

NANAIMO REGIONAL HOSPITAL DISTRICT

**REGULAR BOARD MEETING
TUESDAY, MAY 12, 2015
7:00 PM**

(RDN Board Chambers)

A G E N D A

PAGES

DELEGATIONS

MINUTES

2-5 Minutes of the Regional Hospital District Board meeting held Tuesday, March 10, 2015 (All Directors -One Vote).

BUSINESS ARISING FROM THE MINUTES

UNFINISHED BUSINESS

COMMISSION, ADVISORY & SELECT COMMITTEE

Regional Hospital District Select Committee.

6-7 **Minutes of the Regional Hospital District Select Committee Meeting held on Tuesday, April 28, 2015** (for information) (All Directors – One Vote).

That the Minutes of the Regional Hospital District Select Committee Meeting held on Tuesday, April 28, 2015, be received for information.

8-27 **Update on Electrical and Boiler Plant Projects** (All Directors – Weighted Vote).

That the Nanaimo Regional Hospital District Board support the natural gas fueled conventional boiler option.

ADMINISTRATOR'S REPORTS

28-48 2014 Financial Statements and Audit Findings Report (All Directors – One Vote).

ADDENDUM

NEW BUSINESS

ADJOURNMENT

REGIONAL DISTRICT OF NANAIMO

MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT MEETING
HELD ON TUESDAY, MARCH 10, 2015 AT 7:00 PM IN THE
RDN BOARD CHAMBERS

In Attendance:

Director J. Stanhope	Chair
Director C. Haime	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 B. Veenhof	Electoral Area H
Director B. McKay	City of Nanaimo
Director B. Bestwick	City of Nanaimo
Director J. Hong	City of Nanaimo
Director J. Kipp	City of Nanaimo
Director W. Pratt	City of Nanaimo
Director I. Thorpe	City of Nanaimo
Director B. Yoachim	City of Nanaimo
Alternate	
Director S. Powell	City of Parksville
Alternate	
Director B. Avis	Town of Qualicum Beach

Regrets:

Director M. Lefebvre	City of Parksville
Director T. Westbroek	Town of Qualicum Beach

Also in Attendance:

P. Thorkelsson	Chief Administrative Officer
W. Idema	Director of Finance
R. Alexander	Gen. Mgr. Regional & Community Services
G. Garbutt	Gen. Mgr. Strategic & Community Development
T. Osborne	Gen. Mgr. Recreation & Parks
J. Hill	A/Director of Corporate Services
D. Pearce	A/Gen. Mgr. Transportation & Solid Waste
C. Golding	Recording Secretary

CALL TO ORDER

The Chief Administrative Officer called the meeting to order.

ELECTION OF THE CHAIR

The Chief Administrative Officer called for nominations for the position of Chair of the Nanaimo Regional Hospital District Board for the year 2015.

Director Haime nominated Director Stanhope. Director Stanhope accepted the nomination.
Director McPherson nominated Director Kipp. Director Kipp declined the nomination.

There being no further nominations, the Chief Administrative Officer declared Director Stanhope as Chair of the Nanaimo Regional Hospital District for the year 2015.

ELECTION OF THE VICE CHAIR

The Chief Administrative Officer called for nominations for the position of Vice Chair of the Nanaimo Regional Hospital District Board for the year 2015.

Director Stanhope nominated Director Haime. Director Haime accepted the nomination.
Director Veenhof nominated Director McPherson. Director McPherson declined the nomination.

There being no further nominations, the Chief Administrative Officer declared Director Haime as Vice Chair of the Nanaimo Regional Hospital District Board for the year 2015.

Chair Stanhope took the Chair.

BOARD MINUTES

Minutes of the Hospital Board Meeting held Tuesday, May 13, 2014.

MOVED Director Kipp, SECONDED Director Avis, that the minutes of the Hospital Board meeting held Tuesday, May 13, 2014, be adopted.

CARRIED

COMMISSION, ADVISORY & SELECT COMMITTEE

Regional Hospital District Select Committee.

Regional Hospital District Select Committee Terms of Reference.

MOVED Director Kipp, SECONDED Director Avis, that the Regional Hospital District Select Committee Terms of Reference be received for information.

CARRIED

Minutes of the Regional Hospital District Select Committee Meeting held on Tuesday, February 10, 2015.

MOVED Director Kipp, SECONDED Director Houle, that the minutes of the Regional Hospital District Select Committee meeting held on Tuesday, February 10, 2015, be received for information.

CARRIED

Request for Approval of 2015/2016 Capital Equipment and Minor Capital Project Lists.

MOVED Director Kipp, SECONDED Director Houle, that the 2015/2016 list of capital improvement projects with Regional Hospital District cost sharing in the amount of \$1,077,058 be approved.

CARRIED

MOVED Director Kipp, SECONDED Director Houle, that the 2015/2016 list of capital equipment purchases with Regional Hospital District cost sharing in the amount of \$1,021,157 be approved.

CARRIED

MOVED Director Kipp, SECONDED Director Houle, that \$1,900,000 in unallocated annual minor capital funding from the 2014/15 and 2015/16 allocations be redirected to Regional Hospital District cost shared large capital projects with \$600,000 to the Shelled-In Operating Rooms project and \$1,300,000 to the Unit Dose Medication Distribution/NRGH Pharmacy Redevelopment project.

CARRIED

Nanaimo Regional Hospital District 2015 Proposed Budget.

MOVED Director Kipp, SECONDED Director Houle, that the 2015 Regional Hospital District budget be approved with the following components:

Property tax requisition	\$6,847,245
Capital grant allowance	\$3,444,055
Transfer to large capital reserve	\$1,134,000

CARRIED

MOVED Director Kipp, SECONDED Director Houle, that the 2016 to 2019 five year projections be received for information.

CARRIED

ADMINISTRATOR'S REPORTS

Nanaimo Regional Hospital District Budget Bylaw No. 159 – 2015 Proposed Budget.

MOVED Director Kipp, SECONDED Director Houle, that "Nanaimo Regional Hospital District 2015 Annual Budget Bylaw No. 159, 2015" be introduced and read three times.

CARRIED

MOVED Director Kipp, SECONDED Director Houle, that "Nanaimo Regional Hospital District 2015 Annual Budget Bylaw No. 159, 2015" be adopted.

CARRIED

MOVED Director Kipp, SECONDED Director Powell, that "Nanaimo Regional Hospital District (Shelled-In Operating Rooms) Borrowing Repeal Bylaw No. 160, 2015" be introduced and read three times.

CARRIED

MOVED Director Kipp, SECONDED Director Veenhof, that "Nanaimo Regional Hospital District (Shelled-In Operating Rooms) Borrowing Repeal Bylaw No. 160, 2015" be adopted.

CARRIED

ADJOURNMENT

MOVED Director Kipp, SECONDED Director Avis, that this meeting be adjourned.

