generated by taxes is recognized in the period to which it relates. Grants in lieu of taxes are recognized in the period they pertain.

**Financial Instruments**

***Measurement of financial instruments***

The Regional Hospital District initially measures its financial assets and financial liabilities at fair value. The Regional Hospital District subsequently measures all its financial assets and financial liabilities at cost.

Financial assets measured at cost include cash, and accounts receivable.

Financial assets measured at fair value include temporary investments.

Financial liabilities measured at cost include accounts payable and accrued liabilities.

**STUART-NECHAKO REGIONAL HOSPITAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2016**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

**3. CASH AND TEMPORARY INVESTMENTS**

Cash and temporary investments consists of:

	<u>2016</u>	<u>2015</u>
Cash	\$ 24,093	\$ 4,263
Temporary investments	<u>1,925,656</u>	<u>1,399,964</u>
	<u>\$ 1,949,749</u>	<u>\$ 1,404,227</u>

Temporary investments consists of guaranteed investment certificates (GICs) of \$1,925,655 (2015 - \$1,399,964) with an average interest rate of 1.4% (2015 - 1.66%).

**4. RESERVE FUNDS**

	<u>2016</u>	<u>2015</u>
Opening balance	\$ 841,207	\$ 1,618,226
Contributions	1,158,108	-
Interest	13,399	17,525
Disbursements	<u>(641,016)</u>	<u>(794,544)</u>
Closing balance of funds	<u>\$ 1,371,698</u>	<u>\$ 841,207</u>

The reserve funds are intended to provide for the replacement of equipment and acute care facilities in the Regional Hospital District.

**STUART-NECHAKO REGIONAL HOSPITAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2016**

**5. FUND ALLOCATION**

The allocation of the funds is:

	<u>2016</u>	<u>2015</u>
Current funds	\$ 558,370	\$ 542,142
Reserve funds (Note 4)	<u>1,371,698</u>	<u>841,207</u>
	<u>\$ 1,930,068</u>	<u>\$ 1,383,349</u>

**6. BUDGET**

The Annual Budget adopted by the Board of Directors on March 24, 2016 was prepared on a modified accrual basis while the Financial Statements are prepared on a full accrual basis as required by Canadian Public Sector Accounting Standards. The Budget anticipated the use of surpluses accumulated in prior years to supplement current year revenues. In addition, the budget included transfers to and from reserves.

The budget figures included in these Financial Statements represent the Budget adopted by the Board of Directors with adjustments as follows:

	<u>2016</u>
Budgeted deficit per statement of financial activities	<u>\$ (19,994)</u>
Add: Contributions to reserves	<u>(579,016)</u>
Less: Prior years net surplus	535,510
Temporary borrowing	-
Withdrawal from capital reserves	<u>63,500</u>
	<u>599,010</u>
Surplus in the Financial Plan	<u>\$ -</u>

**STUART-NECHAKO REGIONAL HOSPITAL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS****For the year ended December 31, 2016****7. FINANCIAL INSTRUMENTS**

The Regional Hospital District's financial instruments are comprised of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities.

**Credit Risk**

The Regional Hospital District does not issue credit in the normal course of doing business. Unless otherwise noted, it is management's opinion that credit risk is minimal.

**Interest Rate Risk**

The Regional Hospital District is exposed to interest rate risk from fluctuating interest rates on investments. Unless otherwise noted, it is management's opinion that interest rate risk is minimal.

DRAFT

---

# ***Stuart-Nechako Regional Hospital District***

---

***2016 Audit Findings  
Report to the Board of  
Directors***

***Prepared as of  
April 20, 2017***



April 20, 2017

Members of the Board of Directors  
Stuart-Nechako Regional Hospital District  
37 3<sup>rd</sup> Avenue  
Burns Lake BC  
PO Box 820  
VOJ 1E0

Dear Members of the Board of Directors:

We have been engaged to audit the financial statements of Stuart-Nechako Regional Hospital District for the year ending December 31, 2016.

We prepared the accompanying report to assist you in your review of the financial statements. It includes a discussion on the significant accounting and financial reporting matters dealt with during the audit process as well as communications required by Canadian generally accepted auditing standards for audit.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work. If you have any questions or concerns prior to the board meeting, please do not hesitate to contact me in advance.

Yours very truly,



Norm Hildebrandt  
Partner  
Assurance

c.c.: Roxanne Shepherd, Chief Financial Officer

---

### **Significant Deficiencies in Internal Control**

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

We did not identify any control deficiencies that, in our judgment, would be considered significant deficiencies.

### **Fraud and Illegal Acts**

No fraud involving management, or contractors with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to reconfirm that the Board of Director is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.

### **Significant Unusual Transactions**

We are not aware of any significant or unusual transactions entered into by Stuart-Nechako Regional Hospital District that you should be informed about.

### **Difficulties Encountered During the Audit**

We encountered no significant difficulties during our audit that should be brought to the attention of the audit committee.

### **Significant Accounting Principles**

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by Stuart-Nechako Regional Hospital District are described in Note 1, Significant Accounting Policies, in the financial statements.

There were no new accounting policies adopted or changes to the application of accounting policies of Stuart-Nechako Regional Hospital District during the year.

We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.

We did not identify any significant accounting policies in controversial or emerging areas.

**Significant Financial Statement Disclosures**

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.

**Subsequent Events**

No subsequent events which would impact the financial statements other than those disclosed have come to our attention.

We would like to reconfirm that the Board of Director is not aware of any other subsequent events that might affect the financial statements.

**Accounting Estimates**

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

The following significant estimates/judgments are contained in the financial statements:

- Value of inventory;
- Accrued liabilities;
- Deferred revenue;
- Book value of capital assets.

Based on audit work performed, we are satisfied with estimates made by management.

**Disagreements with Management**

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the entity's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

### **Consultation with Other Accountants (Second Opinions)**

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion". When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepted auditing standards on the Reports on the Application of Accounting Principles.

We are not aware of any consultations that have taken place with other accountants.

### **Issues Discussed**

The auditor generally discusses among other matters, the application of accounting principles and auditing standards, and fees, etc. with management during the initial or recurring appointment of the auditor. There were no major issues discussed during our audit with regards to our retention that were not in the normal course of business.

### **Materiality**

Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.

We have set materiality of \$54,600.

We'll report unadjusted and adjusted items over \$5,460 to the Board of Directors on completion of the audit.

### **Uncorrected Misstatements**

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. We then requested that management correct these misstatements. No uncorrected misstatements for the current period have been detected.

### **Other Audit Matters of Governance Interest**

We did not identify any other matters to bring to your attention at this time and would be pleased to discuss with you further any matters mentioned above, at your convenience.

This communication is prepared solely for the information of those charged with governance of Stuart-Nechako Regional Hospital District to carry out and discharge their responsibilities and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

---

To ensure there is a clear understanding and record of the matters discussed, we ask that a representative of the board of directors their acknowledgement in the space provided below.

Should any member of the board of directors wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours very truly,

**Acknowledgement of Representative of the Board of Directors' Members:**

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Signature: \_\_\_\_\_

Date: \_\_\_\_\_