

**NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING  
AGENDA**

**Tuesday, May 14, 2019  
Immediately Following the Special Board Meeting  
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 12, 2019** 3

(All Directors - One Vote)

That the minutes of the Nanaimo Regional Hospital District Board meeting held March 12, 2019, be adopted.
4. **DELEGATIONS - AGENDA ITEMS**
5. **CORRESPONDENCE**

(All Directors - One Vote)

That the following correspondence be received for information:

  - 5.1 **Island Health, re Island Health Capital Funding** 6
6. **REPORTS**
  - 6.1 **Nanaimo Regional Hospital District 2018 Financial Statements and Audit Findings Report** 7

*Please note: Cory Vanderhorst, Regional Assurance Partner, MNP will introduce the report and answer questions*

(All Directors - Weighted Vote)

That the Nanaimo Regional Hospital District 2018 Financial Statements and Audit Findings Report be accepted as presented.

7. BUSINESS ARISING FROM DELEGATIONS
8. NEW BUSINESS
9. ADJOURNMENT

## MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING

**Tuesday, March 12, 2019**

**3:00 P.M.**

### **Board Chambers**

In Attendance:	Director I. Thorpe	Chair
	Director B. Rogers	Vice Chair
	Director K. Wilson	Electoral Area A
	Director V. Craig	Electoral Area B
	Director M. Young	Electoral Area C
	Alternate	
	Director J. Fell	Electoral Area F
	Director C. Gourlay	Electoral Area G
	Director S. McLean	Electoral Area H
	Director L. Krog	City of Nanaimo
	Director S. Armstrong	City of Nanaimo
	Director D. Bonner	City of Nanaimo
	Director T. Brown	City of Nanaimo
	Director B. Geselbracht	City of Nanaimo
	Director E. Hemmens	City of Nanaimo
	Director J. Turley	City of Nanaimo
	Director E. Mayne	City of Parksville
	Director A. Fras	City of Parksville
	Director M. Swain	District of Lantzville
	Director T. Westbroek	Town of Qualicum Beach
Regrets:	Director L. Salter	Electoral Area F
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. Wells	Gen. Mgr. Corporate Services
	D. Pearce	Director of Transportation & Emergency Services
	T. Mayea	Legislative Coordinator
	C. Golding	Recording Secretary

### **CALL TO ORDER**

The Legislative Coordinator called the meeting to order and respectfully acknowledged the Coast Salish Nations on whose traditional territory the meeting took place.

### **ELECTION OF CHAIR**

The Legislative Coordinator called for nominations for the position of Chair of the Nanaimo Regional Hospital District Board.

Director Westbroek nominated Director Thorpe, and Director Armstrong seconded the nomination.

Director Thorpe accepted the nomination.

There being no further nominations, the Legislative Coordinator declared Director Thorpe elected by acclamation as Chair of the Nanaimo Regional Hospital District Board for 2019.

The Chair assumed his seat.

### **ELECTION OF VICE CHAIR**

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

Director Westbroek nominated Director Rogers, and Director Armstrong seconded the nomination.

Director Rogers accepted the nomination.

There being no further nominations, the Chair declared Director Rogers elected by acclamation as Vice Chair of the Nanaimo Regional Hospital District Board for 2019.

### **APPROVAL OF THE AGENDA**

It was moved and seconded that the agenda be approved as presented.

CARRIED UNANIMOUSLY

### **ADOPTION OF MINUTES**

#### **Nanaimo Regional Hospital District Board Meeting - December 4, 2018**

It was moved and seconded that the minutes of the Nanaimo Regional Hospital District Board meeting held December 4, 2018, be adopted.

CARRIED UNANIMOUSLY

### **COMMITTEE MINUTES**

#### **Nanaimo Regional Hospital District Select Committee Meeting - February 26, 2019**

It was moved and seconded that the minutes of the Nanaimo Regional Hospital District Select Committee meeting held February 26, 2019, be received for information.

CARRIED UNANIMOUSLY

It was moved and seconded that Regional District of Nanaimo staff be directed to work with Nanaimo Regional Hospital District staff to determine how to advance the interests of the Nanaimo Regional Hospital District to decrease the \$40 million shortfall.

CARRIED UNANIMOUSLY

## **COMMITTEE RECOMMENDATIONS**

### **Nanaimo Regional Hospital District 2019 Revised Budget**

It was moved and seconded that “Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019” be introduced and read three times.

CARRIED UNANIMOUSLY

It was moved and seconded that “Nanaimo Regional Hospital District 2019 Annual Budget Bylaw No. 168, 2019” be adopted.