CARRIED

TIME: 7:08 PM

CHAIRPERSON

CORPORATE OFFICER

REGIONAL DISTRICT OF NANAIMO

MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT SELECT COMMITTEE MEETING HELD ON TUESDAY, APRIL 28, 2015 AT 5:05 PM IN THE RDN COMMITTEE ROOM

In Attendance:

Director J. Kipp	Chairperson
Director A. McPherson	Electoral Area A
Director J. Stanhope	Electoral Area G
Director W. Pratt	City of Nanaimo
Director M. Lefebvre	City of Parksville
Director T. Westbroek	Town of Qualicum Beach

Also in Attendance:

Director H. Houle	Electoral Area B
Director B. Rogers	Electoral Area E
Director J. Fell	Electoral Area F
Director B. Veenhof	Electoral Area H
P. Thorkelsson	Chief Administrative Officer
J. Harrison	Director of Corporate Services
W. Idema	Director of Finance
R. Alexander	Gen. Mgr. Regional & Community Utilities
C. Golding	Recording Secretary

CALL TO ORDER

The Chairperson called the meeting to order.

DELEGATIONS

Deanna Fourt, Director of Energy Management, Cecil Rhodes, Corporate Director of Facilities Operations, Chris Sullivan, Director of Capital Planning and Joe Murphy, Vice President of Operations & Support Services, Island Health re Update on Electrical and Boiler Plant projects.

Deanna Fourt, Director of Energy Management provided an update on the Electrical Energy Centre project – estimated cost \$12.5 million. There are two existing transformers which are currently working at peak capacity. Photovoltaic methods have been looked into as Island Health is committed to reducing the carbon footprint and taking action on climate change. The electrical project will be completed first, followed by the boiler plant project.

Deanna Fourt also presented the Board with a summary of options for the Thermal Energy Boiler Plant project. The existing boiler is 50 years old and poses a significant risk of failure. A hybrid biomass boiler uses wood chips, and is able to supply the majority of the heating requirements with gas boilers used as back up. The hybrid biomass option is considered to provide improved heating efficiency, has the potential to reduce greenhouse gas emissions by 80%, will ensure capacity to meet current and future

requirements, and will keep energy dollars local by providing a market for wood waste which could also potentially reduce land clearing burns. A conventional gas/fuel operated boiler is capable of delivering the heating load to the entire hospital, has lower construction cost (\$12.5 million) than the biomass option (\$16.7 million), and is proven to be effective. Estimated operating cost reductions for biomass are \$800,000 per year vs: \$33,000 for conventional and the biomass option is considered to provide lower greenhouse gas emissions. There are no similar local facilities that have been in operation for more than 5 years to determine if there are any issues with this type of boiler.

Joe Murphy requested that the Select Committee provide feedback on the two options with some direction on best option from Hospital District perspective.

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

MOVED Director Lefebvre, SECONDED Director Westbroek, that the Nanaimo Regional Hospital District Board support the Biomass Boiler option in Principle and request more information on the costing.

MOVED Director McPherson, SECONDED Director Stanhope, that the motion be tabled until the next meeting of the Nanaimo Regional Hospital District Select Committee.

CARRIED

MINUTES

Minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, February 10, 2015.

MOVED Director Stanhope, SECONDED Director McPherson, that the minutes of the Nanaimo Regional Hospital District Select Committee meeting held Tuesday, February 10, 2015, be adopted.

CARRIED

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

MOVED Director McPherson, SECONDED Director Westbroek, that the motion be taken from the table.

CARRIED

MOVED Director Lefebvre, SECONDED Director Westbroek, that the Nanaimo Regional Hospital District Board support the Biomass boiler option in Principle and request more information on the costing.

DEFEATED

MOVED Director Westbroek, SECONDED Director Pratt, that the Nanaimo Regional Hospital District Board support the gas/fuel operated conventional boiler option.

CARRIED

ADJOURNMENT

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

CARRIED

TIME: 6:52 PM

CHAIRPERSON

CORPORATE OFFICER

Nanaimo Regional General Hospital



Electrical Energy Plant & Thermal Energy (Boiler) Plant



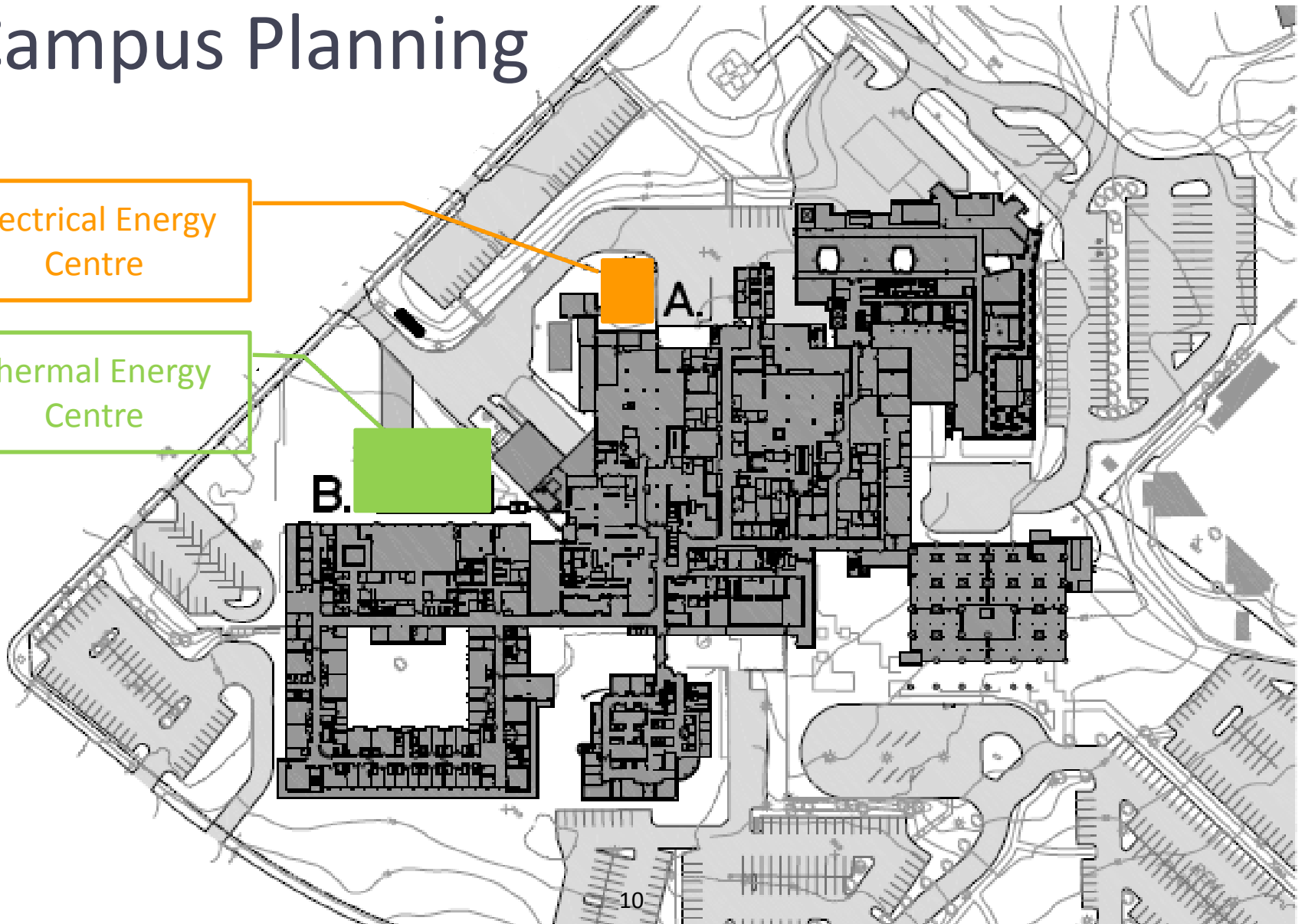
Purpose

- Provide Update on Electrical Energy Plant
- Discuss Thermal Energy Plant Options

Campus Planning

Electrical Energy Centre

Thermal Energy Centre



Electrical & Thermal Energy Centres



Electrical Energy Plant Update

Rationale

- Significant growth in programs and reliance on electrical equipment to deliver care.
- Two existing transformers at NRGH at peak capacity
- Backup generation is not sufficient should a generator fail

Electrical Energy Plant Update

Schematic Design of Redevelopment Project Underway...

