

**STUART - NECHAKO REGIONAL
HOSPITAL DISTRICT**

Financial Statements

December 31, 2018

STUART-NECHAKO REGIONAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS

December 31, 2018

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Stuart-Nechako Regional Hospital District

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

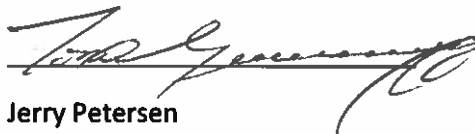
The external auditors, PricewaterhouseCoopers, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Stuart-Nechako Regional Hospital District and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Stuart-Nechako Regional Hospital District



John Illes

Chief Financial Officer



Jerry Petersen

Chairperson



Independent auditor's report

To the Board of Directors of Stuart-Nechako Regional Hospital District

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stuart-Nechako Regional Hospital District (the Entity) as at December 31, 2018 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.



We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Prince George, British Columbia
May 2, 2019

STUART - NECHAKO REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION

December 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 475,660	\$ 10,679
Temporary investments (Note 3)	3,313,521	3,249,297
Accounts receivable	<u>2,451</u>	<u>5,205</u>
	3,791,632	3,265,181
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	<u>27,193</u>	<u>27,191</u>
ACCUMULATED SURPLUS (Note 5)	<u><u>\$ 3,764,440</u></u>	<u><u>\$ 3,237,990</u></u>

Approved By The Board:

Chairperson 
Treasurer 

STUART - NECHAKO REGIONAL HOSPITAL DISTRICT

STATEMENT OF OPERATIONS

For the year ended December 31, 2018

	2018		2017
	<u>Budget</u> (Note 6)	<u>Actual</u>	<u>Actual</u>
REVENUE			
Property tax requisition	\$ 2,148,000	\$ 2,148,006	\$ 1,790,000
Interest	5,000	68,427	31,364
Grants in lieu of taxes	6,500	4,697	7,227
	<u>2,159,500</u>	<u>2,221,130</u>	<u>1,828,591</u>
EXPENDITURES			
Grants for capital expenditures	1,797,722	1,666,975	495,442
Administration and audit	28,000	27,705	25,227
	<u>1,825,722</u>	<u>1,694,680</u>	<u>520,669</u>
ANNUAL SURPLUS	333,778	526,450	1,307,922
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR	<u>3,237,990</u>	<u>3,237,990</u>	<u>1,930,068</u>
ACCUMULATED SURPLUS AT END OF THE YEAR (Note 5)	<u><u>\$ 3,571,768</u></u>	<u><u>\$ 3,764,440</u></u>	<u><u>\$ 3,237,990</u></u>

STUART - NECHAKO REGIONAL HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Cash provided by:		
Operating activities:		
Annual surplus	<u>\$ 526,450</u>	<u>\$ 1,307,922</u>
Changes in non-cash assets and liabilities:		
Accounts receivable	2,754	54
Accounts payable and accrued liabilities (Note 7)	<u>2</u>	<u>2,251</u>
Total cash from operating activities	<u>2,755</u>	<u>2,305</u>
Financing activities:		
Purchase of temporary investments	(64,224)	(1,323,641)
Increase (decrease) in cash	464,981	(13,414)
Cash beginning of year	<u>10,679</u>	<u>24,093</u>
Cash end of year	<u><u>\$ 475,660</u></u>	<u><u>\$ 10,679</u></u>

STUART-NECHAKO REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

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 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 2018 final budget, adopted in February 22, 2018.

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

Cash

Cash includes cash on hand and demand deposits.

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 amortized cost include cash, temporary investments and accounts receivable.

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

Unless otherwise indicated, it is management's opinion that the Regional Hospital District is not exposed to any significant credit, liquidity or interest risks arising from these financial instruments.

STUART-NECHAKO REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Revenue generated by taxes is recognized in the period to which it is requisitioned. Grants in lieu of taxes are recognized in the period they pertain to. Interest revenue is recognized in the period it is earned.

2. CHANGES IN ACCOUNTING POLICIES

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective April 1, 2017, The Regional Hospital District adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3240 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective April 1, 2017, The Regional Hospital District adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

STUART-NECHAKO REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. CHANGES IN ACCOUNTING POLICIES, continued

- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the consolidated financial statements of adopting the new Sections.

3. TEMPORARY INVESTMENTS

Temporary investments consist of fixed income guaranteed investment certificates, have a maturity of one year or less, and are carried at market value which approximates cost. The average interest rate of temporary investments is 2.01% (2017 – 1.78%).

4. RESERVE FUNDS

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 2,210,413	\$ 1,371,698
Contributions	1,351,926	814,751
Interest	55,692	23,964
Disbursements	<u>-</u>	<u>-</u>
Closing balance of funds	<u>\$ 3,618,031</u>	<u>\$ 2,210,413</u>

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

5. ACCUMULATED SURPLUS

The allocation of accumulated surplus is as follows:

	<u>2018</u>	<u>2017</u>
Current funds	\$ 146,409	\$ 1,027,577
Reserve funds (Note 4)	<u>3,618,031</u>	<u>2,210,413</u>
	<u>\$ 3,764,440</u>	<u>\$ 3,237,990</u>

STUART-NECHAKO REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. BUDGET

The annual budget adopted by the Board of Directors on February 22, 2018 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>2018</u>
Budgeted surplus per statement of financial activities	\$ 333,778
Add: Prior years net surplus	1,018,148
Less: Contributions to reserves	<u>(1,351,926)</u>
Surplus in the financial plan	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

The Regional Hospital District and the Regional District of Bulkley-Nechako share the same management team but operate under the governance of a different board of directors.

During the year, the Regional District of Bulkley-Nechako provided administration and accounting services of \$16,200 (2017 - \$15,900) to the Regional Hospital District.

As of December 31, 2018 there was an account payable of \$25,193 (2017 - \$25,191) from the Regional Hospital District to the Regional District of Bulkley-Nechako.

This amount is unsecured, non-interest bearing, with no specific terms of repayment.