CARRIED UNANIMOUSLY

## **ADJOURNMENT**

It was moved and seconded that the meeting be adjourned.

CARRIED UNANIMOUSLY

TIME: 3:08 PM

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CHAIR

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CORPORATE OFFICER

May 09, 2019

Phyllis Carlyle  
Chief Administrative Officer  
Nanaimo Regional Hospital District  
6300 Hammond Bay Rd  
Nanaimo, BC V9T 6N2

Dear Phyllis Carlyle:

**RE: Island Health Capital Funding**

Please accept the statement below to clarify the misunderstanding of information shared with the Nanaimo Regional Hospital District Board regarding Island Health capital funding.

Island Health has estimated that there is a gap of approximately \$40 million between the annual capital expense required to sustain its entire asset base, and the routine capital infusion expected each year across the entire Health Authority. However, there are also large ad hoc priority investment capital infusions (e.g. New Hospital approvals), in addition to ad hoc major foundation gifts, that are not received annually. Because these additional capital infusions are irregular, Island Health cannot forecast their impact on the aforementioned annual gap, but they do reduce the pressure on routine capital over time.

Please feel free to request any further clarification if the above does not meet your needs.

Regards,



Scott McCarten  
Corporate Director  
Capital Management & Finance Projects

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**TO:** Nanaimo Regional Hospital District Board      **MEETING:** May 14, 2019

**FROM:** Manvir Manhas  
Manager, Capital Accounting and  
Financial Reporting      **FILE:** Not applicable

**SUBJECT:** Nanaimo Regional Hospital District 2018 Financial Statements and Audit Findings Report

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### **RECOMMENDATION**

That the Nanaimo Regional Hospital District 2018 Financial Statements and Audit Findings Report be accepted 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, 2018 is unqualified, assuring readers that, based on the audit procedures conducted, the statements present fairly the financial position of the NRHD as at December 31, 2018.

The NRHD is responsible for financing health care facilities and will typically show a net debt and accumulated deficit position on its financial statements. The 2018 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 as recommended by Island Health and approved by the NRHD Board 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, 2018.

### **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 2018.

### **Independent Auditor's 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 present fairly the financial position of the NRHD as at December 31, 2018. The report will be signed by MNP LLP after NRHD Board approval of the statements.

### **Financial Statements (Attachment 3)**

The financial statements of the NRHD for the year ended December 31, 2018 are discussed in more detail below.

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

The NRHD 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 2018, \$847,313 was secured in new short-term debt. 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 14 of Attachment 3) totals \$27,567,919 (2017: \$27,470,167), with retirement dates ranging from 2019 to 2038. The previous projects funded by this debt include the Oceanside Health Centre and the Emergency Room, cancer clinic/pharmacy renovations and a prior MRI replacement at Nanaimo Regional General Hospital. Long-term debt principal of \$1,417,990 was repaid during 2018. Major capital projects currently underway include the Electrical Energy Plant Upgrade Project, Thermal Energy Plant project and an additional Magnetic Resonance Imaging (MRI) facility at the Nanaimo Regional General Hospital and has \$9.4 million dollars remaining for potential drawdown in the approved borrowing authority.

Note 7 to the financial statements (Page 9 of Attachment 3) itemize the Net Debt and Accumulated Deficit as follows:

Revenue Fund <i>(\$0.85 million unappropriated surplus +\$7.44 million in reserve appropriated for future major capital)</i>	\$ 8,296,726
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>	\$4,955,177
Capital Loan Fund <i>(outstanding long-term and short-term debt, plus accrued project advances payable)</i>	\$(28,514,805)
Accumulated Net Debt	<u><b>\$(15,262,902)</b></u>

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

This 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 Statement of Operations are discussed below.

The revenue for the year is \$184,000 higher than forecast as a result of higher than expected interest revenue.

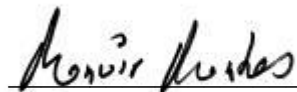
Under expenses, the grant to health care facilities shows \$4.28 million in payments to Island Health compared to the budgeted amount of \$3.16 million. Actual expense includes transfers to Island Health budgeted for and included in prior year's tax requisitions but not actually billed by Island Health until the project was completed which occurred in 2018. Short-term debt interest was \$23,500 lower than the budget due to timing for billings of various capital projects such as the Electrical Energy Plant.

### **ALTERNATIVES**

1. Accept the 2018 consolidated financial statements of the Nanaimo Regional Hospital District as presented.
2. Provide alternate direction to staff.

