

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**REGULAR BOARD MEETING  
TUESDAY, MAY 10, 2016  
7:00 PM**

***(RDN Board Chambers)***

**A G E N D A**

**PAGES**

- 1. CALL TO ORDER**
- 2. DELEGATIONS**
- 2                    **Corey Vanderhorst, MNP**, re 2015 Audited Financial Statements and Audit Findings Report.
- 3. BOARD MINUTES**
- 3-6                    Minutes of the Inaugural Hospital Board meeting held Tuesday, March 8, 2016 (All Directors – One Vote).  
  
*That the Minutes of the Inaugural Hospital Board meeting held Tuesday, March 8, 2016 be adopted.*
- 4. BUSINESS ARISING FROM THE MINUTES**
- 5. COMMUNICATIONS/CORRESPONDENCE**
- 6. UNFINISHED BUSINESS**
- 8. ADMINISTRATOR’S REPORTS**
- 7-31                    **2015 Audited Financial Statements and Audit Findings Report** (All Directors – One Vote).
- 9. ADDENDUM**
- 10. NEW BUSINESS**
- 11. BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS**
- 12. ADJOURNMENT**



**Delegation:** **Cory Vanderhorst, MNP**, re 2015 Audited Financial Statements and Audit Findings Report.

**Summary:** Presentation of the 2015 Audited Financial Statements and Audit Findings Report to be accompanied by Janna Olynyk.

**REGIONAL DISTRICT OF NANAIMO**

**MINUTES OF THE NANAIMO REGIONAL HOSPITAL DISTRICT BOARD MEETING  
HELD ON TUESDAY, MARCH 8, 2016 AT 7:00 PM IN THE  
RDN BOARD CHAMBERS**

In Attendance:

Director W. Veenhof	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 J. Stanhope	Electoral Area G
Alternate	
Director G. Fuller	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 B. Luchtmeijer	Town of Qualicum Beach

Regrets:

Director B. McKay	City of Nanaimo
Director B. Bestwick	City of Nanaimo
Director M. Lefebvre	City of Parksville
Director T. Westbroek	Town of Qualicum Beach

Also in Attendance:

D. Trudeau	Interim Chief Administrative Officer
R. Alexander	Gen. Mgr. Regional & Community Utilities & Solid Waste
G. Garbutt	Gen. Mgr. Strategic & Community Development
T. Osborne	Gen. Mgr. Recreation & Parks
J. Harrison	Director of Corporate Services
W. Idema	Director of Finance
D. Pearce	A/Director of Transit
M. O'Halloran	A/Mgr. Administrative Services
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 2016.

Director Fell nominated Director Veenhof. Director Veenhof accepted the nomination.

There being no further nominations, the Chief Administrative Officer declared Director Veenhof as Chair of the Nanaimo Regional Hospital District for the year 2016.

## **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 2016.

Director Yoachim nominated Director Stanhope. Director Stanhope declined the nomination.

Director Rogers nominated Director Pratt.

Director Fell nominated Director Haime.

Director Pratt and Director Haime accepted their nominations and spoke regarding their candidacy.

An election was held and following the counting of the ballots the Chief Administrative Officer declared Director Haime as Vice Chair of the Nanaimo Regional Hospital District for the year 2016.

The Chair claimed his seat.

## **Destruction of Election Ballots.**

MOVED Director Thorpe, SECONDED Director Houle, that the ballots cast for the Vice Chair election be destroyed.

CARRIED

## **BOARD MINUTES**

### **Minutes of the Hospital Board meeting held Tuesday, November 10, 2015.**

MOVED Director Stanhope, SECONDED Director Houle, that the minutes of the Regional Hospital District Board meeting held Tuesday, November 10, 2015, be adopted.

CARRIED

## **COMMUNICATIONS/CORRESPONDENCE**

### **MNP LLP, re Nanaimo Regional Hospital District Audit Service Plan – December 31, 2015.**

MOVED Director Stanhope, SECONDED Director Houle, that the correspondence from MNP LLP, regarding the Nanaimo Regional Hospital District Audit Service Plan – December 31, 2015 be received.