- Estimated cost is \$12.5 million
- Formal request to NRHD once Schematic Design is complete – December 2015

Thermal Energy (Boiler) Plant

Rationale

- Over 50 years old and at the end of useful life
- Despite regular maintenance significant upgrades/retrofits required
- Risk assessments have identified significant risks if plant not replaced
- 3rd Floor location raises risk level and increases time and cost of repairs

Thermal Energy (Boiler) Plant

Key Alternatives

- Conventional gas fired boilers – marginal efficiency gain and emissions reduction
- Hybrid biomass / gas fired boilers

Consultation on Preferred Approach

- Hybrid biomass / gas fired boilers

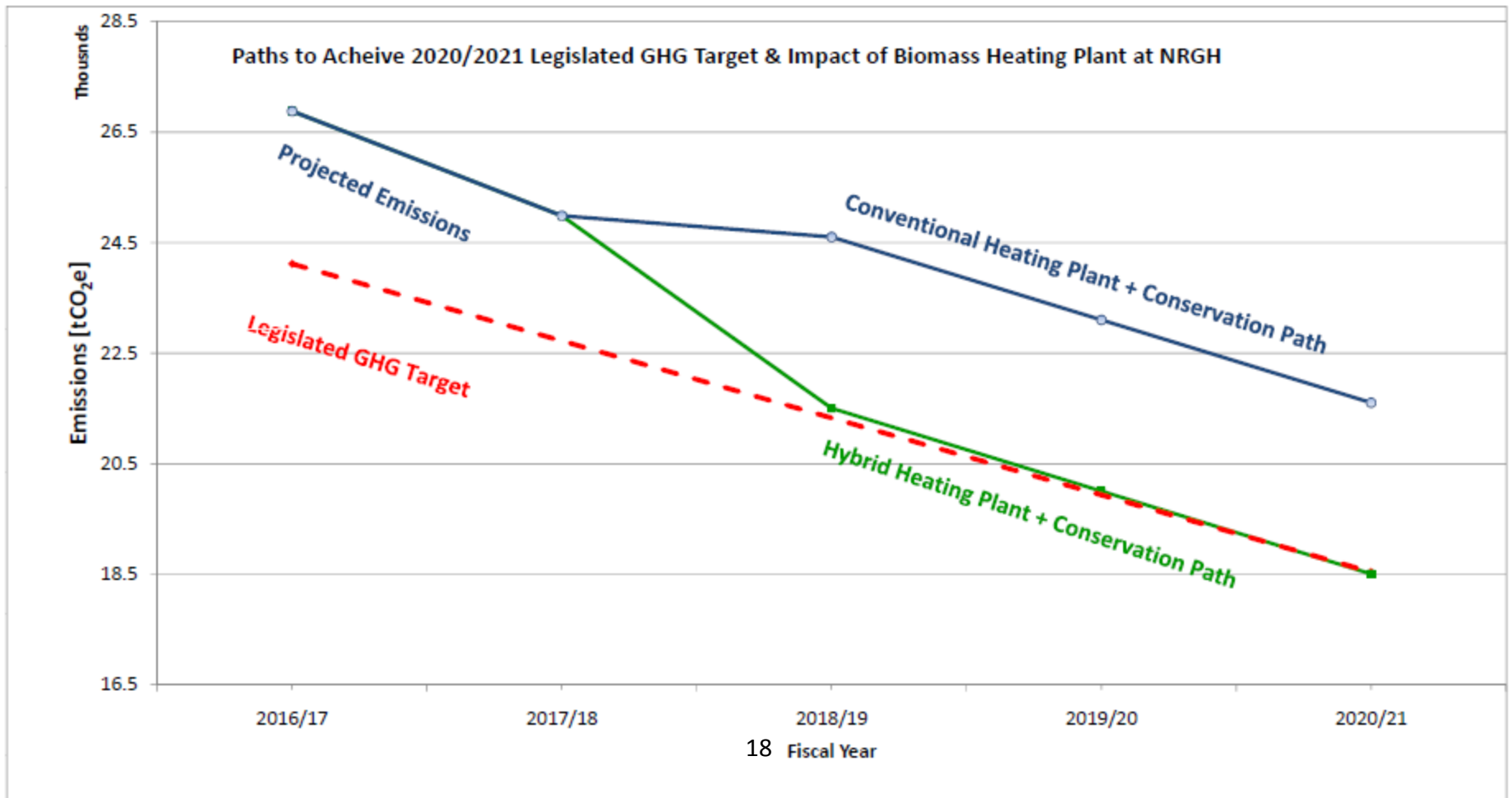
Hybrid Thermal Energy Plant Benefits

- Provide infrastructure to meet current and future loads.
- Ensure the project's capital cost is economically viable.
- Improve heating plant efficiency and safety
- Reduce greenhouse gas emissions at NRGH by 80%.
- Improve fuel supply resiliency and system redundancy to support NRGH's role as a post disaster centre.

