



SUNSHINE COAST REGIONAL HOSPITAL DISTRICT



BOARD MEETING TO BE HELD IN THE BOARDROOM OF THE REGIONAL DISTRICT OFFICES AT 1975 FIELD ROAD, SECHELT, BC

Thursday, April 25, 2019

AGENDA

CALL TO ORDER 9:00 a.m.

AGENDA

1. Adoption of Agenda

PETITIONS and DELEGATIONS

2. Paul Fripp, BDO Canada LLP
Regarding: i) Final Report to Members of the Boards for year ended December 31, 2018 Annex A
Pages 1-23
ii) SCRHD Draft Audited Financial Statements pp. 24-32
Year Ended December 31, 2018

MINUTES

3. Sunshine Coast Regional Hospital District Board Meeting Minutes of March 28, 2019 Annex B
pp. 33-35

BUSINESS ARISING FROM MINUTES AND UNFINISHED BUSINESS

REPORTS

4. General Manager, Corporate Services / Chief Financial Officer
Sunshine Coast Regional Hospital District Draft Audited
Financial Statements – Year Ended December 31, 2018 Annex C
p. 36
 - i) Final Report to Members of the Boards for year ended December 31, 2018 See pp. 1-23
 - ii) SCRHD Draft Audited Financial Statements Year Ended December 31, 2018 See pp. 24-32

COMMUNICATIONS

MOTIONS

BYLAWS

NEW BUSINESS

IN CAMERA

ADJOURNMENT

SUNSHINE COAST REGIONAL DISTRICT AND THE SUNSHINE COAST REGIONAL HOSPITAL DISTRICT

FINAL REPORT TO THE MEMBERS OF THE BOARDS

For the year ended December 31, 2018

Dated April 16, 2019 for presentation on April 25, 2019





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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2

April 16, 2019

Members of the Boards of Directors for the Sunshine Coast Regional District and the Sunshine Coast Regional Hospital District (the "Boards")
1975 Field Road
Sechelt, BC V0N 3A1

Dear Members of the Boards of Directors:

We are pleased to present this report on the results of our audits of the financial statements of the Sunshine Coast Regional District ("SCRD") and the Sunshine Coast Regional Hospital District ("SCRHD") for the year ended December 31, 2019. The purpose of this report is to summarize certain aspects of the audits that we believe to be of interest to the Boards and should be read in conjunction with the draft financial statements and our draft audit reports which are included as Appendix A.

We would like to bring to your attention that our audits and therefore this report will not necessarily identify all matters that may be of interest to the Boards in fulfilling their responsibilities.

This report has been prepared solely for the use of the Boards and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our sincere appreciation for the co-operation we received during the audit from SCR D and SCRHD's management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

Paul Fripp, CPA, CA
BDO Canada LLP
Chartered Professional Accountants

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SUMMARY



Status of the Audit

As of the date of this report, we have substantially completed our audits of the 2018 financial statements, subject to completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statements approval date
- ▶ Approval of financial statements by those charged with governance.

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. See Appendix A for our draft independent auditor's reports.

Except as described in this report, the scope of the work performed was substantially the same as that described in our Planning Report to the Boards dated November 9, 2018.

With respect to the Annual Report, we review this document to ensure that there are no inconsistencies with the financial statements and that the information is consistent with our knowledge of SCRDC and SCRHD. We are not responsible for, nor did we review the Annual Report to determine if the information was complete or sufficient for the readers, if factors were omitted or if the disclosures were adequate.



Materiality

As communicated to you in our Planning Report to the Boards, preliminary materiality was \$890,000 for SCRDC and \$43,000 for SCRHD. Based on the full year's results, final materiality was set at \$900,000 for SCRDC. The materiality for SCRHD was unchanged from the preliminary amount.