### **FINANCIAL IMPLICATIONS**

The annual audit fee of \$4,358 was included in the Nanaimo Regional Hospital District's 2018 budget. There are no additional costs at this time.



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Manvir Manhas  
mmanhas@rdn.bc.ca  
April 29, 2019

Reviewed by:

- J. Bradburne, Director of Finance
- D. Wells, General Manager, Corporate Services
- P. Carlyle, Chief Administrative Officer

Attachments

1. 2018 NRHD Audit Findings Report
2. 2018 NRHD Independent Auditors' Draft report
3. 2018 NRHD Financial Statements

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

*For the Year Ending December 31, 2018*

For presentation at the Board of Directors meeting May 14, 2019

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May 14, 2019

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 "Regional Hospital District") as at December 31, 2018 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 Regional Hospital District, is to report to the Board on the fair presentation of the December 31, 2018 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 Regional 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 Regional 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 Regional 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 Auditor's Report after the Board of Directors review and approval of the financial statements. A substantive approach was used in auditing the Regional Hospital District's financial statements; thus, the Regional 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 \$275,000.**

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

Subjects	December 31, 2018	December 31, 2017
<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 None	None 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 Auditor's 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, 2018	December 31, 2017
<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 Regional Hospital District.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

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

## Independence Communication

May 14, 2019

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, 2018 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, 2018 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 Auditor's Report

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

### Opinion

We have audited the financial statements of the Nanaimo Regional Hospital District (the "Regional Hospital District"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, accumulated deficit and cash flows and the related schedule D for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional Hospital District as at December 31, 2018, and the results of its operations and its 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 our report. We are independent of the Regional Hospital 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.

### 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.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional Hospital 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 Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Hospital 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.

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 Regional Hospital 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 Regional Hospital 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 Regional Hospital 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.

Nanaimo, British Columbia

May 14, 2019

Chartered Professional Accountants

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

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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 24, 2019



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Director of Finance

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**NANAIMO REGIONAL HOSPITAL DISTRICT  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018**

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Financial Assets</b>		
Cash	\$ 7,987,444	\$ 5,253,193
Short term investments	6,827,618	6,714,304
Accounts receivable	15,822	6,668
	<u>14,830,884</u>	<u>11,974,165</u>
<b>Financial Liabilities</b>		
Short term debt (Note 2)	847,313	1,209,179
Accounts payable	1,394,302	524,476
Accrued liabilities (Note 4)	284,252	275,487
Long term debt (Schedule D, Note 3)	27,567,919	27,470,167
	<u>30,093,786</u>	<u>29,479,309</u>
<b>Net Debt and Accumulated Deficit (Note 7)</b>	<u><u>\$ (15,262,902)</u></u>	<u><u>\$ (17,505,144)</u></u>

APPROVED:




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Jeannie Bradburne, CPA, CGA, MBA  
Director of Finance

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (Note 8)	<u>2018</u>	<u>2017</u>
<b>Revenues</b>			
Property tax revenues	\$ 7,409,526	\$ 7,409,526	\$ 7,193,715
Payments-in-lieu of taxes	30,000	32,539	35,226
Investment income	100,000	266,698	88,448
Other revenue	-	14,760	-
	<u>7,539,526</u>	<u>7,723,523</u>	<u>7,317,389</u>
<b>Expenses</b>			
Administration	104,200	104,200	40,600
Long term debt issue costs	26,272	18,672	10,750
Grants to health care facilities	3,162,049	4,280,024	4,378,028
Short term debt interest and bank charges	49,261	25,740	8,966
Interest on long term debt	1,055,894	1,052,645	1,088,529
	<u>4,397,676</u>	<u>5,481,281</u>	<u>5,526,873</u>
<b>Surplus for the year</b>	3,141,850	2,242,242	1,790,516
<b>Opening, Net Debt and Accumulated Deficit</b>	<u>(17,505,144)</u>	<u>(17,505,144)</u>	<u>(19,295,660)</u>
<b>Ending, Net Debt and Accumulated Deficit</b>	<u>(14,363,294)</u>	<u>(15,262,902)</u>	<u>(17,505,144)</u>

