

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**REGULAR BOARD MEETING**

**TUESDAY, MAY 14, 2013**

**7:00 PM**

*(RDN Board Chambers)*

**A G E N D A**

**PAGES**

**CALL TO ORDER**

**DELEGATIONS**

**MINUTES**

2 - 5                    Minutes of the Regular Hospital Board meeting held Tuesday, March 26, 2013 (All Directors – One Vote).

**BUSINESS ARISING FROM THE MINUTES**

**UNFINISHED BUSINESS**

**ADMINISTRATOR’S REPORTS**

6 - 27                    **2012 Audited 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 26, 2013 AT 7:00 PM IN THE  
RDN BOARD CHAMBERS

In Attendance:

Director J. Stanhope	Chairperson
Director D. Brennan	Deputy Chairperson
Director A. McPherson	Electoral Area A
Director H. Houle	Electoral Area B
Director M. Young	Electoral Area C
Director G. Holme	Electoral Area E
Director J. Fell	Electoral Area F
Director W. Veenhof	Electoral Area H
Director B. Dempsey	District of Lantzville
Director J. Ruttan	City of Nanaimo
Director T. Greves	City of Nanaimo
Director D. Johnstone	City of Nanaimo
Director J. Kipp	City of Nanaimo
Director M. Lefebvre	City of Parksville
Director D. Willie	Town of Qualicum Beach

Regrets:

Director G. Anderson	City of Nanaimo
Director B. Bestwick	City of Nanaimo

Also in Attendance:

P. Thorkelsson	Chief Administrative Officer
J. Harrison	Director of Corporate Services
W. Idema	Director of Finance
T. Osborne	Gen. Mgr. Recreation & Parks
D. Trudeau	Gen. Mgr. Transportation & Solid Waste
T. Armet	A/Gen. Mgr. Strategic & Community Development
R. Alexander	Gen. Mgr. Regional & Community Utilities
J. Hill	Mgr. Administrative Services
N. Tonn	Recording Secretary

## **CALL TO ORDER**

The Chief Administrative Officer called the meeting to order.

## **ELECTION OF CHAIR**

The Chief Administrative Officer called for nominations to the position of Chairperson of the Nanaimo Regional Hospital District Board.

Director Holme nominated Director Stanhope.

MOVED Director Holme, SECONDED Director Johnstone, that Director Stanhope be appointed Chairperson of the Nanaimo Regional Hospital District Board.

CARRIED

The Chairperson took the Chair.

## **ELECTION OF VICE CHAIR**

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

Director Johnstone nominated Director Brennan.

MOVED Director Johnstone, SECONDED Director Holme, that Director Brennan be appointed Vice Chairperson of the Nanaimo Regional Hospital District Board.

CARRIED

## **MINUTES**

### **Minutes of the Regular Hospital Board meeting held Tuesday, December 11, 2012.**

MOVED by Director Kipp, SECONDED by Director Ruttan, that the minutes of the Regular Hospital Board meeting held Tuesday, December 11, 2012 be adopted.

CARRIED

## **COMMISSION, ADVISORY & SELECT COMMITTEE**

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

MOVED by Director Kipp, SECONDED by Director Johnstone, that the minutes of the Regional Hospital District Select Committee meeting held Tuesday, February 26, 2013 be received for information.

CARRIED

### **VIHA Request for Cost Sharing on Cumberland Laundry Capital Equipment and Projects.**

MOVED by Director Kipp, SECONDED by Director Lefebvre, that capital equipment and project costs for the Cumberland Laundry be approved for funding by the Nanaimo Regional Hospital District based on the percentage share of the volume of laundry processed from Nanaimo Regional Hospital District facilities.

CARRIED

MOVED Director Kipp, SECONDED Director Lefebvre, that the Nanaimo Regional Hospital District request that the percentage share of the volume of laundry processed at the Cumberland Laundry be reviewed every two years for redistribution of the share of costs as required.

CARRIED

**Request for Approval of 2013/2014 Capital Equipment and Minor Capital Project Lists.**

MOVED by Director Kipp, SECONDED by Director Johnstone, that the 2013/2014 list of capital equipment purchases with Regional Hospital District cost sharing in the amount of \$1,352,243 be approved.

CARRIED

MOVED Director Kipp, SECONDED Director Johnstone, that the 2013/2014 list of capital improvement projects with Regional Hospital District cost sharing in the amount of \$2,091,814 be approved.

CARRIED

MOVED Director Kipp, SECONDED Director Johnstone, that cost sharing for 2014/15 for capital improvement projects shown on the 2013/2014 list in the amount of \$934,900 be approved.