Audit Findings

Our audit focused on the risks specific to your operations and key accounts. Our discussion points below highlight the key areas of our audit focus:

- ▶ Management Override of Controls [Mandatory audit consideration]
- ▶ Recognition of Revenue
- ▶ Prior Period Adjustment - Contributed Tangible Capital Assets
- ▶ Staff Compensation
- ▶ Liability for Landfill Closure & Post-Closure Costs



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified.

There were no control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance. However, please refer to Appendix D for the management letter which outlines recommendations over areas of operational improvement.



Independence

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter in our audit planning letter dated November 9, 2018. We confirm that we are still independent as of the date of this letter.



Adjusted and Unadjusted Differences

In relation to SCRD, we have disclosed one unadjusted difference which is greater than 5% of materiality. This item was previously discussed with management. There are no adjusted differences or material disclosure omissions which were identified through the course of our audits.

Management has determined that the unadjusted difference is immaterial both individually and in aggregate to the financial statements taken as a whole. Should the SCRD Board agree with this assessment, we do not propose further adjustment.

In relation to SCRHD, there are no adjusted or unadjusted differences or disclosure omissions identified through the course of our audit engagement.

For purposes of our discussion, the unadjusted difference relating to the SCRD has been presented in Appendix B.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including them in the audit working papers, memoranda of discussions with management and written representations received from management.

A summary of the written representations we have requested from management is set out in the representation letter included in Appendix C to the report.



Significant Audit Estimates

Management is responsible for determining SCRD's and SCRHD's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the accounting policies and estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with Canadian public sector accounting standards.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not aware of any instances of fraud currently affecting the entity.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the SCRD or SCRHD since our discussions held at planning, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Board of Directors.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters can also be discussed verbally with you. A summary of the key discussion points are as follows:

KEY AUDIT AREAS & AUDIT HIGHLIGHT POINTS

As described in our Planning Report to the Boards, the following key audit areas were identified based on our knowledge of SCRD’s and SCRHD’s operations, our past experience, and knowledge gained from management and the Boards.

Management Override of Controls

Key Audit Area	Approach	Results
<p>Management is in a unique position to perpetrate fraud because of management’s ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><i>This risk is required to be addressed for all audits pursuant to Canadian audit standards.</i></p>	<p>Reviewed the significant transactions recorded in the various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures.</p> <p>Tested the appropriateness of journal entries recorded in the general ledger, review key estimates and other adjustments made in the preparation of the financial statements.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Recognition of Revenue

Key Audit Area	Approach	Results
<p>Accounting standards in this area and are complex and open to interpretation. There is a risk that revenue may be incorrectly deferred into future periods or recognized before stipulations have been met.</p> <p><i>This risk is required to be addressed for all audits pursuant to Canadian audit standards.</i></p>	<p>Confirmed grant funding received through a review of the agreements, ensuring that the amounts recorded exist, are complete and are recorded accurately. Reviewed any stipulations in the agreement to ensure revenue was recognized when stipulations were met.</p> <p>Other revenue streams were reviewed in accordance with the latest revenue recognition standards.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Contributed Tangible Capital Assets

Audit Highlight Point	Approach	Results
<p>While preparing SCRD’s financial statements, management identified that certain water main assets had been contributed to SCRD in 2010 but had not previously been reflected in the financial records.</p> <p>The recognition of these assets as a prior period adjustment carries financial note disclosure requirements and their valuation is subject to estimation uncertainty.</p>	<p>Reviewed correspondence, reports, memoranda and legal agreements which corroborate the sequence of events described by management in their analysis of this prior period error.</p> <p>Assessed the basis for determining the fair value of the historically contributed assets, and re-performed all underlying calculations.</p> <p>Discussed with management to determine the process undertaken to ensure that other similar material omissions do not exist.</p>	<p>All audit testing in this area was executed as planned with unadjusted differences noted.</p> <p>See Appendix B for unadjusted differences.</p>

