

REGIONAL DISTRICT OF NANAIMO  
NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING  
AGENDA

Tuesday, May 9, 2017

7:00 P.M.

RDN Board Chambers

*This meeting will be recorded*

Pages

1. CALL TO ORDER
2. APPROVAL OF THE AGENDA
3. ADOPTION OF MINUTES
  - 3.1 Nanaimo Regional Hospital District Board Meeting - March 14, 2017 3

(All Directors - One Vote)

That the minutes of the Nanaimo Regional Hospital District Inaugural Board meeting held March 14, 2017, be adopted.
4. DELEGATIONS - AGENDA ITEMS
5. CORRESPONDENCE
6. UNFINISHED BUSINESS
7. REPORTS
  - 7.1 2016 Audited Financial Statements and Audit Findings Report 7

(All Directors - One Vote)

    1. That the audit findings report and the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2016 be received.
    2. That the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2016 be approved as presented.
8. BUSINESS ARISING FROM DELEGATIONS
9. NEW BUSINESS

**10. ADJOURNMENT**

**REGIONAL DISTRICT OF NANAIMO**

**MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING  
HELD ON TUESDAY, MARCH 14, 2017 AT 7:00 PM IN THE  
RDN BOARD CHAMBERS**

In Attendance:

Director W. Veenhof	Chair
Director I. Thorpe	Vice Chair
Director A. McPherson	Electoral Area A
Director H. Houle	Electoral Area B
Director M. Young	Electoral Area C
Director B. Rogers	Electoral Area E
Director J. Fell	Electoral Area F
Director J. Stanhope	Electoral Area G
Director B. McKay	City of Nanaimo
Director J. Hong	City of Nanaimo
Director J. Kipp	City of Nanaimo
Director B. Yoachim	City of Nanaimo
Director M. Lefebvre	City of Parksville
Director B. Colclough	District of Lantzville
Director T. Westbroek	Town of Qualicum Beach

Regrets:

Director B. Bestwick	City of Nanaimo
Director W. Pratt	City of Nanaimo

Also in Attendance:

P. Carlyle	Chief Administrative Officer
R. Alexander	Gen. Mgr. Regional & Community Utilities
G. Garbutt	Gen. Mgr. Strategic & Community Development
T. Osborne	Gen. Mgr. Recreation & Parks
D. Trudeau	Gen Mgr. Transportation and Emergency Planning Services
J. Harrison	Director of Corporate Services
W. Idema	Director of Finance
J. Hill	Mgr. Administrative Services
C. Golding	Recording Secretary

## **CALL TO ORDER**

The Chief Administrative Officer called the meeting to order.

## **ELECTION OF CHAIR**

The Chief Administrative Officer called for nominations for the position of Chair of the Nanaimo Regional Hospital District Board for the year 2017.

Director Stanhope nominated Director Veenhof.

Director Veenhof accepted nomination.

There being no further nominations, the Chief Administrative Officer declared Director Veenhof as the Chair of the Nanaimo Regional Hospital District Board for the year 2017.

The Chair claimed his seat.

## **ELECTION OF VICE CHAIR**

The Chair called for nominations for the position of Vice Chair of the Nanaimo Regional Hospital District Board for the year 2017.

Director Stanhope nominated Director Thorpe.

Director Thorpe accepted the nomination.

Director Yoachim nominated Director Westbroek.

Director Westbroek declined the nomination.

There being no further nominations, the Chair declared Director Thorpe as the Vice Chair of the Nanaimo Regional Hospital District Board for the year 2017.

## **BOARD MINUTES**

### **Minutes of the Nanaimo Regional Hospital District Board Meeting – December 6, 2016.**

MOVED Director Stanhope, SECONDED Director Lefebvre, that the minutes of the Nanaimo Regional Hospital District Board meeting held December 6, 2016, be adopted.

CARRIED

## **UNFINISHED BUSINESS**

### **Appointment to Regional Hospital District Select Committee.**

### **Regional Hospital District Select Committee Terms of Reference.**

MOVED Director Stanhope, SECONDED Director Lefebvre, that the Regional Hospital District Select Committee Terms of Reference and 2017 Committee members be received for information.