CARRIED

**Oceanside Health Centre Request for Additional Funding.**

MOVED by Director Lefebvre, SECONDED by Director Kipp, that the request from the Vancouver Island Health Authority for additional funding towards the Oceanside Health Centre in the amount of \$435,432 be approved.

CARRIED

MOVED Director Lefebvre, SECONDED Director Kipp, that the additional funding in the amount of \$435,432 for the Oceanside Health Centre be incorporated into the 2013 budget for the Nanaimo Regional Hospital District using surplus funds available.

CARRIED

**Nanaimo Regional Hospital District 2013 Annual Budget Bylaw No. 155.**

MOVED Director Kipp, SECONDED Director Johnstone, that the 2013 Regional Hospital District annual budget be approved with the following components:

Property tax requisition	\$6,712,985
Capital grant allowance	\$3,444,055
Major capital project funding (Oceanside Health Centre) additional from surplus	\$435,435

CARRIED

MOVED Director Kipp, SECONDED Director Lefebvre, that "Nanaimo Regional Hospital District 2013 Annual Budget Bylaw No. 155, 2013" be introduced and read three times.

CARRIED

MOVED Director Kipp, SECONDED Director Johnstone, that "Nanaimo Regional Hospital District 2013 Annual Budget Bylaw No. 155, 2013" be adopted.

CARRIED

**ADMINISTRATOR'S REPORTS**

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

MOVED Director Lefebvre, SECONDED Director Kipp, that the Terms of Reference for the Regional Hospital District Select Committee be adopted.

CARRIED

**ADJOURNMENT**

MOVED Director Holme, SECONDED Director Johnstone, that the meeting terminate.

CARRIED

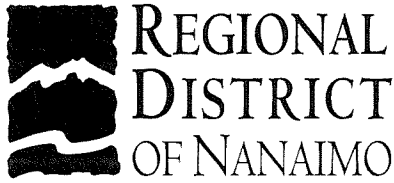
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CHAIRPERSON

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CORPORATE OFFICER



RDN REPORT	
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**NANAIMO REGIONAL  
HOSPITAL DISTRICT  
MEMORANDUM**

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**TO:** Wendy Idema  
Director of Finance

**DATE:** April 30, 2013

**FROM:** Manvir Manhas  
Senior Accountant

**FILE:**

**SUBJECT:** 2012 Audited Financial Statements and Audit Findings Report

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**PURPOSE:**

To request approval of the 2012 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, 2012.

**BACKGROUND:**

The *Hospital District Act* requires a Regional Hospital District to prepare audited financial statements. 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.

Recent changes to 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 an organization be approved by the board of directors prior to the signing of the audit report.

The firm of MNP LLP carried out the 2012 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 2012.

**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, 2012, 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 2012. 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 \$1.1 million advanced to date for the Emergency Room Redevelopment Project (total \$36.8 million; RDN share \$13.1 million - \$4.0 million secured in long term debt to date), \$1.0 million for the Renal Centre (total \$13.65 million; RDN share \$5.46 million - \$3.3 million secured in long term debt to date), \$2.0 million for Oceanside Health Care center (total \$15.7 million; RDN share \$6.3 million) with the remainder for other capital equipment and smaller scale projects.

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>	\$ 3,094,265
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>	\$ 2,789,529
Capital Loan Fund <i>(outstanding long term and short term debt, plus accrued project advances payable)</i>	\$(27,240,425)
Accrued liabilities <i>(long term debt interest accrued to December 31, 2012 but not payable until 2013)</i>	<u>\$(115,445)</u>
Accumulated Deficit	<u>\$(21,472,076)</u>



Outstanding long term debt (Schedule D) totals \$21,118,320 (2011; \$17,329,026), with retirement dates ranging from 2013 to 2032. Long term debt principal in the amount of \$977,000 was repaid during the year. In 2012 \$5.1 million was secured in new long term debt, \$4.7 million with respect to the progress of the Cancer Clinic Pharmacy and Emergency Room Redevelopment Projects at NRGH and the remainder borrowed for other capital equipment and smaller scale projects exceeding \$100,000.

### ***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 slightly higher than forecast as a result of receiving a return of surplus debt sinking funds of \$336,000 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 considerably higher than the budget. The budget amount shows the allocation of grants to health care facilities of \$3.6 million for the current year from the Revenue Fund only. The actual expense includes both this grant expense from the Revenue Fund as well as the Capital Fund expenditures where debt was incurred to finance major capital projects (\$6.7 million in 2012). 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.

### ***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 \$2.1 million for 2012. At December 31, 2012, \$2.7 million remains committed from both 2012 and prior years.