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Operating transactions</b>		
Surplus for the year (Pg 3)	\$ 2,242,242	\$ 1,790,516
Non-cash items included in surplus		
Debt actuarial adjustments	(351,343)	(292,558)
Change in non-cash working capital balances		
Increase in accounts receivable	(9,154)	(1,962)
Increase (decrease) in accounts payable	869,826	(429,258)
Increase in accrued liabilities	8,764	5,673
Net increase in cash from operations	<u>2,760,335</u>	<u>1,072,411</u>
<b>Financing transactions</b>		
Increase (decrease) in short term debt	(361,866)	1,034,184
Long term debt proceeds	1,867,086	1,075,027
Repayment of long term debt	(1,417,990)	(1,372,648)
Net increase in cash from financing	<u>87,230</u>	<u>736,563</u>
<b>Net change in cash and investments</b>	2,847,565	1,808,974
Cash and investments, beginning	<u>11,967,497</u>	<u>10,158,523</u>
<b>Cash and investments, ending</b>	<u><u>\$ 14,815,062</u></u>	<u><u>\$ 11,967,497</u></u>
 <b>CASH AND INVESTMENTS CONSIST OF:</b>		
Cash	\$ 7,987,444	\$ 5,253,193
Short term investments	<u>6,827,618</u>	<u>6,714,304</u>
	<u><u>\$ 14,815,062</u></u>	<u><u>\$ 11,967,497</u></u>

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2018**

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 Hospital District. These activities are funded through property taxes or property tax revenues set aside as reserves and debenture debt.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of presentation**

The 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 comprised of investments held in the Municipal Finance Authority of British Columbia investment funds and are carried at cost which approximates market value.

**(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 Hospital 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. Payments-in-lieu of 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 FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

## 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) Adoption of New Accounting Standards

## i. PS 2200 Related Party Disclosures

Effective January 1, 2018, the Regional Hospital District adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

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

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

## ii. PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective January 1, 2018, the Regional Hospital District adopted the recommendations relating to PS 3210 *Assets*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

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

(g) Adoption of New Accounting Standards (continued)

ii. PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights (continued)

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

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

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

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

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

**2. SHORT TERM DEBT**

Short term financing is secured through the Municipal Finance Authority of British Columbia. The interest rate was 2.79% as at December 31, 2018. Short term borrowing is replaced by long term debt periodically when balances and interest rates are considered appropriate.

**NANAIMO REGIONAL HOSPITAL DISTRICT****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2018****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 financial statements.

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

2019	\$ 1,458,047
2020	\$ 1,463,657
2021	\$ 1,456,510
2022	\$ 1,452,790
2023	\$ 1,458,840

**4. ACCRUED LIABILITIES**

Accrued liabilities arise from accrued interest on outstanding long term debt.

**5. APPROPRIATED EQUITY**

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

**6. MUNICIPAL FINANCE AUTHORITY DEBT RESERVE DEPOSITS**

The Regional Hospital District secures its long-term borrowing through the Municipal Finance Authority of British Columbia (MFA). As a condition of these borrowings, a portion of the debenture proceeds are retained by the Authority as a debt reserve fund.

## NANAIMO REGIONAL HOSPITAL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Upon the maturity of the debt issue, the debt reserve fund plus any interest earned less expenditures for the issue will be discharged to the Regional Hospital District. Due to their contingent nature neither the asset nor liability are recorded in the financial statements. The balance of the MFA debt reserve fund is as follows:

	<u>2018</u>	<u>2017</u>
Cash	\$ <u>498,014</u>	\$ <u>481,383</u>

**7. ACCUMULATED DEFICIT**

The Accumulated Deficit of \$15,262,902 (2017: \$17,505,144) is made up of the following individual fund equity amounts.

	<u>2018</u>	<u>2017</u>
Revenue Fund (Schedule A)	\$ 8,296,726	\$ 6,705,841
Capital Grant Fund (Schedule B)	4,955,177	4,696,204
Capital Loan Fund (Schedule C)	<u>(28,514,805)</u>	<u>(28,907,189)</u>
Accumulated Deficit	\$ <u>(15,262,902)</u>	\$ <u>(17,505,144)</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 FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2018****8. BUDGET FIGURES**

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 27, 2018.

Reconciliation of Board approved budget:

Net surplus per approved budget Bylaw No. 164	\$	924,790
Adjusted for:		
Prior year surplus		(1,025,514)
Interest on long term debt		(1,055,894)
Transfer to reserve		1,482,005
Debt servicing		<u>2,816,463</u>
Surplus per Statement of Operations	\$	<u>3,141,850</u>

**9. RELATED PARTY TRANSACTIONS**

The Regional District of Nanaimo is related to the Regional Hospital District since the same individuals are members of the board of directors of both organizations. During the year, administrative support services supplied to the Regional Hospital District by the Regional District of Nanaimo totalled \$104,200 (2017: \$40,600).

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

A 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.