CARRIED

**COMMISSION, ADVISORY & SELECT COMMITTEE**

**Regional Hospital District Select Committee.**

**Minutes of the Regional Hospital District Select Committee Meeting - February 28, 2017.**

MOVED Director Houle, SECONDED Director Lefebvre, that the minutes of the Regional Hospital District Select Committee meeting held February 28, 2017, be received for information.

CARRIED

**Island Health 2017/2018 Annual Capital Grant Requests.**

MOVED Director Stanhope, SECONDED Director Houle, that the 2017/2018 request from Island Health for the Nanaimo Regional Hospital District to cost share minor capital projects in the amount of \$1,650,071 be approved.

CARRIED

MOVED Director Lefebvre, SECONDED Director Houle, that the 2017/2018 request from Island Health for the Nanaimo Regional Hospital District to cost share capital equipment in the amount of \$1,793,984 be approved.

CARRIED

MOVED Director Houle, SECONDED Director Lefebvre, that the request from Island Health for the Nanaimo Regional Hospital District to cost share on the minor capital projects started in 2017/2018 and identified as multi-year projects for 2018/2019 and 2019/2020 be approved.

CARRIED

**Nanaimo Regional Hospital District 2017 Revised Budget.**

MOVED Director Thorpe, SECONDED Director McPherson, that "Nanaimo Regional Hospital District 2017 Annual Budget Bylaw No. 163, 2017" be introduced and read three times.

CARRIED

MOVED Director Thorpe, SECONDED Director McPherson, that "Nanaimo Regional Hospital District 2017 Annual Budget Bylaw No. 163, 2017" be adopted.

CARRIED

**Letter to Island Health to Request Information.**

MOVED Director Westbroek, SECONDED Director Lefebvre, that staff write to Island Health requesting information regarding levels of staffing and operational budgets available to support new capital equipment purchases such as the additional MRI planned at Nanaimo Regional General Hospital.

CARRIED

**Communication Processes Between Island Health and Regional Hospital District Communities.**

MOVED Director Colclough, SECONDED Director Stanhope, that staff prepare a report providing information on current communications processes between Island Health, and regional hospital district communities and provide recommendations on best practices that may be applicable to the Nanaimo Regional Hospital District to ensure community needs are being brought forward.

CARRIED

**REPORTS**

**Approval of Signing Authorities for General Banking and Investments.**

MOVED Director Stanhope, SECONDED Director Thorpe, that the signing authorities for the Nanaimo Regional Hospital District general banking services and financial instruments reflect the following officer positions:

Chairperson	William Veenhof
Deputy Chairperson	Ian Thorpe
Chief Administrative Officer	Phyllis Carlyle
Director of Finance	Wendy Idema
Manager, Accounting Services	Tiffany Moore
Manager, Capital & Financial Reporting	Manvir Manhas

CARRIED

MOVED Director Rogers SECONDED Director McPherson, that the foregoing authorizations extend to accounts in the name of the Nanaimo Regional Hospital District.

CARRIED

**NEW BUSINESS**

**Nanaimo Regional Hospital District Boiler Plant Update.**

MOVED Director Stanhope, SECONDED Director Thorpe, that staff be directed to bring a report and supporting recommendation on Nanaimo Regional General Hospital funding on the boiler plant to this Board.

CARRIED

**ADJOURNMENT**

MOVED Director Stanhope, SECONDED Director McPherson, that this meeting be adjourned.

CARRIED

TIME: 7:08 PM

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CHAIRPERSON

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CORPORATE OFFICER

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**TO:** Nanaimo Regional Hospital Board                      **MEETING:** May 9, 2017  
**FROM:** Manvir Manhas  
          Manager, Capital Accounting and                      **FILE:** 1870-02  
          Financial Reporting  
**SUBJECT:** 2016 Audited Financial Statements and Audit Findings Report

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**RECOMMENDATIONS**

1. That the audit findings report and the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2016 be received.
2. That the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2016 be approved as presented.

**SUMMARY**

Canadian auditing standards require that audit firms communicate the results of the audit process to the organization’s Board of Directors as well as management staff, and that the financial statements of the organization be approved by the Board of Directors prior to the signing of the audit report. The MNP LLP audit of the Nanaimo Regional Hospital District (NRHD) for the year ended December 31, 2016 is unqualified, assuring readers that based on the audit procedures conducted; the financial statements are considered to be free of material errors.

