



**Pictou County Health
Authority
Financial Statements
March 31, 2009**

Contents

	<u>Page</u>
Auditors' Report	1
Statement of Financial Position	2
Statement of Operations and Changes in Fund Balances	
General Fund	3
Capital Asset Fund	4
Endowment Fund	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 14



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 Pictou County Health Authority

We have audited the statement of financial position of the Pictou County 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 Health Authority'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 Pictou County 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

May 22, 2009

Chartered Accountants

Pictou County Health Authority
Statement of Financial Position
March 31, 2009

Assets	General Fund	Capital Asset Fund	Endowment Fund	Total 2009	Total 2008
Current					
Cash and cash equivalents (Note 4)	\$ 3,100,598	\$ 60,449	\$ 754,610	\$ 3,915,657	\$ 3,983,718
Receivables (Note 5)	2,061,141	1,492,789	-	3,553,930	5,074,149
Due from other funds	597,017	-	-	597,017	698,041
Inventories	426,652	-	-	426,652	326,842
Prepays	477,285	-	-	477,285	356,707
	<u>6,662,693</u>	<u>1,553,238</u>	<u>754,610</u>	<u>8,970,541</u>	<u>10,439,457</u>
Other receivables (Note 6)	8,261,878	-	-	8,261,878	7,862,287
Capital assets (Note 7)	-	41,857,633	-	41,857,633	43,491,332
	<u>\$ 14,924,571</u>	<u>\$ 43,410,871</u>	<u>\$ 754,610</u>	<u>\$ 59,090,052</u>	<u>\$ 61,793,076</u>
Liabilities					
Current					
Payables and accruals (Note 8)	\$ 7,563,067	\$ 77,456	\$ -	\$ 7,640,523	\$ 8,567,113
Due to other funds	-	91,853	505,164	597,017	698,041
Deferred revenue	994,958	-	-	994,958	1,141,970
	<u>8,558,025</u>	<u>169,309</u>	<u>505,164</u>	<u>9,232,498</u>	<u>10,407,124</u>
Retirement allowances and post-retirement benefits (Note 9)	6,334,627	-	-	6,334,627	6,016,059
	<u>14,892,652</u>	<u>169,309</u>	<u>505,164</u>	<u>15,567,125</u>	<u>16,423,183</u>
Fund balances					
Unrestricted	31,919	-	-	31,919	222,299
Restricted (Note 10)	-	43,241,562	249,446	43,491,008	45,147,594
	<u>31,919</u>	<u>43,241,562</u>	<u>249,446</u>	<u>43,522,927</u>	<u>45,369,893</u>
	<u>\$ 14,924,571</u>	<u>\$ 43,410,871</u>	<u>\$ 754,610</u>	<u>\$ 59,090,052</u>	<u>\$ 61,793,076</u>

Commitments (Note 13) Contingencies (Note 15)

On Behalf of the Board



Chairman



Chief Executive Officer

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of Operations and Changes in Fund Balances
General Fund

Year Ended March 31

2009

2008

Revenues

Nova Scotia Departments of Health and Health Promotion and Protection	\$ 62,970,120	\$ 60,369,010
Charges to MSI	3,139,726	3,014,446
Department of Veterans Affairs	2,058,400	1,935,599
In-patients	909,952	706,874
Out-patients	748,026	542,880
Rental income	303,517	309,325
Investment income	122,891	232,416
Laboratory	72,729	73,799
Project funding	815	1,739
Other income	170,218	201,632
	<u>70,496,394</u>	<u>67,387,720</u>

Expenses

In-patient services	24,509,304	23,938,087
Ambulatory services	12,577,474	11,565,900
Diagnostic and therapeutic services	10,339,803	9,593,017
Support services	17,040,462	14,882,205
Community health services	4,203,324	3,514,588
Rental expenses	244,303	240,885
Education and library	401,902	304,765
Retirement allowance benefits	809,764	2,085,412
	<u>70,126,336</u>	<u>66,124,859</u>

Excess (deficiency) of revenue over expenses	370,058	1,262,861
Fund balance, beginning of year	222,299	214,307
Interfund transfers (Note 10)	(560,438)	(1,254,869)
Fund balance, end of year	<u>\$ 31,919</u>	<u>\$ 222,299</u>

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of Operations and Changes in Fund Balances
Capital Asset Fund