Staff Compensation

Key Audit Area	Approach	Results
<p>A significant type of expenditures that covers many employees and departments. As a regional district, this figure is often of particular interest to financial statement users (taxpayers).</p>	<p>Performed systems testing and tests of controls.</p> <p>Performed substantive analytical procedures around staff salaries and benefits in order to identify unusual fluctuations or anomalies, and investigated such items when they arose.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Landfill Closure and Post Closure Costs

Key Audit Area	Approach	Results
<p>A complex area that requires estimation, reliance on expert reports and calculations, and key management assumptions.</p>	<p>Assessed results of work performed by external engineers regarding any the remaining life and associated costs of the landfill closure and post-closure.</p> <p>Evaluated key inputs used in the valuation of the landfill closure and post closure liability, such as discount rates and inflation rates.</p> <p>Reviewed calculations and disclosure prepared by management and management's experts.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to SCRD's and SCRHD's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were determined to be relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing significant deficiencies in internal control that we have identified during the audit. A significant deficiency 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.

As the purpose of the audit is for us to express an opinion on the SCRD's and SCRHD's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated November 22, 2017
2. Our audit strategy and audit scope	✓		Included in our Planning Report dated November 9, 2018
3. Fraud risk factors	✓		Included in our Planning Report dated November 9, 2018
4. Going concern matters		✓	None
5. Significant estimates or judgments		✓	See page 5
6. Audit adjustments		✓	None
7. Unadjusted differences		✓	See Appendix B
8. Omitted disclosures		✓	None
9. Disagreements with management		✓	There were no disagreements with management
10. Consultations with other accountants or experts		✓	No external auditor experts were consulted during this engagement
11. Major issues discussed with management in regards to retention		✓	None
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted
14. Material written communication between BDO and management		✓	No material written communications were noted
15. Any relationships which may affect our independence	✓	✓	No independence issues noted
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process.
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit
20. Limitations of scope over our audit, if any		✓	None
21. Written representations made by management		✓	See Appendix C
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor’s reports included in Appendix A

APPENDIX A: INDEPENDENT AUDITOR'S REPORTS

Sunshine Coast Regional District

To the Chairperson and Directors of the Sunshine Coast Regional District

Opinion

We have audited the accompanying financial statements of the Sunshine Coast Regional District (the "District"), which comprise the Statement of Financial Position as at December 31, 2018, the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2018, and the results of its operations, change in net financial assets, and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance 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.

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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 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 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.

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.

(Unsigned)

Chartered Professional Accountants

Vancouver, BC

[Date of Board Approval]

Sunshine Coast Regional Hospital District

To the Chairperson and Directors of the Sunshine Coast Regional Hospital District

Opinion

We have audited the accompanying financial statements of the Sunshine Coast Regional Hospital District (the "District"), which comprise the Statement of Financial Position as at December 31, 2018, the Statements of Operations, Change in Net Debt and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2018, and the results of its operations, change in net debt, and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 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.

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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 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 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.

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.

(Unsigned)

Chartered Professional Accountants

Vancouver, BC

[Date of Board Approval]

APPENDIX B: ADJUSTED AND UNADJUSTED DIFFERENCES

SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected differences noted during the course of our audit engagement:

	Assets	Liabilities	Opening Net Assets	Current Year Surplus
<p>Water main connections which were constructed, put into operation and contributed to the District throughout 2007 to 2017.</p> <p>These assets were not previously recorded in the District's financial records, and were recorded as other income in the year.</p>	\$nil	\$nil	\$250,000 Increase	\$250,000 Decrease

As there were no carry-forward unadjusted differences from the prior year, this item also represents the total unadjusted differences identified in the year.

APPENDIX C: REPRESENTATION LETTER - SCRD

Included below is the Representation Letter for SCRD. The Representation Letter for SCRHD has not been included but is substantially the same as this SCRD Letter, with the notable exception of it not including any representations relating to prior period adjustments.