### ***Schedule of Long Term Debt (Page 12)***

The Hospital District has outstanding debt obligations of \$21.1 million with maturity dates between 2013 to 2032. The Emergency Room Redevelopment project at the Nanaimo Regional General Hospital and the Oceanside Health Care center are the current major projects approved at this time. Long term debt in the amount of approximately \$10.7 million will be secured through the Municipal Finance Authority within the next two years.

### **ALTERNATIVES:**

1. Receive the Audit Findings Report and 2012 financial statements, and approve the 2012 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 \$4,700 is included in the Hospital District's 2012 budget. There are no additional costs at this time.

**SUMMARY/CONCLUSIONS:**

Recent changes to 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 an 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, 2012. The statements present, in all significant respects, the financial position of the Nanaimo Regional Hospital District as at December 31, 2012. 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.

**RECOMMENDATION:**

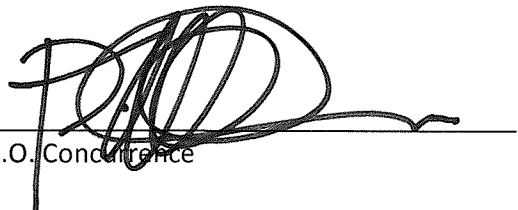
1. That the Audit Findings Report and the financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2012 be received.
2. That the consolidated financial statements of the Nanaimo Regional Hospital District for the year ended December 31, 2012 be approved as presented.



Report Writer



Director of Finance Concurrence



C.A.O. Concurrence

May 14, 2013

ATTACHMENT 1

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, 2012

Dear Ms. Idema:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Nanaimo Regional Hospital District (the "Hospital District") for the year ended December 31, 2012. 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 2012 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.

Wherever possible, we relied on the effectiveness of controls within the reporting systems in order to reduce the extent of our audit testing. 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 Auditors' Report after the Board of Directors's review and approval of the financial statements. A substantive approach was used in auditing the Hospital District's financial statements; thus, the Hospital District's controls were not relied upon.

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	2012	2011
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

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 Hospital District. Our letter to the Board of Directors discussing our independence is included as Appendix A to this report.

Nanaimo Regional Hospital District

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**

/jvo

Nanaimo Regional Hospital District

Appendix A

May 14, 2013

Ms. Wendy Idema  
Nanaimo Regional Hospital District  
6300 Hammond Bay Road  
Nanaimo, BC V9T 6N2

Dear Ms. Idema:

We have been engaged to audit the financial statements of Nanaimo Regional Hospital District ("the Hospital District") for the year ending December 31, 2012.

CAS 260 *Communication with Those Charged with Governance* ("the Standard"), requires that we communicate at least annually with you regarding all relationships between the Hospital District and MNP LLP 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 provincial institute 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;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) Economic dependence on a client; and
- (e) Provision of services in addition to the audit engagement.

We are not aware of any relationship between the Hospital District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2012 to May 14, 2013.

Generally Accepted Auditing Standards require that we confirm our independence to the Audit Committee. Accordingly, we hereby confirm that MNP is independent with respect to the Hospital District within the meaning of Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia as of May 14, 2013.

This report is intended solely for the use of the Board of Directors, management and others within the 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.

Yours truly,

*MNP LLP*

MNP LLP



## Independent Auditors' Report

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To the Members of the Board 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, 2012 and the consolidated statements of operations and accumulated deficit and cash flows and related schedules 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. These 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

May 14, 2013

*MNP* LLP  
Chartered Accountants

NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

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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 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 22, 2013



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Director of Finance

NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
<b>Financial Assets</b>		
Cash	\$ 4,605,152	\$ 5,276,422
Short term investments	1,561,978	1,545,597
Accounts receivable	5,310	5,778
	<u>6,172,440</u>	<u>6,827,797</u>
<b>Financial Liabilities</b>		
Short term debt (Note 2)	5,316,871	3,537,154
Accounts payable	1,093,880	1,196,114
Accrued liabilities (Note 4)	115,445	83,509
Long term debt (Schedule D, Note 3)	21,118,320	17,329,026
	<u>27,644,516</u>	<u>22,145,803</u>
<b>Net Debt and Accumulated Deficit (Note 7)</b>	<u>\$ (21,472,076)</u>	<u>\$ (15,318,006)</u>

Approved:



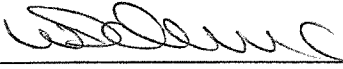
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Director of Finance