The Nanaimo Regional Hospital District is responsible for financing health care facilities and will typically show a net debt and accumulated deficit position on its financial statements. The 2016 operating results are in line with expectations with no significant variances.

**BACKGROUND**

The financial activities of NRHD consist of raising 40% of the costs of approved capital projects and equipment purchases recommended by Island Health for designated facilities such as the Nanaimo Regional General Hospital.

The NRHD is required to prepare annual audited financial statements using public sector accounting standards. This report summarizes the results of the audited statements for the year ended December 31, 2016. The firm of MNP LLP carried out the 2016 audit. Their Audit Findings Report and the draft Independent Auditors’ Report (Attachment 1) included with this report confirm the statements present fairly the financial position of the Nanaimo Regional Hospital District as at December 31, 2016.

**Audit Findings Report (Attachment 1)**

MNP has summarized their responsibilities, the scope of their investigations, and the audit results. There were no items requiring adjustment in 2016.

**Independent Auditors' Draft Report (Attachment 2)**

As in prior years, the draft auditor's report is unqualified, assuring readers that based on the audit procedures conducted; the financial statements are considered to be free of material errors and are prepared in accordance with generally accepted accounting standards. The report will be signed by MNP LLP after NRHD Board approval of the statements.

**Consolidated Financial Statements (Attachment 3)**

The consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2016 are discussed in more detail below.

***Consolidated Statement of Financial Position (Page 2 of Attachment 3)***

The Nanaimo Regional Hospital District is responsible for financing capital improvements at health care facilities and will typically show a net debt and accumulated deficit position on the Consolidated Statement of Financial Position.

Short-term debt is the interim borrowing for current major capital projects. In 2016 \$174,995 was secured in new short-term debt for the Electrical Energy Plant Upgrade Project at the Nanaimo Regional General Hospital. Short-term debt is converted to long-term debenture debt periodically as project costs are accrued. All borrowing is through the Municipal Finance Authority (MFA).

Outstanding long-term debt (Schedule D, Page 15 of Attachment 3) totals \$28,060,346 (2015: \$29,788,020), with retirement dates ranging from 2018 to 2035. Long-term debt principal of \$1,450,632 was repaid during 2016. The current Nanaimo Regional General Hospital Electrical Energy Plant project has \$5 million dollars that may be borrowed through MFA in the next two years.

Note 7 to the consolidated financial statements (Page 10 of Attachment 3) itemize the Net Debt and Accumulated Deficit as follows:

Revenue Fund ( <i>\$2.17 million accumulated amounts from annual taxes +4.16 million in reserve appropriated for future major capital</i> )	\$ 6,327,957
Capital Grant Fund ( <i>tax levies raised for capital equipment and projects being carried out by Island Health which have not yet been drawn down</i> )	\$ 2,881,539
Capital Loan Fund ( <i>outstanding long-term and short-term debt, plus accrued project advances payable</i> )	\$(28,235,341)
Accrued Liabilities ( <i>long-term debt interest accrued to December 31, 2016, but not payable until 2017</i> )	<u>\$(269,815)</u>
Accumulated Net Debt	<u><u>\$(19,295,660)</u></u>



**Consolidated Statement of Operations (Page 3 of Attachment 3)**

This Consolidated Statement of Operations shows the sources of revenue and expenses of the NRHD as a whole based on Public Sector Accounting Board standards. Items of note from the Consolidated Statement of Operations are discussed below.

The revenue for the year is \$138,000 higher than forecast as a result of higher interest revenue. As well \$100,000 was received from MFA as a refund of surplus sinking funds on extinguished debt.

Under expenses, the grant to health care facilities shows \$5.62 million in payments to Island Health compared to the budgeted amount of \$3.68 million. Actual expense includes transfers to Island Health budgeted for and included in prior year's tax requisitions but not actually billed by Island Health until the project was completed which occurred in 2016.

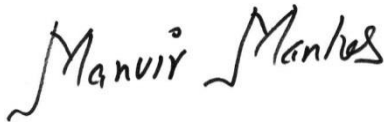
Short-term debt interest was \$74,000 lower than the budget due to ongoing low interest rates and timing for billings of various capital projects such as the Electrical Energy Plant.

**ALTERNATIVES**

1. Receive the audit findings report and 2016 consolidated financial statements, and approve the 2016 consolidated financial statements of the Nanaimo Regional Hospital District for final signatures.
2. Receive the audit findings report and provide alternate direction to staff.