[Date of Board Approval]

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

This representation letter is provided in connection with your audit of the financial statements of for the year ended December 31, 2018, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated September 15, 2018, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.
- We have provided you all the relevant information in order to appropriately record and disclose the restatement made to correct a non-material misstatement in the prior period financial statements that affect the comparative information. This restatement was for contributed tangible assets which were previously unrecorded. Specifically:
- It came to our attention that water main assets relating to one particular real estate development project erroneously went unrecorded in the financial statements of all fiscal years from 2007 through to 2017. The fair value attributed to these assets, which should have been recorded in the financial statements as at January 1, 2017, is \$359,637. As a consequence, the District's accumulated surplus and tangible capital assets were understated by \$359,637 as at January 1, 2017 and \$354,758 as at December 31, 2017. The District's surplus for the year ended December 31, 2017 was overstated stated by \$4,879.
- We have therefore recorded a correcting adjustment to the books for the year ended December 31, 2017 which will be presented in the comparative figures to the financial statements for the year ended December 31, 2018.
- The financial statements and any other information in the annual report provided to you prior to the date of this representation letter are consistent with one another, and there is no material misstatement of the other information.
- We will provide to you, when available and prior to issuance by the entity, the final version of the document(s) comprising the annual report.

Yours truly,

Tina Perreault, CPA, CMA

General Manager, Corporate Services / Chief Financial Officer

APPENDIX D: MANAGEMENT LETTER

Direct Line: 604-443-4716
E-mail: bcox@bdo.ca

April 16, 2018

Ms. Tina Perreault, General Manager Corporate Services/Chief Financial Officer
Sunshine Coast Regional District
1975 Field Road
Sechelt, BC V0N 3A1

Dear Ms. Perreault:

RE: Auditor's Management Letter

As your external auditors, we are engaged to provide an audit opinion on your year-end financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

As matters come to our attention, we make note of these for subsequent follow-up. For minor matters we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a "management letter").

It is worth noting that we have management letter comments for virtually all audits of all clients. The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.

Follow-up on Prior Year Observations

1. Controls Over System Access

2017 Observations & Recommendation

During the 2017 year the District launched a new enterprise resource planning (ERP) platform, then known as "Agresso". We previously communicated that the Human Resources module in Agresso was not built out, which meant the rigorous set of electronic review and approval controls were not applied to actions such as creating or modifying 'resources' (employees) and 'positions'. To further strengthen the overall control environment we recommended that these and any other remaining "offline controls" be brought into the new ERP platform.

2018 Update

More actions and controls have been brought into the new ERP system, however the process of bringing all remaining "offline controls" into the system is on-going.

2. Employee Benefits Administration

2017 Observations & Recommendation

We previously commented that increasing scrutiny has been placed on privacy, particularly for organizations operating in the public eye. As this is an area which is often covered by comprehensive Human Resources policies we had recommended that the District's Human Resources Policy on employee benefits administration, which was drafted 11 years ago in 2008, be reviewed and revised as considered necessary.

2018 Update

The process of bringing all remaining "offline controls" into the system is on-going, as is a review of the District's Human Resources Policy on employee benefits administration.

3. Code of Conduct - Members of the Board & Senior Management

2017 Observations & Recommendation

We previously communicated that, for organizations such as the District, the generally accepted best practice is for there to exist a formal, written Code of Conduct applying to both the senior management team and members of the Board. While the District had a several disaggregated policies in place which would cover a substantial portion of some organization's code of conduct, there was no formal code of conduct in place. We recommended that a formal code of conduct be put in place.

2018 Update

A formal code of conduct for senior management and members of the Board is currently being drafted.

Current Year Discussion Points

1. Contributed Tangible Capital Assets

It was identified during the year that certain contributed tangible capital assets - specifically, water main connections - were not being captured in the District's financial records. The total assessed value of these omissions was approximately \$250,000 and the omission was in part due to an administrative oversight, and in part due to an informational disconnect between the department overseeing the work performed and the finance department. Management has adjusted the financial statements for the effect of these contributed assets within the current fiscal year.

