



Grant Thornton

Financial statements

Colchester East Hants Health Authority

March 31, 2009

Contents

	Page
Auditors' report	1
Statement of financial position	2
Statement of operations – operating fund	3
Statement of changes in fund balances	4
Statement of cash flows	5
Notes to the financial statements	6



Grant Thornton

Auditors' report

Grant Thornton LLP
Suite 400
35 Commercial Street, PO Box 725
Truro, NS
B2N 5E8
T (902) 893-1150
F (902) 893-9757
www.GrantThornton.ca

To the Board of the Colchester East Hants Health Authority

We have audited the statement of financial position of the Colchester East Hants Health Authority as at March 31, 2009 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Colchester East Hants Health Authority as at March 31, 2009, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Truro, Nova Scotia

June 9, 2009

Chartered Accountants

Colchester East Hants Health Authority

Statement of financial position

March 31, 2009

	Operating Fund	Capital Fund	New Hospital Fund	Total 2009	Total 2008
Assets					
Current					
Cash	\$ 3,739,530	\$ -	\$ -	\$ 3,739,530	\$ 2,841,397
Receivables (Note 4)	4,454,269	865,353	4,931,868	10,251,490	7,857,226
Due from other funds	526,059	537,381	-	1,063,440	1,925,944
Inventories	471,098	-	-	471,098	435,285
Prepays	354,335	-	-	354,335	376,615
	9,545,291	1,402,734	4,931,868	15,879,893	13,436,467
Other receivables (Note 5)	5,617,085	-	-	5,617,085	5,038,725
Capital assets (Note 6)	-	11,187,114	27,340,237	38,527,351	17,064,006
	\$ 15,162,376	\$ 12,589,848	\$ 32,272,105	\$ 60,024,329	\$ 35,539,198

Liabilities

Current

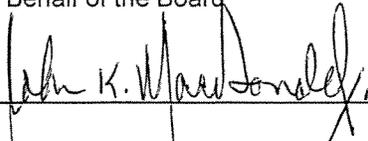
Bank overdraft	\$ -	\$ -	\$ 543,228	\$ 543,228	\$ -
Payables and accruals (Note 7)	8,355,422	1,246,179	4,435,474	14,037,075	9,976,065
Due to other funds	-	-	1,063,440	1,063,440	1,925,944
Deferred revenue	1,217,578	138,630	69,491	1,425,699	1,501,311
	9,573,000	1,384,809	6,111,633	17,069,442	13,403,320
Retirement allowances and health benefits (Note 8)	5,617,085	-	-	5,617,085	5,038,725
	15,190,085	1,384,809	6,111,633	22,686,527	18,442,045

Fund balances (Page 4)

Restricted	-	-	93,386	93,386	43,029
Unrestricted	(27,709)	-	-	(27,709)	-
Unrestricted – investment in capital assets	-	11,205,039	26,067,086	37,272,125	17,054,124
	(27,709)	11,205,039	26,160,472	37,377,802	17,097,153
	\$ 15,162,376	\$ 12,589,848	\$ 32,272,105	\$ 60,024,329	\$ 35,539,198

Commitments and contingencies (Notes 11 and 14)

On Behalf of the Board

 Chair

 Chief Executive Officer

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Statement of operations – operating fund

Year ended March 31

2009

2008

	2009	2008
Revenues		
Nova Scotia Department of Health	\$ 61,196,800	\$ 57,668,203
Charges to M.S.I.	4,168,021	4,107,457
Veterans Affairs Canada	119,820	481,589
Inpatients	662,951	687,554
Outpatients	583,208	428,896
Rental income	35,982	85,189
Addiction services	70,229	72,005
Operating room services	188,956	127,360
Investment income	136,362	207,238
Food services	143,854	134,019
Foundation	347,543	-
Laboratory	59,828	113,803
Health Information Technology Services	156,709	134,334
Other income	283,782	116,525
	<u>68,154,045</u>	<u>64,364,172</u>
Expenses		
Inpatient services	21,040,140	20,316,803
Ambulatory services	15,416,562	13,656,465
Diagnostic and therapeutic services	11,076,920	10,340,701
Support services	14,660,837	13,439,025
Community health board initiatives	98,318	135,395
Community health services	4,710,313	4,232,431
Education and library	501,564	350,842
Retirement allowance benefits	509,410	541,610
Retirement health benefits	167,690	1,350,900
	<u>68,181,754</u>	<u>64,364,172</u>
Excess of revenues over expenses	\$ <u>(27,709)</u>	\$ <u>-</u>