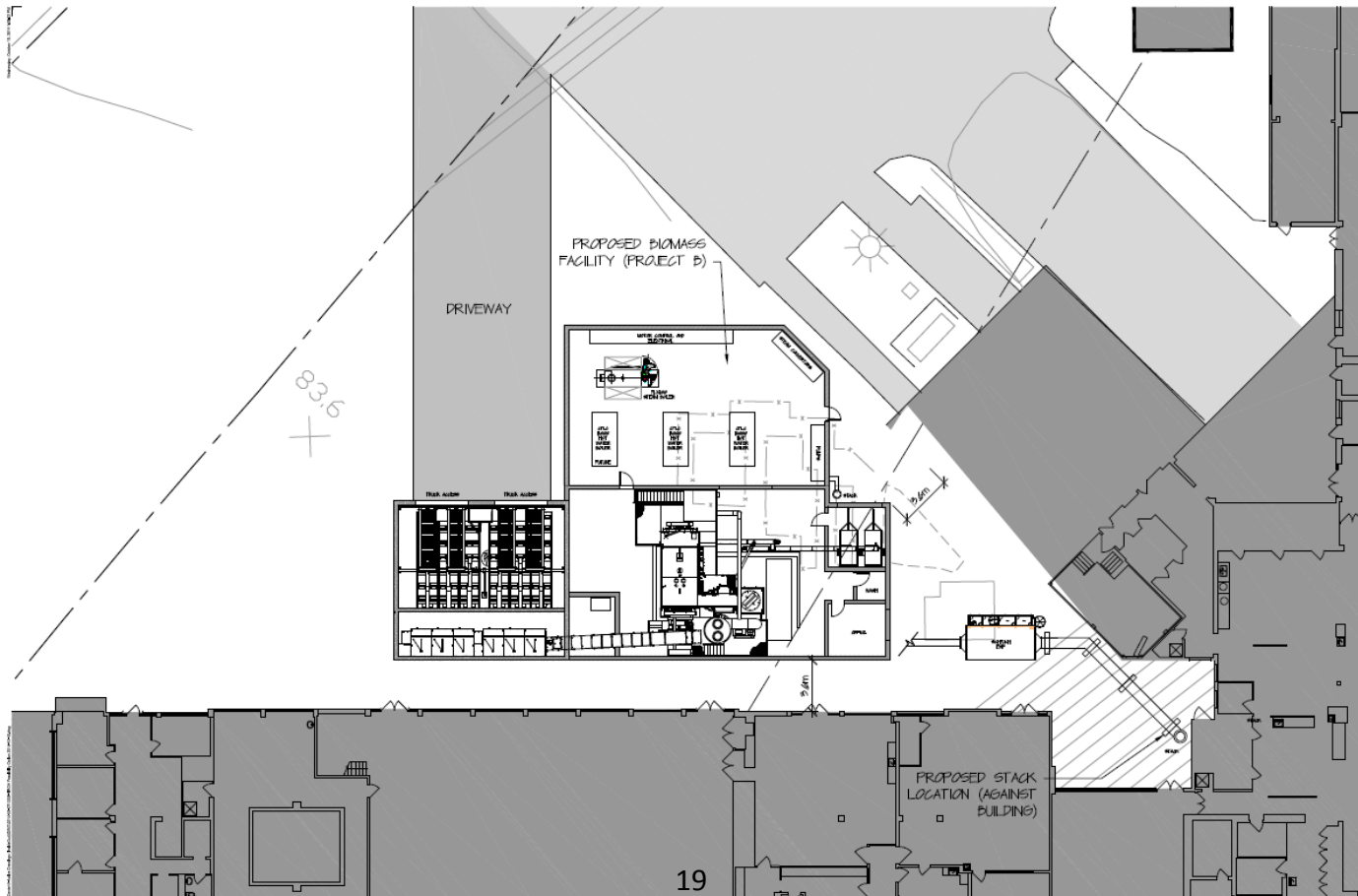
Hybrid Thermal Energy Plant Community Benefits

- Assist the community in meeting its commitments to reduce greenhouse gas emissions.
- Keep energy dollars in the local economy and improve air shed by making a market for woodwaste.
- Show leadership and a commitment to taking action on climate change.

GHG Emissions Reduction Target



Thermal Energy Centre Floor Plan



Conventional Boiler Plant

- Heating water, domestic hot water, steam load and redundancy would be supplied by conventional gas-fired boilers with diesel for the back-up fuel.
- There is a slight savings but payback is over 130 years!

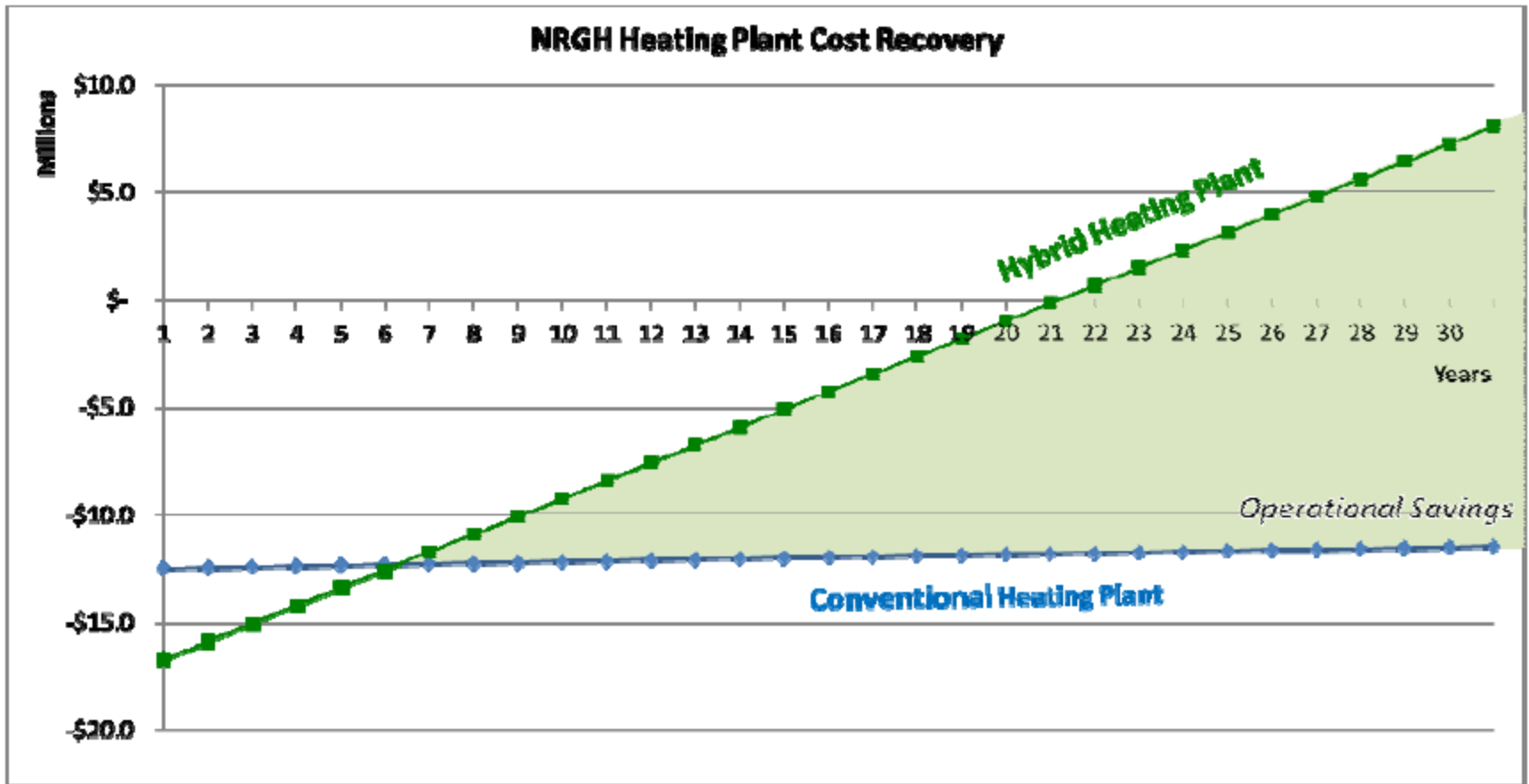
Capital Cost	\$12.5 million
Operational Savings	\$33,000
Net Present Value	Negative \$11.1 million (over 30 years)
Payback	Does not pay back within the equipment life span
Unmet Objectives	- Minimal improvement in operating costs - Will not reach GHG emissions reduction target - Will not improve fuel supply resiliency

Hybrid Heating Plant

- Biomass boiler to supply the majority of the site's hot water and steam heating loads.
- Back up and redundancy heat would be supplied by conventional gas-fired boilers with diesel for the back-up fuel.