We recommend that Management review the processes and controls in place for contributed tangible capital assets to ensure that all the necessary information is captured and appropriately relayed to the finance team. We will work with management to review the existing processes and controls for potential improvements and implementation of current best practices.

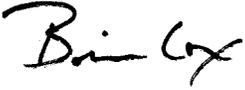
Management's Response

Management has reviewed and altered the process for capturing and capitalizing assets funded by third party recoveries. An in-depth review is completed at year-end by the Finance division, in consultation with the Water and Waste Water Utilities Services.

We would like to express our appreciation for the co-operation and assistance which we received from you, Sara Zacharias and the rest of the Finance Department during the course of the audit.

We shall be pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,



Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants



Paul Fripp, CPA, CA
BDO Canada LLP
Chartered Professional Accountants

Sunshine Coast Regional Hospital District

Statement Of Financial Position

As at December 31, 2018 and 2017

	2018	2017
Financial Assets		
Cash and equivalents	\$ 1,546,126	\$ 1,548,741
Portfolio investments (Note 4)	1,723,534	1,799,321
Accounts receivable	7,165	3,291
	3,276,825	3,351,353
Liabilities		
Accounts payable	28,081	66,990
Long-term debt (Note 5)	8,203,584	8,964,445
	8,231,665	9,031,435
Net Debt and Accumulated Deficit (Note 6)	\$ (4,954,840)	\$ (5,680,082)

Tina Perreault
Chief Financial Officer

Lori Pratt
Chair

The accompanying "Notes to the Financial Statements" form an integral part of these financial statements.

Sunshine Coast Regional Hospital District

Statement Of Change In Net Debt

For the Years Ended December 31, 2018 and 2017

	Fiscal Plan 2018 (Note 7)	2018	2017
Annual surplus (deficit)	\$ (589,075)	\$ 725,242	\$ (1,615,887)
Net debt, beginning	(5,680,082)	(5,680,082)	(4,064,195)
Net debt, ending	\$ (6,269,157)	\$ (4,954,840)	\$ (5,680,082)

The accompanying "Notes to the Financial Statements" form an integral part of these financial statements.

Sunshine Coast Regional Hospital District

Statement Of Operations

For the Years Ended December 31, 2018 and 2017

	Fiscal Plan 2018 (Note 7)	Actual 2018	Actual 2017
Revenue			
Grants in lieu of taxes	\$ 1,300	\$ 494	\$ 234
Tax requisitions	1,416,193	1,416,193	1,802,876
Investment income	15,000	62,559	66,267
Other revenue	-	250,508	221,161
	1,432,493	1,729,754	2,090,538
Expenses			
Administration (Note 3)	51,989	51,989	54,153
Debt charges - interest	341,651	341,651	694,566
Minor capital	1,475,215	610,736	295,804
Bank charges and interest	-	136	133
Funded grants to hospital	152,713	-	2,661,769
	2,021,568	1,004,512	3,706,425
Annual Surplus (Deficit)	(589,075)	725,242	(1,615,887)
Accumulated Deficit, beginning of year	(5,680,082)	(5,680,082)	(4,064,195)
Accumulated Deficit, end of year	\$ (6,269,157)	\$ (4,954,840)	\$ (5,680,082)

The accompanying "Notes to the Financial Statements" form an integral part of these financial statements.