**FINANCIAL IMPLICATIONS**

The annual audit fee of \$4,200 is included in the Nanaimo Regional Hospital District's 2016 budget. There are no additional costs at this time.



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Manvir Manhas  
mmanhas@rdn.bc.ca  
April 19, 2017

Reviewed by:

- W. Idema, Director of Finance
- P. Carlyle, Chief Administrative Officer

Attachments

1. 2016 NRHD Audit Findings Report
2. 2016 NRHD Independent Auditors' Draft report
3. 2016 NRHD consolidated financial statements

**Nanaimo Regional Hospital District  
Report to the Board of Directors**

*For the Year Ending December 31, 2016*

For presentation at the Board of Directors meeting May 9, 2017

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May 9, 2017

Members of the Board of Directors

Nanaimo Regional Hospital District

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Nanaimo Regional Hospital District (the "Hospital District") as at December 31, 2016 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

## THE AUDIT

Our responsibility, as auditor of the Hospital District, is to report to the Board on the fair presentation of the December 31, 2016 financial statements, in accordance with Canadian public sector accounting standards. To properly discharge this responsibility, we designed our audit process to assess the risk of material misstatement within the statements by examining and assessing the effectiveness of the Hospital District's controls and accounting systems, and the evidence supporting the amounts and disclosures in the statements, including the appropriateness of accounting principles and significant estimates made by management.

We have considered the Hospital District's internal controls as part of the financial statement audit. This included obtaining an understanding of the internal controls (regardless of whether we intended to rely on them for the purpose of our audit); evaluating the design of these controls; and determining whether they have been implemented. This understanding was sufficient to allow us to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures. We have not determined whether relevant controls are operating effectively, as such, our understanding of internal controls should not be relied upon for any other purposes.

Our audit procedures, consisting of separate examination of each material year-end balance, key transaction, and other event considered significant to the financial statements, were concentrated in areas where risks were identified, and therefore, differences were most likely to arise.

Management has provided us with written representations, acknowledging, among other things, their responsibility for the implementation and maintenance of appropriate reporting systems and controls, including those designed to detect and prevent fraud, and to ensure the appropriateness of the amounts recorded in the accounting records, and the amounts and disclosures in the financial statements.

## AUDITOR INDEPENDENCE

We confirm to the Board of Directors that we are independent of the Hospital District. Our letter to the Board of Directors discussing our independence is attached to this report.

## AUDIT RESULTS

We have satisfactorily completed our audit and are prepared to sign our Auditors' Report after the Board of Directors's review and approval of the financial statements. A substantive approach was used in auditing the Hospital District's financial statements; thus, the Hospital District's controls were not relied upon.

**Final materiality calculated and used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$250,000.**

The Auditors' Report will provide an unqualified opinion to the Board. Key matters noted during our audit are summarized in the table below.

<b>Subjects</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<ul style="list-style-type: none"> <li>Material uncertainties related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Illegal or fraudulent acts</li> </ul>	None noted	None noted
<ul style="list-style-type: none"> <li>Non-compliance with laws and regulations</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Fraud by employees/management with key roles in control activities</li> </ul>	None noted	None noted
<ul style="list-style-type: none"> <li>Differences that may:               <ul style="list-style-type: none"> <li>Have a material effect on comparative information and the current period financial statements</li> <li>Cause future statements to be materially misstated</li> <li>Indicate significant deficiencies in controls</li> </ul> </li> </ul>	None	None
<ul style="list-style-type: none"> <li>Irregularities having a material financial statement effect</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Limitations placed on the scope of our audit</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Significant transactions not in the ordinary course of business, or other unusual related party transactions</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Unusual significant transactions given the entity and its environment</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Non-monetary transactions</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Transactions that increase risk</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Concerns with management breach of corporate conduct</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Conflicts of interest</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Disagreements with management</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Emphasis of matter or other matter paragraph included in the Auditors' Report</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Matters influencing audit appointment</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Difficulties encountered during the audit</li> </ul>	None	None

Subjects	December 31, 2016	December 31, 2015
<ul style="list-style-type: none"> <li>Disagreements with management's accounting estimates</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Disagreements with management's adoption of accounting policies or emphasis on the need for a particular accounting treatment</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Significant deficiencies in the entity's risk assessment process within the design [and/or] implementation of controls</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Significant deficiencies in controls resulting from inappropriate response by management regarding implementing controls over significant risks</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Matters giving rise to questions regarding the honesty and integrity of management</li> </ul>	None	None

All significant management estimates were reviewed and no material differences were noted. The methodologies and processes used by management were consistent with prior periods.