Capital Cost	\$16.7 million
Operational Savings	\$800,000 average per year
Net Present Value	\$6.8million (over 30 years)
Payback	22 years
Unmet Objectives	None

Long Term Cost Comparison



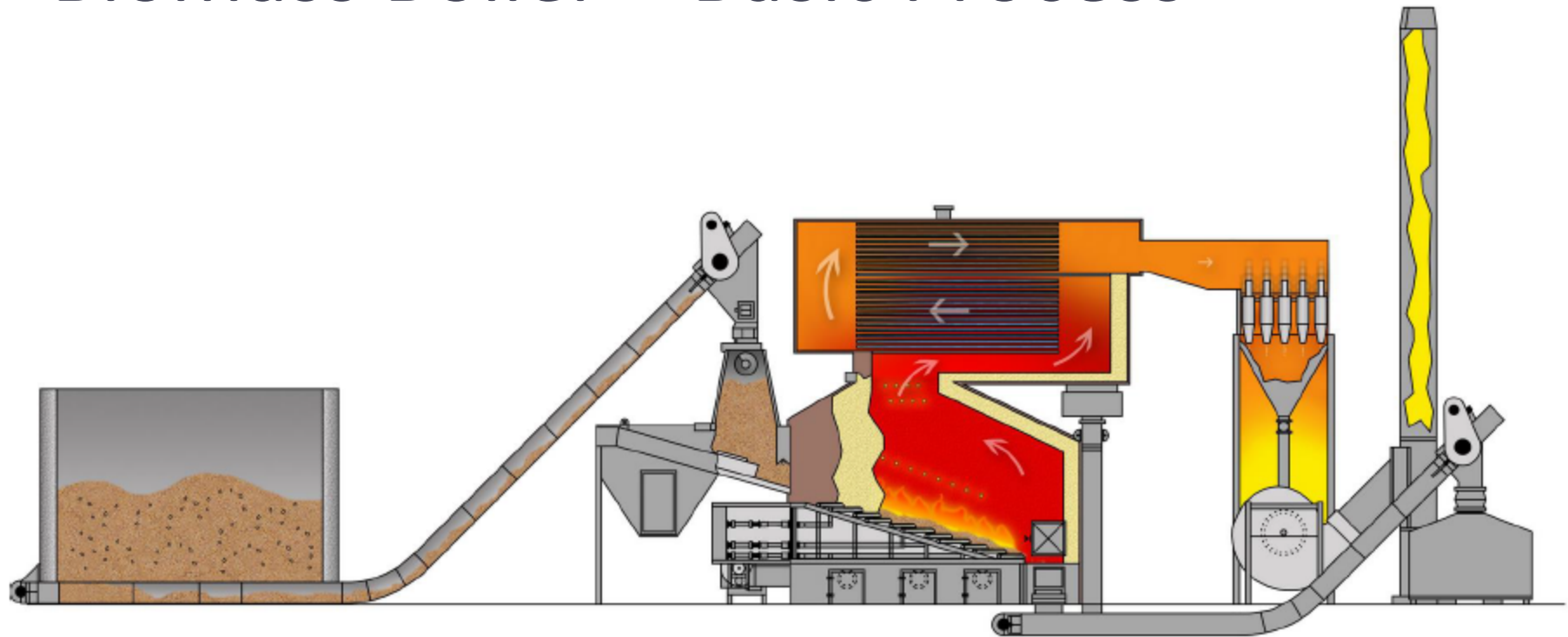
Biomass – Local & Cost Effective Fuel

	Fuel Cost [\$/Gigajoule]
Biomass	Projected at \$ 4
Natural Gas	\$ 12
Diesel	\$ 32
Propane	\$ 35



Total costs to Island Health including applicable carbon tax and GHG offsets,

Biomass Boiler – Basic Process



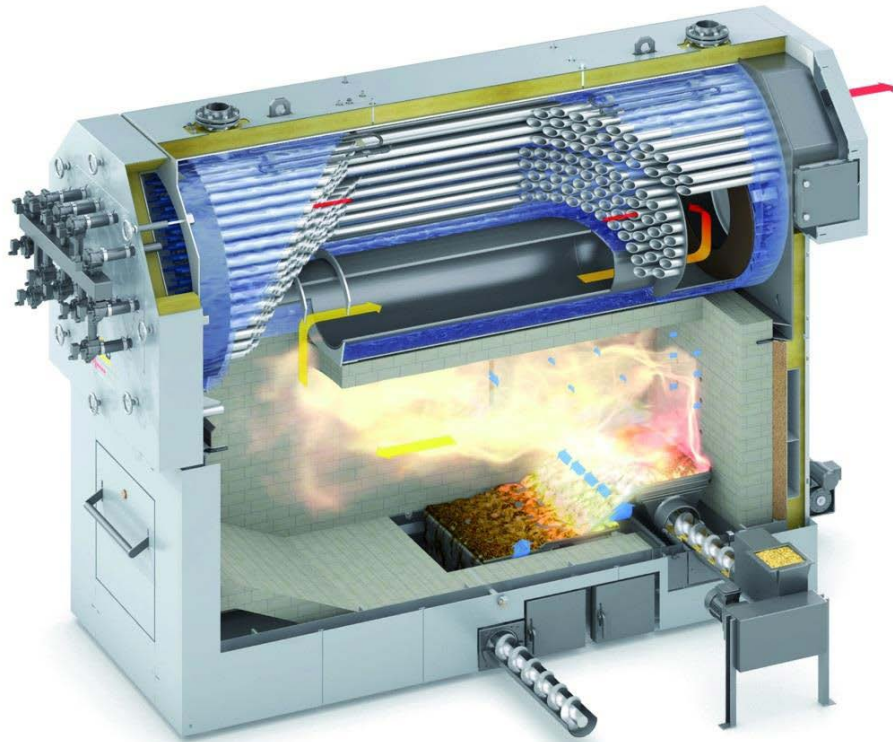
Fuel Storage

Handling

Boiler

Emissions-Clean-Up Ash

Biomass Boiler – Clean Low Carbon



Acceptance of Biomass Technology

	Installation Date
Lake Cowichan Secondary School – BC - Vancouver Island installation	2014
University of Northern British Columbia – BC - sensitive airshed	2012
Mont-Joli Hospital – QC - healthcare facility; similar-sized system to NRGH	2012
District of Lillooet Recreation & Aquatic Centre – BC - high-profile community location within the town centre	2011
Fort Smith Health Centre – NWT - healthcare facility; system supplied by BC-based vendor	2010
Kings County Memorial Hospital – PEI - healthcare facility; longest-running biomass facility in PEI	1982

Thermal Plant Next Steps...