CARRIED

**COMMISSION, ADVISORY & SELECT COMMITTEE**

**Regional Hospital District Select Committee.**

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

MOVED Director Stanhope, SECONDED Director Thorpe, 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 23, 2016.**

MOVED Director Pratt, SECONDED Director Houle, that the minutes of the Regional Hospital District Select Committee meeting held on Tuesday, February 23, 2016, be received for information.

CARRIED

**Request for Approval of 2016/2017 Capital Equipment and Minor Capital Project Lists.**

MOVED Director Houle, SECONDED Director Pratt, that the 2016/2017 list of minor capital improvement projects with Nanaimo Regional Hospital District cost sharing in the amount of \$1,215,802 be approved.

CARRIED

MOVED Director Houle, SECONDED Director Pratt, that the 2016/2017 list of capital equipment purchases with Nanaimo Regional Hospital District cost sharing in the amount of \$851,438 be approved.

CARRIED

MOVED Director Houle, SECONDED Director Pratt, that \$1,376,815 in unallocated annual minor capital funding from 2016/2017 request be split with \$776,815 redirected to Regional Hospital District cost shared large capital projects and \$600,000 held in contingency for minor capital projects and equipment purchases.

CARRIED

MOVED Director Houle, SECONDED Director Pratt, that the \$868,435 in unallocated prior year minor capital funding be reallocated to the NRGH Electrical Energy Plant Upgrade project.

CARRIED

**Nanaimo Regional Hospital District Bylaw No. 162 - 2016 Proposed Budget.**

MOVED Director Pratt, SECONDED Director Houle, that the 2016 Regional Hospital District budget be approved with the following components:

Property tax requisition	\$ 6,984,190
Capital grant allowance	\$ 2,667,240
Transfer to major capital reserve	\$ 1,776,815

CARRIED

MOVED Director Thorpe, SECONDED Director Houle, that "Nanaimo Regional Hospital District 2016 Annual Budget Bylaw No. 162, 2016" be introduced and read three times.

CARRIED

MOVED Director Pratt, SECONDED Director Rogers, that "Nanaimo Regional Hospital District 2016 Annual Budget Bylaw No. 162, 2016" be adopted.

CARRIED

**ADMINISTRATOR'S REPORTS**

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

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

Chair	William Veenhof
Vice Chair	Colin Haime
Interim Chief Administrative Officer	Dennis Trudeau
Director of Finance	Wendy Idema
Manager, Accounting Services	Tiffany Moore
Senior Accountant	Manvir Manhas

CARRIED

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

CARRIED

**ADJOURNMENT**

MOVED Director Houle, SECONDED Director Pratt, that this meeting be adjourned.

CARRIED

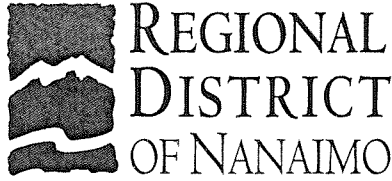
TIME: 7:12 PM

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CHAIRPERSON

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CORPORATE OFFICER



RCM REPORT	
CAO APPROVAL	MN
EAT	
CCW	
MAY 05 2016	
NRHD	
BOARD	
NRHD	

**NANAIMO REGIONAL  
HOSPITAL DISTRICT  
STAFF REPORT**

**TO:** Wendy Idema  
Director of Finance

**DATE:** April 25, 2016

**FROM:** Manvir Manhas  
Senior Accountant

**MEETING:** NRHD BOARD May 10, 2016

**FILE:** 1870-02

**SUBJECT:** 2015 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, 2015 be received.
2. That the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2015 be approved as presented.

**PURPOSE:**

To request approval of the 2015 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, 2015.

**BACKGROUND:**

The *Hospital District Act* requires the Nanaimo Regional Hospital District to prepare audited financial statements annually. The Nanaimo 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 NRHD are less complicated and involve a relatively small number of transactions.

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 firm of MNP LLP carried out the 2015 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 2015.

**Independent Auditors' Draft Report**

The Nanaimo Regional Hospital District, in the same manner as the Nanaimo 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 Nanaimo Regional Hospital District for the year ended December 31, 2015, which are discussed in more detail below.