There were no unadjusted differences of any significance noted.

We would like to take this opportunity to formally acknowledge the excellent cooperation and assistance we received from the management and staff of the Hospital District.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,



**MNP LLP**  
Chartered Professional Accountants

/gmr

May 9, 2017

The Board of Directors  
Nanaimo Regional Hospital District  
6300 Hammond Bay Road  
Nanaimo, BC V9T 6N2

Dear Members of the Board:

We have been engaged to audit the consolidated financial statements of Nanaimo Regional Hospital District ("the Regional Hospital District") as at December 31, 2016 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Regional Hospital District and its related entities or persons in financial reporting oversight roles at the Regional Hospital District and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Regional Hospital District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2016 to the date of this letter.

We hereby confirm that MNP is independent with respect to the Regional Hospital District within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of the date of this letter.

This report is intended solely for the use of the Board of Directors, management and others within the Regional Hospital District and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**MNP LLP**  
**Chartered Professional Accountants**

## Independent Auditors' Report

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To the Members of the Board of Nanaimo Regional Hospital District:

We have audited the accompanying consolidated financial statements of Nanaimo Regional Hospital District, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated deficit and cash flows and the related schedule D for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nanaimo Regional Hospital District as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matter*

The supplementary information on Schedules A, B and C has been presented for purposes of additional analysis and is unaudited. We do not express an opinion on these schedules because our examination did not extend to the detailed information therein.

Nanaimo, British Columbia

May 9, 2017

Chartered Professional Accountants



**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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## Management's Responsibility

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To the Members of the Board of the Nanaimo Regional Hospital District

This statement is provided to clarify and outline the roles and responsibilities of the management team, the elected Board of Directors and the independent auditors in relation to the preparation and review of the Nanaimo Regional Hospital District's annual financial results.


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Regional Hospital District's Board of Directors is composed entirely of Directors who are neither management nor employees of the Regional Hospital District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for delegating authority for the approval of the consolidated financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for the appointment of the Regional Hospital District's external auditors. The external auditors have full and free access to the Board and management to discuss their audit findings.

MNP LLP, an independent firm of Chartered Professional Accountants, has been appointed by the Regional Hospital District Board of Directors to audit the consolidated financial statements and report to them; their report follows.

April 18, 2017



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Director of Finance

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**NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>Financial Assets</b>		
Cash	\$ 5,471,223	\$ 6,233,032
Short term investments	4,687,300	4,631,131
Accounts receivable	4,707	5,604
	<u>10,163,230</u>	<u>10,869,767</u>
<b>Financial Liabilities</b>		
Short term debt (Note 2)	174,995	-
Accounts payable	953,734	432,254
Accrued liabilities (Note 4)	269,815	285,780
Long term debt (Schedule D, Note 3)	28,060,346	29,788,020
	<u>29,458,890</u>	<u>30,506,054</u>
<b>Net Debt and Accumulated Deficit (Note 7)</b>	<b>\$ <u>(19,295,660)</u></b>	<b>\$ <u>(19,636,287)</u></b>

APPROVED:



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W. Idema, CPA, CGA  
Director of Finance

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (Note 8)	<u>2016</u>	<u>2015</u>
<b>Revenues</b>			
Property tax revenues	\$ 6,984,190	\$ 6,984,190	\$ 6,847,245
Grants-in-lieu of taxes	30,000	33,652	33,394
Interest on investments	75,000	108,296	113,779
Other revenue	-	101,364	41
	<u>7,089,190</u>	<u>7,227,502</u>	<u>6,994,459</u>
<b>Expenses</b>			
Administration	36,400	36,400	31,400
Long term debt issue costs	-	-	30,958
Grants to health care facilities	3,678,321	5,621,896	2,757,142
Short term debt interest and bank charges	75,000	900	17,323
Interest on long term debt	1,282,938	1,227,679	1,273,002
	<u>5,072,659</u>	<u>6,886,875</u>	<u>4,109,825</u>
<b>Surplus for the year</b>	2,016,531	340,627	2,884,634
<b>Opening, Net Debt and Accumulated Deficit</b>	<u>(19,636,287)</u>	<u>(19,636,287)</u>	<u>(22,520,921)</u>
<b>Ending, Net Debt and Accumulated Deficit</b>	<u>(17,619,756)</u>	<u>(19,295,660)</u>	<u>(19,636,287)</u>