**11. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF REVENUE FUND ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**SCHEDULE A**

	<u>Budget</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>			
Property tax revenues	\$ 7,409,526	\$ 7,409,526	\$ 7,193,715
Grants-in-lieu of taxes	30,000	32,539	35,226
Interest on investments	100,000	266,698	88,448
Other revenue	-	14,760	-
	<u>7,539,526</u>	<u>7,723,523</u>	<u>7,317,389</u>
<b>Expenditures</b>			
Administration	104,200	104,200	40,600
Short term loan interest, bank charges, debt issuing	75,533	44,411	19,716
Long term debt interest	1,407,237	1,403,988	1,650,901
Grants to Health Authority	-	-	411,585
	<u>1,586,970</u>	<u>1,552,599</u>	<u>2,122,802</u>
<b>Operating Surplus</b>	<u>5,952,556</u>	<u>6,170,924</u>	<u>5,194,587</u>
Transfer to Capital Grant Fund (Pg 12)	3,162,049	3,162,049	3,444,055
Transfer to Capital Loan Fund for debt principal (Pg 13)	1,417,990	1,417,990	1,372,648
	<u>4,580,039</u>	<u>4,580,039</u>	<u>4,816,703</u>
<b>Surplus for the year</b>	1,372,517	1,590,885	377,884
Add: Prior years' surplus	<u>6,705,841</u>	<u>6,705,841</u>	<u>6,327,957</u>
<b>Surplus, Ending (Note 7)</b>	<u>\$ 8,078,358</u>	<u>\$ 8,296,726</u>	<u>\$ 6,705,841</u>

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF CAPITAL GRANT FUND ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**SCHEDULE B**

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>FUND BALANCE, BEGINNING</b>	\$ 4,696,204	\$ 2,881,539
<b>Add:</b> Transfer from Revenue Fund (Pg 11)	3,162,049	3,444,055
<b>Less:</b> Grants to Vancouver Island Health Authority	<u>(2,903,076)</u>	<u>(1,629,390)</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	<u><u>\$ 4,955,177</u></u>	<u><u>\$ 4,696,204</u></u>

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF CAPITAL LOAN FUND ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**SCHEDULE C**

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>FUND BALANCE, BEGINNING</b>	\$ (28,907,189)	\$ (28,235,341)
Grants to Health Authority	(1,376,949)	(2,337,054)
Debt principal repayments	1,417,990	1,372,648
Debt actuarial adjustments	<u>351,343</u>	<u>292,558</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	\$ <u><u>(28,514,805)</u></u>	\$ <u><u>(28,907,189)</u></u>

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF LONG TERM DEBT  
AS AT DECEMBER 31, 2018**

**SCHEDULE D**

<b>Issue</b>	<b>Bylaw No.</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Original Requested</b>	<b>Outstanding 2018</b>	<b>Outstanding 2017</b>
72	110	Jun 01, 2020	6.450	125,258	18,331	26,909
75	111	Dec 01, 2021	5.690	318,086	69,508	90,507
80	128/129	Oct 03, 2018	4.900	753,043	-	69,095
92	125/131	April 6, 2020	4.550	175,155	29,713	43,718
93	127	April 6, 2025	5.100	4,071,247	1,662,875	1,877,395
102	127	Dec 01, 2027	4.820	8,100,000	4,431,548	4,834,193
103	137	Apr 23, 2023	4.650	324,943	130,108	153,205
110	139/127/144	April 8, 2030	4.500	3,083,688	2,014,094	2,166,848
116	144	April 4, 2031	4.200	1,727,207	1,269,085	1,342,477
121	150	October 4, 2032	2.900	645,028	501,350	527,705
121	145.01	October 4, 2032	2.900	4,065,041	3,159,565	3,325,652
121	142	October 4, 2027	2.900	406,504	271,846	296,546
126	154	September 26, 2033	3.850	4,500,000	3,681,497	3,858,283
126	145.01	September 26, 2033	3.850	2,100,000	1,718,032	1,800,532
126	144	September 26, 2033	3.850	1,076,467	880,669	922,959
126	140	September 26, 2028	3.850	815,000	594,545	642,160
130	154	October 14, 2034	3.000	1,815,997	1,557,029	1,625,628
130	156	October 14, 2034	3.000	1,112,155	953,558	995,570
133	145	October 02, 2035	2.750	1,935,000	1,722,461	1,795,758
142	161	October 04, 2037	3.150	1,075,027	1,035,019	1,075,027
146	161	September 19, 2038	3.200	1,867,086	1,867,086	-
				<u>\$ 40,091,933</u>	<u>\$ 27,567,919</u>	<u>\$ 27,470,167</u>

The accompanying notes are an integral part of these financial statements.