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Statement of changes in fund balances

Year ended March 31, 2009

	Operating Fund	Capital Fund	New Hospital Fund	Total <u>2009</u>	Total <u>2008</u>
Restricted					
Balance, beginning of year	\$ -	\$ -	\$ 43,029	\$ 43,029	\$ 3,116,003
Investment income	-	-	9,701	9,701	2,234
Capital asset funding					
Department of Health	-	-	17,329,250	17,329,250	3,167,774
Foundation	-	-	3,513,843	3,513,843	321,428
Transfer to unrestricted	<u>-</u>	<u>-</u>	<u>(20,802,437)</u>	<u>(20,802,437)</u>	<u>(6,564,410)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,386</u>	<u>\$ 93,386</u>	<u>\$ 43,029</u>

Unrestricted

Balance, beginning of year	\$ -	\$ 10,489,714	\$ 6,564,410	\$ 17,054,124	\$ 9,913,106
Excess of revenues over expenses	(27,709)	-	-	(27,709)	-
Transfer from restricted	-	1,299,761	19,502,676	20,802,437	6,564,410
Capital asset funding					
Department of Health	-	1,654,949	-	1,654,949	4,056,344
Foundations	-	299,648	-	299,648	282,039
Auxiliaries	-	7,666	-	7,666	10,114
Amortization					
- Current year	-	(3,064,236)	-	(3,064,236)	(3,771,889)
- 2008 revision	<u>-</u>	<u>517,537</u>	<u>-</u>	<u>517,537</u>	<u>-</u>
Balance, end of year	<u>\$ (27,709)</u>	<u>\$ 11,205,039</u>	<u>\$ 26,067,086</u>	<u>\$ 37,244,416</u>	<u>\$ 17,054,124</u>

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Statement of cash flows

Year ended March 31

2009

2008

Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses – operating fund	\$ (27,709)	\$ -
Investment income – new hospital fund	9,701	2,234
	<u>(18,008)</u>	<u>2,234</u>
Change in non-cash working capital		
Receivables	(2,394,264)	(3,312,587)
Inventories	(35,813)	(7,430)
Prepays	22,280	(41,612)
Payables and accruals	4,061,010	3,244,123
Deferred revenue	(75,612)	(879,612)
	<u>1,559,593</u>	<u>(994,884)</u>
Financing and investing		
Capital asset funding	22,805,356	7,837,699
Purchase of capital assets	(24,010,044)	(7,837,256)
	<u>(1,204,688)</u>	<u>443</u>
Net increase (decrease) in cash and cash equivalents	354,905	(994,441)
Cash and cash equivalents, beginning of year	<u>2,841,397</u>	<u>3,835,838</u>
Cash (net of bank overdraft), end of year	\$ <u>3,196,302</u>	\$ <u>2,841,397</u>

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

1. Nature of operations

Colchester East Hants Health Authority operates several health care facilities and programs including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addiction services, mental health services and primary health care.

Colchester East Hants Health Authority was formed by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority commenced operations related to the facilities and health services referred to above.

The Colchester East Hants Health Authority is a registered charity under the *Income Tax Act* of Canada and therefore, is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Health Authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those reported.

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Health Authority's capital assets. The New Hospital Fund reports the assets, liabilities and revenues related to the Health Authority's Colchester Regional Hospital Replacement Project.

Revenue recognition

Colchester East Hants Health Authority follows the deferral method of accounting for noncapital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the year in which the funds are received or receivable unless the amounts are for specific capital items in which case the funds are deferred and added to the investment in capital assets when the item is acquired.

Investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

2. Summary of significant accounting policies (continued)

Inventories

Inventories are recorded at the lower of average cost or replacement value.

Capital assets

Assets purchased during the year are recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings and land improvements – Colchester Regional Hospital	5-7 years
Buildings – Lillian Fraser Memorial Hospital	50 years
Land improvements – Lillian Fraser Memorial Hospital	20 years
Equipment	3-20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Colchester East Hants Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime, call back and statutory holiday.

Retirement allowances and retirement health benefits

The Health Authority accrues its retirement allowance and retirement health benefit obligations and the related costs, net of plan assets. The cost of retirement benefits (allowances) and retirement health benefits earned by employees is actuarially determined using the projected benefit method prorated on service.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balance with banks, net of bank overdraft.