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>Operating transactions</b>		
Surplus for the year (Pg 3)	\$ 340,627	\$ 2,884,634
Non-cash items included in surplus		
Debt actuarial adjustments	(277,042)	(223,991)
Change in non-cash working capital balances		
Decrease in accounts receivable	897	2,874
Increase (decrease) in accounts payable	521,480	(1,007,389)
(Decrease) Increase in accrued liabilities	(15,965)	8,969
Net increase in cash from operations	<u>569,997</u>	<u>1,665,097</u>
<b>Financing transactions</b>		
Increase (decrease) in short term debt	174,995	(1,152,187)
Long term debt proceeds	-	1,935,000
Repayment of long term debt	(1,450,632)	(1,380,527)
Net decrease in cash from financing	<u>(1,275,637)</u>	<u>(597,714)</u>
<b>Net change in cash and investments</b>	(705,640)	1,067,383
Cash and investments, beginning	<u>10,864,163</u>	<u>9,796,780</u>
<b>Cash and investments, ending</b>	<u>\$ 10,158,523</u>	<u>\$ 10,864,163</u>
<b>CASH AND INVESTMENTS CONSIST OF:</b>		
Cash	\$ 5,471,223	\$ 6,233,032
Short term investments	<u>4,687,300</u>	<u>4,631,131</u>
	<u>\$ 10,158,523</u>	<u>\$ 10,864,163</u>

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

The Nanaimo Regional Hospital District (“the Regional Hospital District”) is incorporated under the Hospital District Act. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Regional District. These activities are funded through current property taxes or property tax revenues set aside as reserves and long term debt.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB).

(b) Long term debt

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

(c) Short term investments

Short term investments are carried at the lower of cost and market value which approximates market value. All investments are held by the Revenue Fund and all interest earned is credited to the Revenue Fund to support operations.

(d) Financial instruments

Financial instruments consist of cash, accounts receivable, short term investments, short term debt, accounts payable, accrued liabilities and long term debt. Unless otherwise noted, it is management’s opinion that the Nanaimo Regional Hospital District is not exposed to significant currency or credit risk arising from these financial instruments. The Regional Hospital District is exposed to interest rate risk primarily through its variable rate short term financing with the Municipal Finance Authority. Interest rate risk is the risk that the Regional District may incur higher costs if interest rates increase more than anticipated over the course of short term financing.

(e) Revenue recognition

Property tax revenues are recognized in the period in which they are levied. Grants-in-lieu of property taxes and Other Revenues are recognized when amounts are known and collectability is reasonably assured. Interest revenue is recognized when earned.

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring management estimates are the determination of accrued liabilities. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

(g) Recent Accounting pronouncements

i. PS 2200 Related Party Disclosures

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures. This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The Regional Hospital District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

ii. PS 3210 Assets

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained. Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(g) Recent Accounting pronouncements (continued)

ii. PS 3210 Assets (continued)

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Regional Hospital District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

iii. PS 3320 Contingent Assets

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date. Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.



**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(g) Recent Accounting pronouncements (continued)

iii. PS 3320 Contingent Assets (continued)

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Regional Hospital District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

iv. PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section 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 Standard 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. 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. Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Regional Hospital District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**2. SHORT TERM DEBT**

Short term financing is secured through the Municipal Finance Authority for capital initiatives approved under loan authorizations. Interest rate was 1.44% as at December 31, 2016. Short term borrowing is replaced by long term debt periodically when balances and interest rates are considered appropriate.

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**3. 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 long term debt issued by the Municipal Finance Authority is sinking fund debt. Long term debt may only be repaid earlier than maturity where the Municipal Finance Authority refinances an issue which includes a particular long term debt issued by the Regional Hospital District.

Issued and outstanding debt including issue numbers and maturity dates are listed on Schedule D to these consolidated financial statements.