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

Because the Nanaimo 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 2015. 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.

There is no outstanding short-term debt as at December 31, 2015 (2014; \$1,152,187). Short-term debt principal of \$267,000 was repaid during the year and the balance was converted to long-term debt in 2015.

Outstanding long-term debt (Schedule D) totals \$29,788,020 (2014; \$\$29,457,537), with retirement dates ranging from 2016 to 2035. Long-term debt principal in the amount of \$1,380,000 was repaid during the year. In 2015 \$1.9 million was secured in new long-term debt for the Emergency Room Redevelopment Project at the Nanaimo Regional General Hospital.

Note 7 to the financial statements itemize 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>	\$ 4,507,374
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>	\$ 5,930,139
Capital Loan Fund <i>(outstanding long-term and short-term debt, plus accrued project advances payable)</i>	\$(29,788,020)
Accrued Liabilities <i>(long-term debt interest accrued to December 31, 2015, but not payable until 2016)</i>	<u>\$(285,780)</u>
Accumulated Deficit	<u>\$(19,636,287)</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 NRHD 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 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 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 (\$2.75 million in 2015). 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.

Short-term debt interest was lower than the budget due to current low interest rates and timing/billings of various capital projects. The short-term debt interest budget included an allowance of \$75,000 related to the Electrical Energy Plant project that was not used in 2015 due to the timing of the project billings and invoices being funded out of surplus instead of borrowing.

### ***Schedule of Capital Grant Fund Activities (Page 13)***

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 2015. At December 31, 2015, \$5.9 million remains committed from both 2015 and prior years.

**Schedule of Long-Term Debt (Page 15)**

NRHD has outstanding debt obligations of \$29.8 million with maturity dates from 2016 to 2035. The Emergency Room Redevelopment project was completed during the year and long-term debt in the amount of approximately \$1.9 million was secured through the Municipal Finance Authority in 2015. The Electrical Energy Plant project at the Nanaimo Regional General Hospital is currently underway and long-term debt in the amount of approximately \$5.0 million remains available for this project and may be secured through the Municipal Finance Authority within the next two years.

**ALTERNATIVES:**

1. Receive the Audit Findings Report and 2015 financial statements, and approve the 2015 consolidated financial statements of the Nanaimo Regional Hospital District for final signatures.
2. Receive the Audit Findings Report and provide alternate direction to staff.

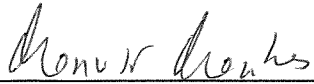
**FINANCIAL IMPLICATIONS:**


The annual audit fee of \$5,000 is included in the Nanaimo Regional Hospital District’s 2015 budget. There are no additional costs at this time.


**SUMMARY/CONCLUSIONS:**

The 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.

NRHD is required to prepare annual audited financial statements. This report summarizes the results of the audited statements for the year ended December 31, 2015. The statements present, in all significant respects, the financial position of the Nanaimo Regional Hospital District as at December 31, 2015. This is confirmed by the Audit Findings Report and the draft Independent Auditors’ Report attached with this report. Staff recommend that these reports be received and approved.

  
\_\_\_\_\_  
Report Writer

  
\_\_\_\_\_  
Director of Finance Concurrence

  
\_\_\_\_\_  
C.A.O. Concurrence



May 10, 2016

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, 2015

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 "Regional Hospital District") as at December 31, 2015 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.

## 1. The Audit

Our responsibility, as auditors of the Regional Hospital District, is to report to the Board of Directors on the fair presentation of the 2015 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 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Regional Hospital District's consolidated 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 \$250,000.** The materiality is higher than the \$139,000 that we had initially communicated in our Audit Service Plan. The increase is because of a change to our audit methodology guidelines. The audit report will provide an unqualified opinion to the Board of Directors. Key matters noted during our audit are summarized in the table below.



## Nanaimo Regional Hospital District

SUBJECTS	2015	2014
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 noted	None noted
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 consolidated financial statements	None	None
- Cause future statements to be materially misstated	None	None
- Indicate significant deficiencies in controls	None	None
Irregularities having a material consolidated 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 auditors' 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

There were no unadjusted differences of any significance noted.