Sunshine Coast Regional Hospital District

Statement Of Cash Flows

For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Transactions:		
Annual Surplus (Deficit)	\$ 725,242	\$ (1,615,887)
Items not involving cash included in annual surplus:		
(Increase) Decrease in accounts receivable	(3,874)	17,972
Increase (Decrease) in accounts payable	(38,909)	7,305
Total Operating Transactions	682,459	(1,590,610)
Investing Transactions:		
(Increase) Decrease in portfolio investments	75,787	2,570,931
Financing Transactions:		
Repayment of long-term debt	(760,861)	(731,515)
Net increase in cash and equivalents	(2,615)	248,806
Cash and equivalents, beginning of year	1,548,741	1,299,935
Cash and equivalents, end of year	\$ 1,546,126	\$ 1,548,741

The accompanying "Notes to the Financial Statements" form an integral part of these financial statements.

Sunshine Coast Regional Hospital District

Notes To The Financial Statements

For the Years Ended December 31, 2018 and 2017

1. Operations:

The Sunshine Coast Regional Hospital District is responsible for financing and funding of capital activities relating to hospital facilities on the Sunshine Coast. This includes the Sechelt Hospital and Totem Lodge.

2. Significant Accounting Policies

The preparation of the Financial Statements is the responsibility of the management of the Sunshine Coast Regional Hospital District. The accounting policies used within these statements conform to Canadian Public Sector Accounting Standards. They have been prepared in accordance with current recommendations issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada

(a) Revenue recognition:

Sources of revenue are recorded on an accrual basis and recognized in the period in which they are earned.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual tax requisitions are recorded as taxes for Hospital District services in the year they are requisitioned.

(b) Expense recognition:

Operating expenses are recognized on an accrual basis in the period in which they are incurred.

(c) Cash and equivalents:

Cash consists of cash on hand, cash in transit, and cash on deposit. Cash equivalents are short-term investments made to obtain a return on a temporary basis and are carried at cost.

(d) Portfolio investments:

Investments consist of marketable securities which are carried at cost but written down when there has been a permanent decline in value.

(e) Government Transfers

Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

Sunshine Coast Regional Hospital District

Notes To The Financial Statements

For the Years Ended December 31, 2018 and 2017

3. Related Party Transactions:

The Sunshine Coast Regional Hospital District is related to the Sunshine Coast Regional District since the same individuals are members of the Board of Directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Sunshine Coast Regional Hospital District are the corresponding officers and employees of the Sunshine Coast Regional District. Each of the Hospital District and Regional District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. In 2018, the Hospital District paid, at cost, to the Sunshine Coast Regional District an amount of \$51,989 (2017 - \$54,153) for general accounting and administration services provided to the Hospital District. These transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Portfolio Investments:

	2018	2017
Municipal Finance Authority ¹	\$ 1,003,481	\$ 1,439,268
Sunshine Coast Credit Union	26	360,026
BlueShore Financial ²	720,027	27
	\$ 1,723,534	\$ 1,799,321

¹ Municipal Finance Authority investments are held in a CIBC Mellon Money Market Fund with an average yield of 1.64% in 2018.

² Blue Shore Financial investments are held in term deposits with interest rates of 2.40% and 2.70% to maturity in 2019

Sunshine Coast Regional Hospital District

Notes To The Financial Statements

For the Years Ended December 31, 2018 and 2017

5. Long Term Debt:

All long term debt is issued through the Municipal Finance Authority of British Columbia. The Authority is the borrowing agent for municipalities and regional districts in the province of British Columbia. All debenture debt issued by the Municipal Finance Authority is sinking fund debt.

(a) Sinking fund debentures issued through the Municipal Finance Authority:

Issue	Interest Rate	2018	2017
71	Issued in 1999, maturing in 2019	2.10 % \$ 17,895	\$ 35,016
102	Issued in 2007, maturing in 2027	2.25 % 8,185,689	8,929,429
0		\$ 8,203,584	\$ 8,964,445

Future principal repayments on existing long-term debt:

2019	\$ 791,386
2020	804,430
2021	836,607
2022	870,071
2023	904,874
Thereafter	3,996,216
	\$ 8,203,584

(b) Actuarial earnings:

Long term debt is recorded net of any sinking fund balances. Actuarial sinking fund earnings recognized in 2018 totalled \$250,508 (2017 - \$221,161).