- Funding Approval for Schematic Design
- Health Impact Assessment
- Community Engagement





CON REPORT	
CAP APPROVAL	
EAP	
CLW	
MAY 06 2015	
RHD	
BOARD	

**NANAIMO REGIONAL
HOSPITAL DISTRICT
MEMORANDUM**

TO: Wendy Idema
Director of Finance

DATE: April 23, 2015

FROM: Manvir Manhas
Senior Accountant

MEETING: Hospital District BOARD May 12, 2015

FILE:

SUBJECT: 2014 Audited Financial Statements and Audit Findings Report

RECOMMENDATION:

1. That the Audit Findings Report and the financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2014 be received.
2. That the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2014 be approved as presented.

PURPOSE:

To request approval of the 2014 audited financial statements for the Nanaimo Regional Hospital District (NRHD) and to present MNP LLP’s audit findings report related to the audit of the Nanaimo Regional Hospital District for the year ended December 31, 2014.

BACKGROUND:

The *Hospital District Act* requires a Regional Hospital District to prepare audited financial statements annually. The Regional Hospital District is a financing agency for health care facilities. Its financial activities consist of raising 40% of the costs of approved capital projects and purchases recommended by the Vancouver Island Health Authority. Compared to the Regional District itself, the activities and financial results of the Regional Hospital District are less complicated and involve a relatively small number of transactions.

The Canadian Institute of Chartered Accountants 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 firm of MNP LLP carried out the 2014 audit work and their findings are attached to this report. The full set of approved audited financial statements will be provided as a separate handout to the Board in June.

DISCUSSION:

Audit Findings Report

Attachment 1 from MNP summarizes the responsibilities of the audit firm, the scope of investigations, and the audit results. There were no items of note requiring adjustment in 2014.

Independent Auditors' Draft Report

The Regional Hospital District, in the same manner as the Regional District, maintains a system of accounting controls that ensures that assets, revenues and expenses are properly recorded and accounted for and that the financial records and results are accurate. The firm of MNP LLP is responsible for reporting to the Board the results of their audit.

Attachment 2 is the Independent Auditors' draft report to be signed after approval of the financial statements by the Board. 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.

Consolidated Financial Statements

Attachment 3 is the consolidated financial statements of the Regional Hospital District for the year ended December 31, 2014, which are discussed in more detail below.

Consolidated Statement of Financial Position (Page 2)

Because the Regional Hospital District is essentially a financing agency for the local health facilities, it will typically show a Net Debt and Accumulated Deficit position on its Statement of Financial Position.

Short term debt represents interim borrowing for major capital projects currently underway. Accounts Payable includes project advances or minor capital purchases which had been received but were not paid at the end of December 2014. Short term debt is converted to long term debenture debt periodically as the project or equipment expenditures reach a conclusion. All borrowing is through the Municipal Finance Authority.

The balance of short term debt shown on these statements is largely made up of \$0.89 million, advanced to date for the Emergency Room Redevelopment Project. Total \$36.8 million; RDN share \$13.1 million - \$6.9 million secured in long term debt and \$3.8 million funded from surplus to date, with the remainder \$0.26 million for other capital equipment and smaller scale projects.

Outstanding long term debt (Schedule D) totals \$29,457,537 (2013; \$28,185,022), with retirement dates ranging from 2015 to 2034. Long term debt principal in the amount of \$1,359,000 was repaid during the year. In 2014 \$2.9 million was secured in new long term debt, \$1.8 million with respect to the progress of the Oceanside Health Care Centre, and \$1.1 million for the MRI replacement project at the Nanaimo Regional General Hospital.

Note 7 to the financial statements itemizes the Net Debt and Accumulated Deficit as follows:

Revenue Fund <i>(the accumulated amounts from annual taxes not yet required for debt servicing or other expenses)</i>	\$ 4,306,286
Capital Grant Fund <i>(tax levies raised for equipment and projects costing less than \$1.5 million which have not yet been drawn down)</i>	\$ 4,760,395
Capital Loan Fund <i>(outstanding long term and short term debt, plus accrued project advances payable)</i>	\$(31,310,791)
Accrued liabilities <i>(long term debt interest accrued to December 31, 2014, but not payable until 2015)</i>	<u>\$(276,811)</u>
Accumulated Deficit	<u>\$(22,520,921)</u>

Consolidated Statement of Operations (Page 3)

This statement is prepared on a consolidated basis and includes all of the transactions associated with the Revenue Fund, Capital Grant Fund and the Capital Loan Fund. This statement shows the sources of revenue and expenses of the Hospital District as a whole based on Public Sector Accounting Board standards for governments as legislated under the Local Government Act.

The revenue for the year was higher than forecast as a result of receiving a return of surplus debt sinking funds of \$498,000 and higher interest revenues. Interest revenues (interest on cash balances) vary from year to year depending on the timing of reimbursing costs to the Vancouver Island Health Authority and accordingly, how long cash from tax levies is available to earn interest.

Under expenses, the grant to health care facilities is slightly lower than the budget. The grant to Vancouver Island Health Authority varies every year depending on the timing/billings of various capital projects. The budget amount shows the allocation of grants to health care facilities of \$3.44 million for the current year from the Revenue Fund only. The actual expense includes the annual grant expense from the Revenue Fund as well as the Capital Fund expenditures where debt was incurred to finance major capital projects (\$3.39 million in 2014). The consolidated actual expenses reflect the financial statements as required under public sector accounting guidelines where the budget is meant to reflect actual impacts on cash flows.

Interest on long term debt and debt issuing cost was less than budgeted because short term financing was used for a longer period than anticipated. Short term debt interest was also lower than the budget due to current low interest rates.

Schedule of Capital Grant Fund Activities (Page 10)

This schedule provides a summary of the amounts raised for capital grants approved as part of the annual budget and the expenditure of those funds during the year. The approved grant allocation was \$3.4 million for 2014. At December 31, 2014, \$4.7 million remains committed from both 2014 and prior years.

Schedule of Long Term Debt (Page 12)

The Hospital District has outstanding debt obligations of \$29.5 million with maturity dates from 2015 to 2034. The MRI Replacement project at the Nanaimo Regional General Hospital and the Oceanside Health Care center are the two major projects that were completed in 2014. The Emergency Room Redevelopment has some outstanding items to complete and long term debt in the amount of approximately \$0.79 million remains available for this project and may be secured through the Municipal Finance Authority within the next year.

ALTERNATIVES:

1. Receive the Audit Findings Report and 2014 financial statements, and approve the 2014 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 \$4,900 is included in the Hospital District's 2014 budget. There are no additional costs at this time.


SUMMARY/CONCLUSIONS:

The Canadian Institute of Chartered Accountants 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.