### 3. 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 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 Regional Hospital District.

Nanaimo 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.

Yours truly,

*MNP LLP*

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

May 10, 2016

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, 2015 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, 2015 to the date of this letter.

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

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

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

Sincerely,

MNP LLP  
Chartered Professional Accountants

## Independent Auditors' Report

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To the Members of the Board of 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, 2015 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, 2015 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 has been presented for purposes of additional analysis and is unaudited. We do not express an opinion on these schedules because our examination did not extend to the detailed information therein.

Nanaimo, British Columbia

May 10, 2016

Chartered Professional Accountants



**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

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## Management's Responsibility

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

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

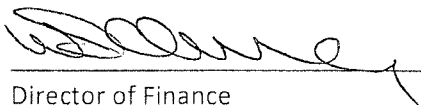
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate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

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

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

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

April 18, 2016

  
\_\_\_\_\_  
Director of Finance

NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<b>Financial Assets</b>		
Cash	\$ 6,233,032	\$ 8,200,433
Short term investments	4,631,131	1,596,347
Accounts receivable	5,604	8,478
	<u>10,869,767</u>	<u>9,805,258</u>
<b>Financial Liabilities</b>		
Short term debt (Note 2)	-	1,152,187
Accounts payable	432,254	1,439,644
Accrued liabilities (Note 4)	285,780	276,811
Long term debt (Schedule D, Note 3)	29,788,020	29,457,537
	<u>30,506,054</u>	<u>32,326,179</u>
<b>Net Debt and Accumulated Deficit (Note 7)</b>	<u>\$ (19,636,287)</u>	<u>\$ (22,520,921)</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, 2015

	<u>Budget</u> (Note 8)	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
Property tax revenues	\$ 6,847,245	\$ 6,847,245	\$ 6,712,985
Grants-in-lieu of taxes	30,000	33,394	33,775
Interest on investments	50,000	113,779	102,575
Other revenue	-	41	498,572
	<u>6,927,245</u>	<u>6,994,459</u>	<u>7,347,907</u>
<b>Expenses</b>			
Administration	31,400	31,400	24,853
Long term debt issue costs	25,600	30,958	46,850
Grants to health care facilities	3,444,055	2,757,142	3,391,953
Short term debt interest and bank charges	107,479	17,323	54,800
Interest on long term debt	1,275,631	1,273,002	1,237,250
	<u>4,884,165</u>	<u>4,109,825</u>	<u>4,755,706</u>
<b>Surplus for the year</b>	2,043,080	2,884,634	2,592,201
<b>Opening, Net Debt and Accumulated Deficit</b>	<u>(22,520,921)</u>	<u>(22,520,921)</u>	<u>(25,113,122)</u>
<b>Ending, Net Debt and Accumulated Deficit</b>	<u><u>(20,477,841)</u></u>	<u><u>(19,636,287)</u></u>	<u><u>(22,520,921)</u></u>

Approved:



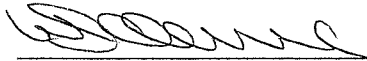
Director of Finance

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<b>Operating transactions</b>		
Surplus for the year (Pg 3)	\$ 2,884,634	\$ 2,592,201
Non-cash items included in surplus		
Debt actuarial adjustments	(223,991)	(295,816)
Change in non-cash working capital balances		
Decrease (Increase) in accounts receivable	2,874	(627)
Increase (decrease) in accounts payable	(1,007,389)	108,647
Increase in accrued liabilities	8,969	1,556
Net increase in cash from operations	<u>1,665,097</u>	<u>2,405,961</u>
<b>Financing transactions</b>		
Decrease in short term debt	(1,152,187)	(1,697,168)
Long term debt proceeds	1,935,000	2,928,152
Repayment of long term debt	<u>(1,380,527)</u>	<u>(1,359,822)</u>
Net decrease in cash from financing	<u>(597,714)</u>	<u>(128,838)</u>
<b>Net change in cash and investments</b>	1,067,383	2,277,123
Cash and investments, beginning	<u>9,796,780</u>	<u>7,519,657</u>
Cash and investments, ending	<u>\$ 10,864,163</u>	<u>\$ 9,796,780</u>
 <b>CASH AND INVESTMENTS CONSIST OF:</b>		
Cash	\$ 6,233,032	\$ 8,200,433
Short term investments	<u>4,631,131</u>	<u>1,596,347</u>
	<u>\$ 10,864,163</u>	<u>\$ 9,796,780</u>