Year Ended March 31	2009	2008
Revenues		
Nova Scotia Departments of Health and Health Promotion and Protection	\$ 222,112	\$ 1,125,525
Foundations and trusts	456,362	1,769,827
Investment income	1,354	18,573
Other income	-	53,039
	<u>679,828</u>	<u>2,966,964</u>
Expenses		
Amortization	<u>2,907,928</u>	<u>3,095,341</u>
	<u>2,907,928</u>	<u>3,095,341</u>
Excess (deficiency) of revenue over expenses	(2,228,100)	(128,377)
Fund balance, beginning of year	44,909,224	43,782,732
Interfund transfers (Note 10)	<u>560,438</u>	<u>1,254,869</u>
Fund balance, end of year	<u>\$ 43,241,562</u>	<u>\$ 44,909,224</u>

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of Operations and Changes in Fund Balances
Endowment Fund

Year Ended March 31	2009	2008
Revenues		
Investment income	<u>\$ 13,176</u>	<u>\$ 13,313</u>
	<u>13,176</u>	<u>13,313</u>
Expenses		
Endowment fund disbursements	<u>2,100</u>	<u>2,625</u>
	<u>2,100</u>	<u>2,625</u>
Excess (deficiency) of revenue over expenses	11,076	10,688
Fund balance, beginning of year	<u>238,370</u>	<u>227,682</u>
Fund balance, end of year	<u>\$ 249,446</u>	<u>\$ 238,370</u>

See accompanying notes to the financial statements

Pictou County 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 - General Fund	\$ 370,058	\$ 1,262,861
Excess of revenues over expenses - Endowment Fund	11,076	10,688
	<u>381,134</u>	<u>1,273,549</u>

Change in non-cash working capital

Receivables	825,749	(1,590,355)
Inventories	(99,810)	(2,282)
Prepays	(120,578)	978
Other receivables	(81,023)	(89,151)
Payables and accruals	(267,412)	1,339,526
Deferred revenue	(147,012)	(189,704)
	<u>(491,048)</u>	<u>(411,086)</u>

Cash derived from (applied to) operating activities 491,048 742,561

Financing and investing

Excess of revenues over expenses - Capital Asset Fund	(2,228,100)	(128,377)
Items not affecting cash		
Amortization of capital assets	2,907,928	3,095,341
	<u>679,828</u>	<u>2,966,964</u>
Change in non-cash working capital		
Receivables	694,470	(1,569,687)
Payables and accruals	(659,178)	507,208
	<u>715,120</u>	<u>1,904,485</u>

Proceeds on disposal of capital assets	20,000	-
Purchase of capital assets	(1,294,229)	(3,586,458)
	<u>(1,274,229)</u>	<u>(3,586,458)</u>
Cash applied to financing and investing activities	<u>(559,109)</u>	<u>(1,681,973)</u>

Net decrease in cash and cash equivalents (68,061) (939,412)

Cash and cash equivalents, beginning of year 3,983,718 4,923,130

Cash and cash equivalents, end of year \$ 3,915,657 \$ 3,983,718

See accompanying notes to the financial statements

Pictou County Health Authority

Notes to the Financial Statements

March 31, 2009

1. Nature of operations

Pictou County Health Authority operates health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital, and Addictions Services and also offers related community health services.

Pictou County 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, Pictou County Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community health services referred to above.

The Pictou County 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 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 the reported amounts of revenues and expenses during the year. Actual results could differ from those reported.

Fund accounting

Pictou County Health Authority follows the restricted fund method of accounting for contributions.

The General Fund accounts for the health authority's program delivery and administration activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets.

The Endowment Fund reports resources contributed for endowment.

Revenue recognition

Restricted operating contributions are recognized as revenue of the general 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.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2009

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Capital contributions are recognized as revenue in the Capital Asset Fund in the year in which the funds are received or receivable.

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

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	50 years
Land improvements	20 years
Equipment	5-20 years
Equipment under capital lease	5-20 years

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

Compensation accruals

Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and similar amounts.

Retirement allowances and post-retirement benefits

The authority accrues its retirement allowances obligation and the related costs, net of plan assets. The authority also accrues its obligation to cost share in certain benefit plans for retired employees. The cost of retirement allowances and post-retirement 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, balances with banks and short term investments.

Financial Instruments

The health authority's financial instruments consist of cash, receivables, 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.

Pictou County Health Authority

Notes to the Financial Statements

March 31, 2009

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

The authority has classified its financial instruments as held for trading. Financial instruments classified as held for trading are measured at fair value on each reporting date, which approximates carrying value.

The 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 authority for the year ended March 31, 2009. The authority applies the requirements of Section 3861 of the CICA Handbook.

3. Adoption of accounting policies

Inventories

CICA Handbook Section 3031, "Inventories", replaced section 3030, revising and enhancing disclosure and presentation requirements. This new section limits the choices in which to calculate carrying value and provides new disclosure requirements. The standard is effective for annual financial statements relating to fiscal years beginning on or after January 1, 2008 and has been adopted for the health authority's 2009 fiscal year end. The adoption of this standard did not have a significant impact on these financial statements.