Financial instruments

The Health Authority's financial instruments consist of cash and cash equivalents, receivables, bank overdraft and payables and accruals. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Health Authority classifies its financial instruments as held for trading and applies Section 3861 of the CICA Handbook. Financial instruments classified as held for trading are measured at fair value on each reporting date. Given the current nature of the Health Authority's financial assets and liabilities, their fair values approximate carrying values.

The Health Authority is exempt from applying the following Sections of the CICA Handbook: Section 3862 – Financial Instruments – Disclosures, and Section 3863 – Financial Instruments – Presentation, which would otherwise have applied to the financial statements of the Health Authority for the year ended March 31, 2009.

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

3. Recent accounting pronouncements

Effective April 1, 2009, the Health Authority will be required to apply the amendments of CICA Handbook Section 4400 – Financial Statement Presentation for Not-For-Profit Organizations. This standard requires the reporting of certain gross revenues in the statement of operations. The Health Authority is currently reviewing the result of implementing this standard and the financial reporting impact has not yet been finalized.

4. Receivables	Operating Fund	Capital Fund	New Hospital Fund	Total 2009	Total 2008
Charges to M.S.I.	\$ 262,223	\$ -	\$ -	\$ 262,223	\$ 220,238
Foundations and auxiliaries	442,988	220,768	824,063	1,487,819	422,804
Harmonized sales tax	217,745	117,474	946,900	1,282,119	807,981
Patients	345,642	-	-	345,642	370,442
Veterans Affairs Canada	58,938	-	-	58,938	131,092
Other District Health Authorities	56,842	-	-	56,842	28,115
Other	<u>256,746</u>	<u>-</u>	<u>-</u>	<u>256,746</u>	<u>253,900</u>
	<u>1,641,124</u>	<u>338,242</u>	<u>1,770,903</u>	<u>3,750,329</u>	<u>2,234,572</u>
Nova Scotia Department of Health					
Construction and equipment	-	527,111	3,160,905	3,688,016	2,793,002
Contracts and other	1,364,641	-	-	1,364,641	1,446,361
Vacation pay	<u>1,448,504</u>	<u>-</u>	<u>-</u>	<u>1,448,504</u>	<u>1,383,291</u>
	<u>2,813,145</u>	<u>527,111</u>	<u>3,160,905</u>	<u>6,501,161</u>	<u>5,622,654</u>
	<u>\$ 4,454,269</u>	<u>\$ 865,353</u>	<u>\$ 4,931,868</u>	<u>\$ 10,251,490</u>	<u>\$ 7,857,226</u>

5. Other receivables	Total 2009	Total 2008
Nova Scotia Department of Health		
Retirement allowances	\$ 3,951,505	\$ 3,688,525
Retirement health benefits	<u>1,665,580</u>	<u>1,350,200</u>
	<u>\$ 5,617,085</u>	<u>\$ 5,038,725</u>

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

6. Capital assets			<u>2009</u>	<u>2008</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Capital Fund				
Land	\$ 155,349	\$ -	\$ 155,349	\$ 155,349
Land improvements	328,724	256,152	72,572	104,719
Buildings	21,903,927	17,275,392	4,628,535	5,170,941
Equipment	12,778,688	7,583,241	5,195,447	4,781,386
Construction in progress	1,135,211	-	1,135,211	287,201
	<u>36,301,899</u>	<u>25,114,785</u>	<u>11,187,114</u>	<u>10,499,596</u>
New Hospital Fund				
Land and site costs	1,301,415	-	1,301,415	1,301,415
Equipment	278,773	-	278,773	64,546
Construction in progress	25,760,049	-	25,760,049	5,198,449
	<u>27,340,237</u>	<u>-</u>	<u>27,340,237</u>	<u>6,564,410</u>
	<u>\$ 63,642,136</u>	<u>\$ 25,114,785</u>	<u>\$ 38,527,351</u>	<u>\$ 17,064,006</u>

7. Payables and accruals	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>New Hospital Fund</u>	<u>Total 2009</u>	<u>Total 2008</u>
Trade	\$ 6,158,693	\$ 1,246,179	\$ 4,435,474	\$ 11,840,346	\$ 7,950,026
Vacation pay	<u>2,196,729</u>	<u>-</u>	<u>-</u>	<u>2,196,729</u>	<u>2,026,039</u>
	<u>\$ 8,355,422</u>	<u>\$ 1,246,179</u>	<u>\$ 4,435,474</u>	<u>\$ 14,037,075</u>	<u>\$ 9,976,065</u>

Payroll advances to employees of \$386,916, which resulted from the payroll cut-off date being changed to accommodate the conversion to the Province wide SAP payroll system, have been netted with trade payables above.