Approved

  
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Director of Finance

See notes to consolidated financial statements

## NANAIMO REGIONAL HOSPITAL DISTRICT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Long term debt

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

(c) Short term investments

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

(d) Financial instruments

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

(e) Revenue recognition

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

NANAIMO REGIONAL HOSPITAL DISTRICT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Use of estimates

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

(g) Recent Accounting pronouncements

i. PS 2200 Related Party Disclosures

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

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

ii. PS 3210 Assets

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

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

NANAIMO REGIONAL HOSPITAL DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Recent Accounting pronouncements (continued)

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

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

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

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

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

iii. PS 3320 Contingent Assets

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

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

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



NANAIMO REGIONAL HOSPITAL DISTRICT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

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

(g) Recent Accounting pronouncements (continued)

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

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

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

iv. PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. Disclosures should include descriptions about nature, extent, and timing.

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

**2. SHORT TERM DEBT**

Short term financing is secured through the Municipal Finance Authority for capital initiatives approved under loan authorizations. Interest rate was 1.35% as at December 31, 2015. Short term borrowing is replaced by long term debt periodically when balances and interest rates are considered appropriate.

NANAIMO REGIONAL HOSPITAL DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

**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:

2016	\$ 1,450,632
2017	\$ 1,372,648
2018	\$ 1,377,982
2019	\$ 1,348,555
2020	\$ 1,354,164

**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.

NANAIMO REGIONAL HOSPITAL DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

6. MUNICIPAL FINANCE AUTHORITY RESERVE DEPOSITS (CONTINUED)

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

	<u>2015</u>	<u>2014</u>
Cash	\$ <u>483,379</u>	\$ <u>452,905</u>

7. ACCUMULATED DEFICIT

The Accumulated Deficit of \$19,636,287 (2014: \$22,520,921) is made up of the following individual fund equity amounts.

	<u>2015</u>	<u>2014</u>
Revenue Fund (Schedule A)	\$ 4,507,374	\$ 4,306,286
Capital Grant Fund (Schedule B)	5,930,139	4,760,395
Capital Loan Fund (Schedule C)	<u>(29,788,020)</u>	<u>(31,310,791)</u>
	(19,350,507)	(22,244,110)
Accrued liabilities	<u>(285,780)</u>	<u>(276,811)</u>
Accumulated Deficit	\$ <u>(19,636,287)</u>	\$ <u>(22,520,921)</u>

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

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

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

**NANAIMO REGIONAL HOSPITAL DISTRICT**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**8. BUDGET FIGURES**

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 10, 2015.

Reconciliation of Board approved budget:

Net surplus per approved budget Bylaw No. 159	\$ 2,107,969
Adjusted for:	
Prior year surplus	(3,061,864)
Interest on long-term debt	(1,275,631)
Transfer to reserve	1,134,000
Debt servicing	<u>3,138,606</u>
Surplus per Statement of Operations	<u>\$ 2,043,080</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.

**10. 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 (NON-CONSOLIDATED)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