Sunshine Coast Regional Hospital District

Notes To The Financial Statements

For the Years Ended December 31, 2018 and 2017

6. Accumulated Deficit:

	2018	2017
Fund Balances:		
Current fund ¹	\$ 673,962	\$ 571,740
Reserve fund ²	1,501,130	1,658,199
Capital fund ³	(7,129,932)	(7,910,021)
Accumulated Deficit, end of year	\$ (4,954,840)	\$ (5,680,082)

¹ Consists of surplus funds requisitioned to fund capital improvement projects and equipment with a value less than \$100,000.

² Consists of surplus funds requisitioned to fund capital improvement projects and equipment with a value greater than \$100,000.

³ Consists of surplus funds borrowed and/or requisitioned to fund major capital projects, less outstanding long-term debt repayable in future years. Surplus funds available to fund projects as at December 31, 2018 total \$1,073,652 (2017 - \$1,054,424) of which \$NIL (2017 - \$152,713) is committed to the Sechelt Hospital Expansion project.

Sunshine Coast Regional Hospital District

Notes To The Financial Statements

For the Years Ended December 31, 2018 and 2017

7. Fiscal Plan:

The 2018 Fiscal Plan was approved by the Board through the adoption of By-Law No. 87 on March 22, 2018. The Fiscal Plan includes items not shown on the Statement Of Operations as identified below:

	2018
	Fiscal Plan
Fiscal Plan surplus for the year:	\$ -
Fiscal Plan funding sources that are not revenues for accounting purposes:	
Surplus - operating carryover	(599,821)
Transfer from Section 20 reserves-carry over	(631,894)
Funded grants to hospital	(152,713)
Fiscal Plan expenditures that are not expenses for accounting purposes:	
Principal debt payments	510,353
Transfer to reserves	275,000
Transfer to appropriated capital surplus	10,000
Fiscal Plan Deficit	\$ (589,075)



SUNSHINE COAST REGIONAL HOSPITAL DISTRICT

March 28, 2019

MINUTES OF THE MEETING OF THE BOARD OF THE SUNSHINE COAST REGIONAL HOSPITAL DISTRICT HELD IN THE BOARDROOM AT 1975 FIELD ROAD, SECHELT, B.C.

PRESENT:	Chair	L. Pratt
	Directors	B. Beamish M. Hiltz T. Lamb L. Lee D. McMahon D. Siegers A. Tize
ALSO PRESENT:	Acting Chief Administrative Officer	A. Legault
	GM, Corporate Services / Chief Financial Officer	T. Perreault
	Administrative Assistant / Recorder	T. Crosby
	Media	2
	Public	7

CALL TO ORDER 2:56 p.m.

AGENDA It was moved and seconded

07/19 THAT the agenda for the meeting be adopted as presented.

CARRIED

MINUTES

Minutes It was moved and seconded

08/19 THAT the Sunshine Coast Regional Hospital District Inaugural Board meeting minutes of January 10, 2019 be adopted as circulated.

CARRIED

PRESENTATIONS AND DELEGATIONS

Warren Jones, Vice-President and Candice Sayre, President of the Sunshine Coast Healthcare Auxiliary Society addressed the Board regarding the working relationship between the Sunshine Coast Regional Hospital District, Vancouver Coastal Health and the Sechelt Foundation and the expanded benefits to the Sunshine Coast.

The Chair thanked the delegation for their presentation.

Auxiliary **It was moved and seconded**

09/19 THAT the information from the Sunshine Coast Healthcare Auxiliary Society titled Sunshine Coast Auxiliary Granting Program 2018 and 2019 Approved Grants be received.