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
<b>Revenues</b>			
Property tax revenues	\$ 6,549,255	\$ 6,549,256	\$ 6,420,840
Grants-in-lieu of taxes	26,000	32,585	31,778
Interest on investments	35,000	69,814	76,275
Other revenue	-	336,760	1,025,083
	<u>6,610,255</u>	<u>6,988,415</u>	<u>7,553,976</u>
<b>Expenses</b>			
Administration	22,640	21,501	20,708
Long term debt issue costs	226,443	81,865	27,637
Grants to health care facilities	3,643,745	11,894,472	7,677,640
Short term debt interest and bank charges	106,867	78,078	40,981
Interest on long term debt	1,262,808	1,066,569	1,192,104
	<u>5,262,503</u>	<u>13,142,485</u>	<u>8,959,070</u>
<b>Surplus (deficit) for the year</b>	1,347,752	(6,154,070)	(1,405,094)
<b>Opening, Net Debt and Accumulated Deficit</b>	<u>(15,318,006)</u>	<u>(15,318,006)</u>	<u>(13,912,912)</u>
<b>Ending, Net Debt and Accumulated Deficit</b>	<u>(13,970,254)</u>	<u>(21,472,076)</u>	<u>(15,318,006)</u>

Approved:

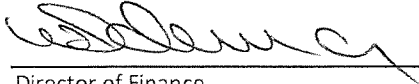
  
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Director of Finance

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>Operating transactions</b>		
Deficit for the year (Pg 3)	\$ (6,154,070)	\$ (1,405,094)
Decrease (Increase) in accounts receivable	468	(4,065)
Increase (decrease) in accounts payable	(102,234)	1,023,119
Increase (decrease) in accrued liabilities	31,936	11,004
Net (decrease) increase in cash from operations	<u>(6,223,900)</u>	<u>(375,036)</u>
<b>Financing transactions</b>		
Increase (decrease) in short term debt	1,779,717	(260,609)
Long term debt proceeds	5,116,573	1,727,207
Repayment of long term debt	(977,329)	(1,090,699)
Debt actuarial adjustments	(349,950)	(531,720)
Net increase (decrease) in cash from financing	<u>5,569,011</u>	<u>(155,821)</u>
<b>Net change in cash and investments</b>	(654,889)	(530,857)
Cash and investments, beginning	<u>6,822,019</u>	<u>7,352,876</u>
Cash and investments, ending	<u>\$ 6,167,130</u>	<u>\$ 6,822,019</u>
<b>CASH AND INVESTMENTS CONSIST OF:</b>		
Cash	\$ 4,605,152	\$ 5,276,422
Short term investments	<u>1,561,978</u>	<u>1,545,597</u>
	<u>\$ 6,167,130</u>	<u>\$ 6,822,019</u>

Approved

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

See notes to consolidated financial statements

## NANAIMO REGIONAL HOSPITAL DISTRICT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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 (GAAP) 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, 2012**

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

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 is calculated daily on a variable rate basis at prime less 1.28%. In 2012 the rate was 1.72%. 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:

2013	1,109,665
2014	1,080,812
2015	1,003,185
2016	1,004,866
2017	926,882

**NANAIMO REGIONAL HOSPITAL DISTRICT**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

**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>2012</u>	<u>2011</u>
Cash	\$ <u>376,133</u>	\$ <u>341,318</u>

**7. ACCUMULATED DEFICIT**

The Accumulated Deficit of \$21,472,076 (2011: \$15,318,006) is made up of the following individual fund equity amounts.

	<u>2012</u>	<u>2011</u>
Revenue Fund (Schedule A)	\$ 3,094,265	\$ 2,211,086
Capital Grant Fund (Schedule B)	2,789,529	4,295,690
Capital Loan Fund (Schedule C)	<u>(27,240,425)</u>	<u>(21,741,273)</u>
Accrued liabilities	<u>(21,356,631)</u>	<u>(15,234,497)</u>
Accrued liabilities	<u>(115,445)</u>	<u>(83,509)</u>
Accumulated Deficit	\$ <u>(21,472,076)</u>	\$ <u>(15,318,006)</u>