Payments of principal on issued debt of the Regional Hospital District for the next five years are approximately as follows:

2017	\$ 1,372,648
2018	\$ 1,377,982
2019	\$ 1,348,555
2020	\$ 1,354,164
2021	\$ 1,347,017

**4. ACCRUED LIABILITIES**

Accrued liabilities arise from accrued interest on outstanding long term debt. Accrued liabilities are not recorded in the accounting records or in the annual budget but are recorded in these consolidated financial statements and will be funded on a cash paid basis through future years' tax requisitions. This presentation meets the PSAB standard for financial statement presentation.

**5. APPROPRIATED EQUITY**

The Hospital District has committed all of the Capital Grant Funds to approved capital purchases for the Vancouver Island Health Authority.

**6. MUNICIPAL FINANCE AUTHORITY RESERVE DEPOSITS**

The Municipal Finance Authority (MFA) requires the Regional Hospital District to establish a fund equal to one half the annual instalment of principal and interest of long term debt issued. The cash portion of the fund is equal to one percent of the total principal with the remainder made up of a non-interest bearing promissory note.

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**6. MUNICIPAL FINANCE AUTHORITY RESERVE DEPOSITS (CONTINUED)**

The MFA calculates interest and expenses on the cash reserves. Due to their contingent nature neither the asset nor liability are recorded in the consolidated financial statements. The balance of the MFA debt reserve fund is as follows:

	<u>2016</u>	<u>2015</u>
Cash	\$ <u>461,576</u>	\$ <u>483,379</u>

**7. ACCUMULATED DEFICIT**

The Accumulated Deficit of \$19,295,660 (2015: \$19,636,287) is made up of the following individual fund equity amounts.

	<u>2016</u>	<u>2015</u>
Revenue Fund (Schedule A)	\$ 6,327,957	\$ 4,507,374
Capital Grant Fund (Schedule B)	2,881,539	5,930,139
Capital Loan Fund (Schedule C)	<u>(28,235,341)</u>	<u>(29,788,020)</u>
	(19,025,845)	(19,350,507)
Accrued liabilities	<u>(269,815)</u>	<u>(285,780)</u>
Accumulated Deficit	\$ <u>(19,295,660)</u>	\$ <u>(19,636,287)</u>

The Revenue Fund includes those transactions which are funded primarily by the annual property tax requisition and includes debt repayments and capital grants to the Vancouver Island Health Authority.

The Capital Grant Fund includes amounts disbursed or to be disbursed directly to the Vancouver Island Health authority in accordance with approved capital plans.

The Capital Loan Fund includes amounts related to long term debt raised to finance capital expenditures approved through bylaws adopted by the Regional Hospital District for the purposes of the Vancouver Island Health Authority.

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**8. BUDGET FIGURES**

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 8, 2016.

Reconciliation of Board approved budget:

Net surplus per approved budget Bylaw No. 162	\$ 1,542,978
Adjusted for:	
Prior year surplus	(2,128,466)
Transfer from prior year unallocated grants	(868,435)
Interest on long-term debt	(1,282,938)
Transfer to reserve	1,776,815
Debt servicing	<u>2,976,577</u>
Surplus per Statement of Operations	<u>\$ 2,016,531</u>

**9. STATEMENT OF CHANGES IN NET DEBT**

A consolidated statement of changes in net debt has not been prepared as the Regional Hospital District does not have any non-financial assets and a reconciliation of Net Debt to Accumulated Deficit does not provide any further meaningful information.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF REVENUE FUND ACTIVITIES (NON-CONSOLIDATED)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

**SCHEDULE A**

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>			
Property tax revenues	\$ 6,984,190	\$ 6,984,190	\$ 6,847,245
Grants-in-lieu of taxes	30,000	33,652	33,394
Interest on investments	75,000	108,296	113,779
Other revenue	-	101,364	41
	<u>7,089,190</u>	<u>7,227,502</u>	<u>6,994,459</u>
<b>Expenditures</b>			
Administration	36,400	36,400	31,400
Short term loan interest, bank charges, debt issuing	75,000	900	48,281
Long term debt interest	1,525,945	1,520,686	1,488,023
Grants to Health Authority	1,011,081	599,496	401,085
	<u>2,648,426</u>	<u>2,157,482</u>	<u>1,968,789</u>
<b>Operating Surplus</b>	<u>4,440,764</u>	<u>5,070,020</u>	<u>5,025,670</u>
Transfer from Capital Grant Fund (Pg 13)	<u>868,435</u>	<u>868,435</u>	<u>-</u>
Transfer to Capital Grant Fund (Pg 13)	2,667,240	2,667,240	3,444,055
Transfer to Capital Loan Fund for debt principal (Pg 14)	1,450,632	1,450,632	1,380,527
	<u>4,117,872</u>	<u>4,117,872</u>	<u>4,824,582</u>
<b>Surplus for the year</b>	1,191,327	1,820,583	201,088
Add: Prior years' surplus	<u>4,507,374</u>	<u>4,507,374</u>	<u>4,306,286</u>
<b>Surplus, Ending (Note 7)</b>	<u>\$ 5,698,701</u>	<u>\$ 6,327,957</u>	<u>\$ 4,507,374</u>