CARRIED

Denis Fafard, President and Donna Shugar, Director (Jackie Scott and Bruce Etches, Directors) of the Sunshine Coast Hospice Society addressed the Board regarding the expansion of hospice beds and services. The Society presented their future plans for a Capital fundraising campaign and task force for which a Sunshine Coast Regional Hospital District (SCRHD) representative would be requested. The delegation advised that they would be advocating for a hospital facility designation with the Ministry of Health in order to be eligible for SCRHD funding.

The Chair thanked the delegation for their presentation.

Hospice **It was moved and seconded**

10/19 THAT the information from the Sunshine Coast Hospice Society titled Fact Sheet Sunshine Coast Hospice Society and Background - Efforts to Increase the Number of Hospice Rooms and the presentation be received.

CARRIED

REPORTS

Annual Budget **It was moved and seconded**

11/19 THAT the General Manager, Corporate Services / Chief Financial Officer's report titled 2019 Sunshine Coast Regional Hospital District Final Budget be received;

AND THAT the 2019 Final Sunshine Coast Regional Hospital District Budget be adopted as presented.

CARRIED

BYLAWS

Bylaw 88 **It was moved and seconded**

12/19 THAT *Sunshine Coast Regional Hospital District Annual Budget Bylaw No. 88, 2019* be read a first time.

CARRIED

Bylaw 88 **It was moved and seconded**

13/19 THAT *Sunshine Coast Regional Hospital District Annual Budget Bylaw No. 88, 2019* be read a second time.

CARRIED

Bylaw 88 **It was moved and seconded**

14/19 THAT *Sunshine Coast Regional Hospital District Annual Budget Bylaw No. 88, 2019* be read a third time.

CARRIED

Bylaw 88 **It was moved and seconded**

15/19 THAT *Sunshine Coast Regional Hospital District Annual Budget Bylaw No. 88, 2019* be adopted.

CARRIED

ADJOURNMENT **It was moved and seconded**

16/19 THAT the Sunshine Coast Regional Hospital District Board meeting be adjourned.

CARRIED

The meeting adjourned at 3:50 p.m.

Certified correct _____
Secretary

Confirmed this _____ day of _____

Chair

SUNSHINE COAST REGIONAL HOSPITAL DISTRICT STAFF REPORT

TO: Sunshine Coast Regional Hospital District Board - April 25, 2019

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer

SUBJECT: SUNSHINE COAST REGIONAL HOSPITAL DISTRICT (SCRHD) DRAFT AUDITED FINANCIAL STATEMENTS – YEAR ENDED DECEMBER 31, 2018

RECOMMENDATION(S)

THAT the report titled **Sunshine Coast Regional Hospital District (SCRHD) Draft Audited Financial Statements – Year Ended December 31, 2018** and the following documents be received:

- **Final Report to Members of the Boards for year ended December 31, 2018;**
- **Draft Audited Financial Statements;**

AND THAT the **SCRHD Draft Audited Financial Statements for Year Ended December 31, 2018** be approved as presented.

BACKGROUND

At the January 10, 2019 SCRHD Board Meeting, the Board received BDO's "Audit Planning Communication," summarizing the plans and other matters pertaining to the 2018 audit for the SCRHD, excerpt below:

05/19 AND THAT the Audit Planning Communication from BDO Canada LLP for the Audit of the Financial Statements of the Sunshine Coast Regional Hospital District (SCRHD) for the year ended December 31, 2018 be received.

DISCUSSION

Canadian Public Sector Accounting and Auditing Standards require the Financial Statements to be presented as soon as possible after the March audit, as draft statements. Once approved, this date will become the date of the Independent Auditor's Report (included in the Final Report to Members of the Board) and Final Audited Financial Statements for Year Ended December 31, 2018.

CONCLUSION

Staff recommend that the Draft Audited Statements for Year Ended December 31, 2018, being presented by BDO with Independent Auditor's Report be received and approved by the SCRHD Board.

Reviewed by:			
Manager		Finance	
GM		Legislative	
Acting CAO	X – A. Legault	Other	