NANAIMO REGIONAL HOSPITAL DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

**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.** 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  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**SCHEDULE A**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
<b>Revenues</b>			
Property tax revenues	\$ 6,549,255	\$ 6,549,256	\$ 6,420,840
Grants-in-lieu of taxes	26,000	32,585	31,778
Interest on investments	35,000	69,814	76,275
Other revenue	-	336,760	1,025,083
	<u>6,610,255</u>	<u>6,988,415</u>	<u>7,553,976</u>
<b>Expenditures</b>			
Administration	22,640	21,501	20,708
Short term loan interest, bank charges, debt issuing	333,310	78,078	68,619
Long term debt interest	1,580,821	1,384,583	1,712,819
Grants to Health Authority	1,500,000	1,500,000	2,600,000
	<u>3,436,771</u>	<u>2,984,162</u>	<u>4,402,146</u>
<b>Operating Surplus</b>	<u>3,173,484</u>	<u>4,004,253</u>	<u>3,151,830</u>
Transfer to Capital Grant Fund (Pg 10)	2,143,745	2,143,745	2,046,355
Transfer to Capital Loan Fund for debt principal (Pg 11)	977,329	977,329	1,090,699
	<u>3,121,074</u>	<u>3,121,074</u>	<u>3,137,054</u>
<b>Surplus (Deficit) for the year</b>	52,410	883,179	14,776
Add: Prior years' surplus	<u>2,211,086</u>	<u>2,211,086</u>	<u>2,196,310</u>
<b>Surplus, Ending (Note 7)</b>	<u>\$ 2,263,496</u>	<u>\$ 3,094,265</u>	<u>\$ 2,211,086</u>

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT  
 SCHEDULE OF CAPITAL GRANT FUND ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE B

	<u>2012</u>	<u>2011</u>
FUND BALANCE, BEGINNING	\$ 4,295,690	\$ 4,985,285
<b>Add:</b> Transfer from Revenue Fund (Pg 9)	2,143,745	2,046,355
<b>Less:</b> Grants to Vancouver Island Health Authority	<u>(3,649,906)</u>	<u>(2,735,950)</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	<u><u>\$ 2,789,529</u></u>	<u><u>\$ 4,295,690</u></u>

See notes to consolidated financial statements

NANAIMO REGIONAL HOSPITAL DISTRICT  
 SCHEDULE OF CAPITAL LOAN FUND ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE C

	<u>2012</u>	<u>2011</u>
<b>FUND BALANCE, BEGINNING, as previously reported</b>	\$ (21,741,273)	\$ (21,022,002)
Grants to Health Authority	(6,744,566)	(2,341,690)
Debt issue costs capitalized	(81,865)	-
Debt principal repayments	977,329	1,090,699
Debt actuarial adjustments	<u>349,950</u>	<u>531,720</u>
<b>FUND BALANCE, ENDING (Note 7)</b>	<u>\$ (27,240,425)</u>	<u>\$ (21,741,273)</u>

See notes to consolidated financial statements

**NANAIMO REGIONAL HOSPITAL DISTRICT  
SCHEDULE OF LONG TERM DEBT  
AS AT DECEMBER 31, 2012**

**SCHEDULE D**

Issue	Bylaw No.	Maturity	Interest Rate	Original Requested	Outstanding 2012	Outstanding 2011
517	110	Nov 30, 2023	7.875	312,520	53,874	77,383
538	94	Jun 10, 2012	9.450	720,000	0	57,517
612	104	Aug 23, 2013	8.500	10,378	883	1,723
615	79/94/96	Jan 09, 2012	9.500	836,000	0	64,997
620	79/94/96/100	Aug 23, 2013	8.500	401,852	31,656	61,805
621	79/105/100/104	Aug 23, 2013	8.500	458,920	35,997	70,279
622	105	Aug 15, 2014	7.500	826,193	121,636	178,145
624	105/106/110/111	Aug 23, 2023	7.875	1,260,559	305,725	379,199
626	104/105/106	Jun 09, 2014	9.625	1,789,496	275,084	402,882
627	104/105/106	Aug 23, 2013	9.600	145,386	11,944	23,319
72	110	Jun 01, 2020	6.450	125,258	64,566	71,153
75	111	Dec 01, 2021	5.690	318,086	181,420	197,090
80	122/124/128/129	Oct 03, 2018	4.900	998,081	398,463	478,806
92	125/131	April 6, 2020	4.550	215,868	119,995	135,354
93	127	April 6, 2025	5.100	4,071,247	2,872,588	3,057,026
97	133	April 19, 2016	4.660	288,478	129,104	158,337
102	127	Dec 01, 2027	4.820	8,100,000	6,626,694	6,944,910
103	137	Apr 23, 2023	4.650	324,943	256,031	274,286
110	139/127/144	April 8, 2030	4.500	3,083,688	2,846,883	2,967,608
116	144	April 4, 2031	4.200	1,727,207	1,669,204	1,727,207
121	150	October 4, 2032	2.900	645,028	645,028	0
121	145.01	October 4, 2032	2.900	4,065,041	4,065,041	0
121	142	October 4, 2027	2.900	406,504	406,504	0
				<u>\$ 31,130,733</u>	<u>\$ 21,118,320</u>	<u>\$ 17,329,026</u>

See notes to consolidated financial statements