**SCHEDULE A**

	<u>Budget</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
Property tax revenues	\$ 6,847,245	\$ 6,847,245	\$ 6,712,985
Grants-in-lieu of taxes	30,000	33,394	33,775
Interest on investments	50,000	113,779	102,575
Other revenue	-	41	498,572
	<u>6,927,245</u>	<u>6,994,459</u>	<u>7,347,907</u>
<b>Expenditures</b>			
Administration	31,400	31,400	24,853
Short term loan interest, bank charges, debt issuing	133,079	48,281	101,650
Long term debt interest	1,490,653	1,488,023	1,531,510
Grants to Health Authority	-	401,085	577
	<u>1,655,132</u>	<u>1,968,789</u>	<u>1,658,590</u>
<b>Operating Surplus</b>	<u>5,272,113</u>	<u>5,025,670</u>	<u>5,689,317</u>
Transfer to Capital Grant Fund (Pg 13)	3,444,055	3,444,055	3,444,055
Transfer to Capital Loan Fund for debt principal (Pg 14)	1,647,953	1,380,527	1,359,822
	<u>5,092,008</u>	<u>4,824,582</u>	<u>4,803,877</u>
<b>Surplus for the year</b>	180,105	201,088	885,440
Add: Prior years' surplus	<u>4,306,286</u>	<u>4,306,286</u>	<u>3,420,846</u>
<b>Surplus, Ending (Note 7)</b>	<u>\$ 4,486,391</u>	<u>\$ 4,507,374</u>	<u>\$ 4,306,286</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, 2015  
(UNAUDITED)

	<u>2015</u>	<u>2014</u>
FUND BALANCE, BEGINNING	\$ 4,760,395	\$ 3,744,610
Add: Transfer from Revenue Fund (Pg 12)	3,444,055	3,444,055
Less: Grants to Vancouver Island Health Authority	<u>(2,274,311)</u>	<u>(2,428,270)</u>
FUND BALANCE, ENDING (Note 7)	<u>\$ 5,930,139</u>	<u>\$ 4,760,395</u>

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF CAPITAL LOAN FUND ACTIVITIES (NON-CONSOLIDATED)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)

SCHEDULE C

	<u>2015</u>	<u>2014</u>
<b>FUND BALANCE, BEGINNING, as previously reported</b>	\$ (31,310,791)	\$ (32,003,323)
Grants to Health Authority	(81,747)	(963,106)
Debt principal repayments	1,380,527	1,359,822
Debt actuarial adjustments	<u>223,991</u>	<u>295,816</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	<u>\$ (29,788,020)</u>	<u>\$ (31,310,791)</u>

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF LONG TERM DEBT  
AS AT DECEMBER 31, 2015

SCHEDULE D

Issue	Bylaw No.	Maturity	Interest Rate	Original Requested	Outstanding 2015	Outstanding 2014
517	110	Nov 30, 2023	7.875	312,520	11,753	23,505
624	105/106/110/111	Aug 23, 2023	7.875	1,260,559	78,214	155,236
72	110	Jun 01, 2020	6.450	125,258	42,973	50,489
75	111	Dec 01, 2021	5.690	318,086	129,552	147,692
80	128/129	Oct 03, 2018	4.900	753,043	197,571	257,258
92	125/131	April 6, 2020	4.550	215,868	70,132	87,409
93	127	April 6, 2025	5.100	4,071,247	2,290,566	2,489,478
97	133	April 19, 2016	4.660	288,479	34,199	67,082
102	127	Dec 01, 2027	4.820	8,100,000	5,593,618	5,951,568
103	137	Apr 23, 2023	4.650	324,943	196,769	217,303
110	139/127/144	April 8, 2030	4.500	3,083,688	2,454,956	2,590,755
116	144	April 4, 2031	4.200	1,727,207	1,480,901	1,546,146
121	150	October 4, 2032	2.900	645,028	577,411	600,840
121	145.01	October 4, 2032	2.900	4,065,041	3,638,907	3,786,558
121	142	October 4, 2027	2.900	406,504	343,132	365,090
126	154	September 26, 2033	3.850	4,500,000	4,191,720	4,348,882
126	145.01	September 26, 2033	3.850	2,100,000	1,956,136	2,029,478
126	144	September 26, 2033	3.850	1,076,467	1,002,722	1,040,317
126	140	September 26, 2028	3.850	815,000	731,968	774,298
130	154	October 14, 2034	3.000	1,815,997	1,755,013	1,815,998
130	156	October 14, 2034	3.000	1,112,155	1,074,807	1,112,155
133	145	October 02, 2035	2.750	1,935,000	1,935,000	-
				<u>\$ 39,052,090</u>	<u>\$ 29,788,020</u>	<u>\$ 29,457,537</u>

See notes to consolidated financial statements