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT**                      **SCHEDULE B**  
**SCHEDULE OF CAPITAL GRANT FUND ACTIVITIES (NON-CONSOLIDATED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(UNAUDITED)**

	<u>2016</u>	<u>2015</u>
<b>FUND BALANCE, BEGINNING</b>	\$ 5,930,139	\$ 4,760,395
<b>Add:</b> Transfer from Revenue Fund (Pg 12)	2,667,240	3,444,055
<b>Less:</b> Transfer to Revenue Fund (Pg 12)	(868,435)	
<b>Less:</b> Grants to Vancouver Island Health Authority	<u>(4,847,405)</u>	<u>(2,274,311)</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	<u>\$ 2,881,539</u>	<u>\$ 5,930,139</u>

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF CAPITAL LOAN FUND ACTIVITIES (NON-CONSOLIDATED)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

**SCHEDULE C**

	<u>2016</u>	<u>2015</u>
<b>FUND BALANCE, BEGINNING</b>	\$ (29,788,020)	\$ (31,310,791)
Grants to Health Authority	(174,995)	(81,747)
Debt principal repayments	1,450,632	1,380,527
Debt actuarial adjustments	<u>277,042</u>	<u>223,991</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	<u>\$ (28,235,341)</u>	<u>\$ (29,788,020)</u>

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**SCHEDULE OF LONG TERM DEBT**  
**AS AT DECEMBER 31, 2016**

**SCHEDULE D**

Issue	Bylaw No.	Maturity	Interest Rate	Original Requested	Outstanding 2016	Outstanding 2015	
517	110	Nov 30, 2023	7.875	312,520	-	11,753	
624	105/106/110/111	Aug 23, 2023	7.875	1,260,559	-	78,214	
72	110	Jun 01, 2020	6.450	125,258	35,118	42,973	
75	111	Dec 01, 2021	5.690	318,086	110,506	129,552	
80	128/129	Oct 03, 2018	4.900	753,043	134,900	197,571	
92	125/131	April 6, 2020	4.550	175,155	57,184	70,132	
93	127	April 6, 2025	5.100	4,071,247	2,086,581	2,290,566	
97	133	April 19, 2016	4.660	288,479	-	34,199	
102	127	Dec 01, 2027	4.820	8,100,000	5,221,351	5,593,618	
103	137	Apr 23, 2023	4.650	324,943	175,415	196,769	
110	139/127/144	April 8, 2030	4.500	3,083,688	2,313,727	2,454,956	
116	144	April 4, 2031	4.200	1,727,207	1,413,046	1,480,901	
121	150	October 4, 2032	2.900	645,028	553,045	577,411	
121	145.01	October 4, 2032	2.900	4,065,041	3,485,351	3,638,907	
121	142	October 4, 2027	2.900	406,504	320,295	343,132	
126	154	September 26, 2033	3.850	4,500,000	4,028,270	4,191,720	
126	145.01	September 26, 2033	3.850	2,100,000	1,879,860	1,956,136	
126	144	September 26, 2033	3.850	1,076,467	963,622	1,002,722	
126	140	September 26, 2028	3.850	815,000	687,945	731,968	
130	154	October 14, 2034	3.000	1,815,997	1,691,589	1,755,013	
130	156	October 14, 2034	3.000	1,112,155	1,035,965	1,074,807	
133	145	October 02, 2035	2.750	1,935,000	1,866,576	1,935,000	
					\$ 39,011,377	\$ 28,060,346	\$ 29,788,020

See notes to consolidated financial statements