8. Retirement allowances and health benefits

Retirement allowance amounts for employees and cost sharing for certain employees on health benefits following retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments' agencies and boards. The last actuarial valuations were conducted as at December 31, 2007.

The retirement allowance and health benefits value is calculated by the Province of Nova Scotia - Department of Finance for the Health Authority. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 9-11 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance for the Province of Nova Scotia. The Province fully funds these liabilities, thus an offsetting receivable balance is recorded.

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

8. Retirement allowances and health benefits (continued)

Information respecting the retirement allowances and retirement health benefits is as follows:

	Retirement Allowance	Retirement Health Benefits	<u>2009</u>	<u>2008</u>
Accrued benefit obligation				
Balance, beginning of year	\$ 3,688,525	\$ 1,350,200	\$ 5,038,725	\$ 3,668,465
Adjustment – 2007/2008 reversal	-	162,600	162,600	-
Current service cost	354,200	89,000	443,200	420,000
Plan amendment	-	-	-	1,087,600
Interest cost	198,100	77,400	275,500	207,600
Amortization of experience losses	44,810	-	44,810	14,010
Other adjustments	-	(13,620)	(13,620)	-
Estimated benefits paid	(334,130)	-	(334,130)	(358,950)
Balance, end of year	<u>\$ 3,951,505</u>	<u>\$ 1,665,580</u>	<u>\$ 5,617,085</u>	<u>\$ 5,038,725</u>
Funded status – plan deficit	\$ (4,107,420)	\$ (1,603,390)	\$ (5,710,810)	\$ (5,355,053)
Unamortized net actuarial loss/gain	155,915	(62,190)	93,725	316,328
Accrued benefit liability recognized	<u>\$ (3,951,505)</u>	<u>\$ (1,665,580)</u>	<u>\$ (5,617,085)</u>	<u>\$ (5,038,725)</u>

The Health Authority's net expense for the retirement allowance and health benefits is as follows:

Retirement allowance	<u>\$ 509,410</u>	<u>\$ 167,690</u>	<u>\$ 677,100</u>	<u>\$ 1,892,510</u>
----------------------	-------------------	-------------------	-------------------	---------------------

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2009:

	<u>Allowances</u>	<u>Benefits</u>
Discount rate	4.95%	4.95%
Rate of compensation increase	2.65% - 5.15%	N/A
Rate of current cost increase	N/A	4.5% - 11%
Termination rates	1.2% - 20%	0 - 20%

- (i) The actuary for the pension manager assumed that 75% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65th birthday.
- (ii) The actuary for the health benefits plan manager assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65. In calculating the postretirement health benefits liability, it was further assumed that 70% of members will elect family coverage and that 95% of eligible employees will elect to participate.

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

9. Pension plans

The Health Authority contributes to the following pension plans on behalf of its employees:

- (i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at July 1, 2008 and extrapolated to December 31, 2008, which indicated a funding deficit. The Colchester East Hants Health Authority bears no direct financial responsibility for the unfunded liability of the plan.
- (ii) the second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2007 extrapolated to March 31, 2008. At this time, there was an unfunded liability. The Colchester East Hants Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The Health Authority's pension expense for the year amounted to \$2,158,435 (2008 - \$2,459,455).

10. Credit facilities

The Health Authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling \$1,000,000, all of which is unused at March 31, 2009.

11. Commitments

- (i) Colchester East Hants Health Authority is committed to the following operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2010	\$	792,240
2011	\$	637,171
2012	\$	610,448
2013	\$	313,598
2014	\$	108,013

- (ii) The Health Authority has entered into agreements to spend \$21,945,157 on additions to property and equipment for the Colchester Regional Hospital replacement project and improvements to Lillian Fraser Memorial Hospital.

Colchester East Hants Health Authority

Notes to the financial statements

March 31, 2009

12. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2009 are available from the individual financial statements of the related entities.

13. Comparative figures

Certain of the 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2009.

14. Contingencies

The Health Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business and which the Health Authority believes would not reasonably be expected to have a material adverse effect on its financial condition.



Grant Thornton

www.GrantThornton.ca