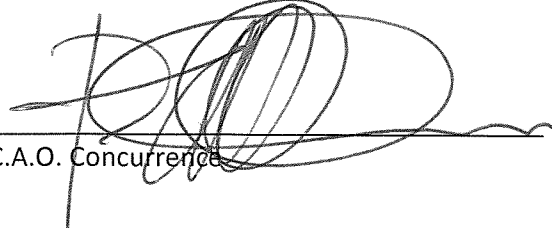
The Regional Hospital District is required to prepare annual audited financial statements. This report summarizes the results of the audited statements for the year ended December 31, 2014. The statements present, in all significant respects, the financial position of the Nanaimo Regional Hospital District as at December 31, 2014. This is confirmed by the Audit Findings Report and the draft Independent Auditors' Report attached with this report. Staff recommend that these reports be approved and received.



Report Writer



Director of Finance Concurrence



C.A.O. Concurrence



May 12, 2015

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

Re: Audit Findings Report to the Board of Directors
Year ending December 31, 2014

Dear Members of the Board:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Nanaimo Regional Hospital District (the "Hospital District") for the year ended December 31, 2014. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

1. The Audit

Our responsibility, as auditor of the Hospital District, is to report to the Board of Directors on the fair presentation of the 2014 consolidated 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 control 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.

2. Audit Results

We have satisfactorily completed our audit and are prepared to sign our Independent Auditors' Report after the Board of Directors's review and approval of the consolidated 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.



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96 WALLACE STREET; NANAIMO BC; V9R 0E2
P: 250-753-8251 F: 250-754-3999 www.MNP.ca

Nanaimo Regional Hospital District

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 \$139,000. The independent audit report will provide an unqualified opinion to the Board of Directors. Key matters noted during our audit are summarized in the table below.

SUBJECTS	2014	2013
Material uncertainties related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern	None	None
Illegal or fraudulent acts	None noted	None noted
Non-compliance with laws and regulations	None	None
Fraud by employees/management with key roles in control activities	None noted	None noted
Differences that may:		
- Have a material effect on comparative information and the current period financial statements	None	None
- Cause future statements to be materially misstated	None	None
- Indicate significant deficiencies in controls	None	None
Irregularities having a material financial statement effect	None	None
Limitations placed on the scope of our audit	None	None
Significant transactions not in the ordinary course of business	None	None
Unusual significant transactions given the entity and its environment	None	None
Non-monetary transactions	None	None
Transactions that increase risk	None	None
Concerns with management breach of corporate conduct	None	None
Conflicts of interest	None	None
Disagreements with management	None	None
Emphasis of matter or other matter paragraph included in the independent auditor's report	None	None
Matters influencing audit appointment	None	None
Difficulties encountered during the audit	None	None
Disagreements with management's accounting estimates	None	None
Disagreements with management's adoption of accounting policies or emphasis on the need for a particular accounting treatment	None	None
Significant deficiencies in the entity's risk assessment process within the design and implementation of controls	None	None
Significant deficiencies in controls resulting from inappropriate response by management regarding implementing controls over significant risks	None	None
Matters giving rise to questions regarding the honesty and integrity of management	None	None

*No items of concern noted, but large number of transactions of this nature.

There were no adjusted or unadjusted differences.

Nanaimo Regional Hospital District

3. 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 included under separate cover.

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.

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.

Yours truly,

MNP LLP

MNP LLP

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of the Nanaimo Regional Hospital District, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations and accumulated deficit and cash flows and 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 consolidated 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 the Nanaimo Regional Hospital District as at December 31, 2014 and the results of its operations and changes in accumulated deficit and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The supplementary information on Schedule D has been subjected to the auditing procedures applied to the consolidated financial statements and, in our opinion, this supplementary information is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole.

The supplementary information on Schedules A, B and C have been presented for purposes of additional analysis and are 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 12, 2015

Chartered Accountants

NANAIMO REGIONAL HOSPITAL DISTRICT
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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Management's Responsibility

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.

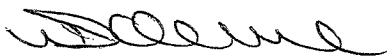
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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 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 20, 2015

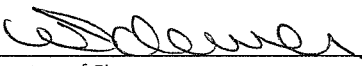


Director of Finance

**NANAIMO REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash	\$ 8,200,433	\$ 5,940,513
Short term investments	1,596,347	1,579,144
Accounts receivable	8,478	7,851
	<u>9,805,258</u>	<u>7,527,508</u>
Financial Liabilities		
Short term debt (Note 2)	1,152,187	2,849,355
Accounts payable	1,439,644	1,330,998
Accrued liabilities (Note 4)	276,811	275,255
Long term debt (Schedule D, Note 3)	29,457,537	28,185,022
	<u>32,326,179</u>	<u>32,640,630</u>
Net Debt and Accumulated Deficit (Note 7)	<u>\$ (22,520,921)</u>	<u>\$ (25,113,122)</u>

Approved:



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, 2014

	<u>Budget</u> (Note 8)	<u>2014</u>	<u>2013</u>
Revenues			
Property tax revenues	\$ 6,712,985	\$ 6,712,985	\$ 6,712,985
Grants-in-lieu of taxes	30,000	33,775	33,249
Interest on investments	50,000	102,575	83,805
Other revenue	-	498,572	193,628
	<u>6,792,985</u>	<u>7,347,907</u>	<u>7,023,667</u>
Expenses			
Administration	24,725	24,853	21,972
Long term debt issue costs	83,377	46,850	135,863
Grants to health care facilities	3,444,055	3,391,953	9,112,071
Short term debt interest and bank charges	81,638	54,800	100,388
Interest on long term debt	1,286,973	1,237,250	1,294,419
	<u>4,920,768</u>	<u>4,755,706</u>	<u>10,664,713</u>
Surplus (deficit) for the year	1,872,217	2,592,201	(3,641,046)
Opening, Net Debt and Accumulated Deficit	<u>(25,113,122)</u>	<u>(25,113,122)</u>	<u>(21,472,076)</u>
Ending, Net Debt and Accumulated Deficit	<u>(23,240,905)</u>	<u>(22,520,921)</u>	<u>(25,113,122)</u>

Approved:



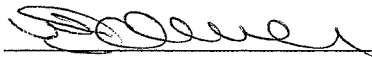
Director of Finance

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
Operating transactions		
Surplus (Deficit) for the year (Pg 3)	\$ 2,592,201	\$ (3,641,046)
Decrease (Increase) in accounts receivable	(627)	(2,541)
Increase (decrease) in accounts payable	108,647	237,117
Increase in accrued liabilities	1,556	159,810
Net decrease in cash from operations	<u>2,701,777</u>	<u>(3,246,660)</u>
Financing transactions		
Increase (decrease) in short term debt	(1,697,168)	(2,467,516)
Long term debt proceeds	2,928,152	8,491,467
Repayment of long term debt	(1,359,822)	(1,109,666)
Debt actuarial adjustments	(295,816)	(315,098)
Net increase in cash from financing	<u>(424,654)</u>	<u>4,599,187</u>
Net change in cash and investments	2,277,123	1,352,527
Cash and investments, beginning	<u>7,519,657</u>	<u>6,167,130</u>
Cash and investments, ending	<u>\$ 9,796,780</u>	<u>\$ 7,519,657</u>
CASH AND INVESTMENTS CONSIST OF:		
Cash	\$ 8,200,433	\$ 5,940,513
Short term investments	<u>1,596,347</u>	<u>1,579,144</u>
	<u>\$ 9,796,780</u>	<u>\$ 7,519,657</u>

Approved



Director of Finance

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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 received. Interest revenue is recognized when earned.

NANAIMO REGIONAL HOSPITAL DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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.

2. SHORT TERM DEBT

Short term financing is secured through the Municipal Finance Authority for capital initiatives approved under loan authorizations. Interest rate was 1.8% as at December 31, 2014. Short term borrowing is replaced by long term debt periodically when balances and interest rates are considered appropriate.

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:

2015	\$ 1,380,527
2016	\$ 1,382,208
2017	\$ 1,304,224
2018	\$ 1,309,558
2019	\$ 1,280,131

NANAIMO REGIONAL HOSPITAL DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

4. ACCRUED LIABILITIES

Accrued liabilities arise from accrued interest on outstanding long term debt. Accrued liabilities are not recorded in the accounting records, nor 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. 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>2014</u>	<u>2013</u>
Cash	\$ <u>452,905</u>	\$ <u>459,237</u>

7. ACCUMULATED DEFICIT

The Accumulated Deficit of \$22,520,921 (2013: \$25,113,122) is made up of the following individual fund equity amounts.

	<u>2014</u>	<u>2013</u>
Revenue Fund (Schedule A)	\$ 4,306,286	\$ 3,420,846
Capital Grant Fund (Schedule B)	4,760,395	3,744,610
Capital Loan Fund (Schedule C)	<u>(31,310,791)</u>	<u>(32,003,323)</u>
	(22,244,110)	(24,837,867)
Accrued liabilities	<u>(276,811)</u>	<u>(275,255)</u>
Accumulated Deficit	\$ <u>(22,520,921)</u>	\$ <u>(25,113,122)</u>

NANAIMO REGIONAL HOSPITAL DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

7. ACCUMULATED DEFICIT (CONTINUED)

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.

8. BUDGET FIGURES

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 25, 2014.

Reconciliation of Board approved budget:

Net surplus per approved budget Bylaw No. 157	\$ 2,383,360
Adjusted for:	
Prior year surplus	(3,420,875)
Interest on long-term debt	(1,286,973)
Transfer to reserve	1,245,000
Debt servicing	<u>2,951,705</u>
Surplus per Statement of Operations	<u>\$ 1,872,217</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, 2014
(UNAUDITED)

SCHEDULE A

	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Revenues			
Property tax revenues	\$ 6,712,985	\$ 6,712,985	\$ 6,712,985
Grants-in-lieu of taxes	30,000	33,775	33,249
Interest on investments	50,000	102,575	83,805
Other revenue	-	498,572	193,628
	<u>6,792,985</u>	<u>7,347,907</u>	<u>7,023,667</u>
Expenditures			
Administration	24,725	24,853	21,972
Short term loan interest, bank charges, debt issuing	165,015	101,650	236,251
Long term debt interest	1,581,233	1,531,510	1,449,707
Grants to Health Authority	-	577	435,435
	<u>1,770,973</u>	<u>1,658,590</u>	<u>2,143,365</u>
Operating Surplus	<u>5,022,012</u>	<u>5,689,317</u>	<u>4,880,302</u>
Transfer to Capital Grant Fund (Pg 10)	3,444,055	3,444,055	3,444,055
Transfer to Capital Loan Fund for debt principal (Pg 11)	1,370,472	1,359,822	1,109,666
	<u>4,814,527</u>	<u>4,803,877</u>	<u>4,553,721</u>
Surplus (Deficit) for the year	207,485	885,440	326,581
Add: Prior years' surplus	<u>3,420,846</u>	<u>3,420,846</u>	<u>3,094,265</u>
Surplus, Ending (Note 7)	<u>\$ 3,628,331</u>	<u>\$ 4,306,286</u>	<u>\$ 3,420,846</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, 2014
(UNAUDITED)

	<u>2014</u>	<u>2013</u>
FUND BALANCE, BEGINNING	\$ 3,744,610	\$ 2,789,529
Add: Transfer from Revenue Fund (Pg 9)	3,444,055	3,444,055
Less: Grants to Vancouver Island Health Authority	<u>(2,428,270)</u>	<u>(2,488,974)</u>
FUND BALANCE, ENDING (Note 7)	<u><u>\$ 4,760,395</u></u>	<u><u>\$ 3,744,610</u></u>

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT **SCHEDULE C**
SCHEDULE OF CAPITAL LOAN FUND ACTIVITIES (NON-CONSOLIDATED)
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

	<u>2014</u>	<u>2013</u>
FUND BALANCE, BEGINNING, as previously reported	\$ (32,003,323)	\$ (27,240,425)
Grants to Health Authority	(963,106)	(6,187,662)
Debt principal repayments	1,359,822	1,109,666
Debt actuarial adjustments	<u>295,816</u>	<u>315,098</u>
FUND BALANCE, ENDING (Note 7)	<u>\$ (31,310,791)</u>	<u>\$ (32,003,323)</u>

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT
SCHEDULE OF LONG TERM DEBT
AS AT DECEMBER 31, 2014

SCHEDULE D

Issue	Bylaw No.	Maturity	Interest Rate	Original Requested	Outstanding	Outstanding	
					2014	2013	
517	110	Nov 30, 2023	7.875	312,520	23,505	35,258	
622	105	Aug 15, 2014	7.500	826,194	-	62,301	
624	105/106/110/111	Aug 23, 2023	7.875	1,260,559	155,236	231,072	
626	104/105/106	Jun 09, 2014	9.625	1,789,496	-	140,897	
72	110	Jun 01, 2020	6.450	125,258	50,489	57,682	
75	111	Dec 01, 2021	5.690	318,086	147,692	164,967	
80	122/124/128/129	Oct 03, 2018	4.900	753,043	257,258	314,104	
92	125/131	April 6, 2020	4.550	215,868	87,409	104,021	
93	127	April 6, 2025	5.100	4,071,247	2,489,478	2,683,444	
97	133	April 19, 2016	4.660	288,479	67,082	98,701	
102	127	Dec 01, 2027	4.820	8,100,000	5,951,568	6,295,750	
103	137	Apr 23, 2023	4.650	324,943	217,303	237,047	
110	139/127/144	April 8, 2030	4.500	3,083,688	2,590,755	2,721,331	
116	144	April 4, 2031	4.200	1,727,207	1,546,146	1,608,881	
121	150	October 4, 2032	2.900	645,028	600,840	623,367	
121	145.01	October 4, 2032	2.900	4,065,041	3,786,558	3,928,529	
121	142	October 4, 2027	2.900	406,504	365,090	386,203	
126	154	September 26, 2033	3.850	4,500,000	4,348,882	4,500,000	
126	145.01	September 26, 2033	3.850	2,100,000	2,029,478	2,100,000	
126	144	September 26, 2033	3.850	1,076,467	1,040,317	1,076,467	
126	140	September 26, 2028	3.850	815,000	774,298	815,000	
130	154	October 14, 2034	3.000	1,815,997	1,815,998	-	
130	156	October 14, 2034	3.000	1,112,155	1,112,155	-	
					\$ 39,732,780	\$ 29,457,537	\$ 28,185,022

See notes to consolidated financial statements