Fund accounting

CICA Handbook Section 4400, "Financial Statement Presentation by Not-For-Profit Organizations", was reissued in 2008, revising and enhancing disclosure and reporting requirements. This section is applicable for the health authority's 2010 fiscal year, but has been adopted and applied retroactively for the authority's 2009 fiscal year end.

As a result of adopting the new provisions of Section 4400, the financial statement presentation has been changed to remove certain internally restricted funds from Restricted and Endowment Funds and include the assets, liabilities and fund balances in the Capital Asset Fund. Contributions and expenditures in the Capital Asset and Endowment Funds which were previously reported as increases and reductions in the fund balance are now reported as revenues and expenditures of the applicable fund.

Unrestricted contributions which have been designated for capital purposes (internally restricted) by the health authority were previously reported as revenues in the Capital or Restricted Fund. In accordance with the revised Section 4400, these contributions are now reported as revenues in the General Fund Statement of Operations, and as an interfund transfer in the Statement of Changes in Fund Balances.

These changes have increased General Fund revenues and excess of revenues over expenses by \$360,438 in 2009 (2008 - \$1,254,869), and have reduced the revenues and excess of revenues over expenses in the Capital Asset Fund by a similar amount.

Total assets, liabilities and fund balances of the health authority have not been impacted by these changes. Except as described above, total revenues and expenses have not been impacted by the change in accounting.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2009

4. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling \$42,615 (2008 - \$41,556), held in trust on behalf of three employees' deferred salary arrangements. An offset liability is included in payables and accruals, and will be paid out in accordance with the terms and conditions of the arrangements.

5. Receivables

	General Fund	Capital Asset Fund	Total 2009	Total 2008
Charges to MSI	\$ 154,040	\$ -	\$ 154,040	\$ 378,870
Foundations and Auxiliary	19,236	1,178,585	1,197,821	1,712,157
Harmonized sales tax	237,264	3,330	240,594	276,313
Patients	224,256	-	224,256	131,144
Veterans Affairs Canada	183,053	-	183,053	119,165
Other	618,837	-	618,837	450,718
	<u>1,436,686</u>	<u>1,181,915</u>	<u>2,618,601</u>	<u>3,068,367</u>
Nova Scotia Department of Health				
Construction and equipment	-	310,874	310,874	444,289
Final settlement and other	624,455	-	624,455	1,561,493
	<u>624,455</u>	<u>310,874</u>	<u>935,329</u>	<u>2,005,782</u>
	<u>\$ 2,061,141</u>	<u>\$ 1,492,789</u>	<u>\$ 3,553,930</u>	<u>\$ 5,074,149</u>

Pledges of \$896,050 (2008 - \$222,423) for future acquisition of capital assets by the Aberdeen Health Foundation are not recorded as accounts receivable.

6. Other receivables

	General Fund	Total 2009	Total 2008
Nova Scotia Department of Health			
Vacation pay	\$ 1,927,251	\$ 1,927,251	\$ 1,846,228
Retirement allowances	4,408,544	4,408,544	4,257,059
Post-retirement benefits	1,926,083	1,926,083	1,759,000
	<u>\$ 8,261,878</u>	<u>\$ 8,261,878</u>	<u>\$ 7,862,287</u>

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2009

7. Capital assets

			2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 27,528	\$ -	\$ 27,528	\$ 32,378
Land improvements	399,698	214,781	184,917	204,130
Buildings	56,037,382	19,905,535	36,131,847	36,934,888
Equipment	20,206,293	15,646,342	4,559,951	5,691,426
Equipment under capital lease	557,676	557,676	-	-
Construction in progress	953,390	-	953,390	628,510
	\$ 78,181,967	\$ 36,324,334	\$ 41,857,633	\$ 43,491,332

The Aberdeen Health Foundation and predecessor organizations have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The funding agreements specify that equipment purchased from monies provided by the foundation shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation.

8. Payables and accruals

	General Fund	Capital Asset Fund	Total 2009	Total 2008
Trade	\$ 5,096,153	\$ 77,456	\$ 5,173,609	\$ 6,280,096
Vacation pay	2,466,914	-	2,466,914	2,287,017
	\$ 7,563,067	\$ 77,456	\$ 7,640,523	\$ 8,567,113

9. Retirement allowances and post-retirement benefits

Retirement allowances paid to employees upon 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 valuation was conducted as at December 31, 2007.

As a result of contract settlements in 2007 and 2008, certain employees are entitled to cost-sharing on health benefits following retirement. The Province of Nova Scotia contracted a third party to perform actuarial valuations for the health authorities as at April 1, 2006 and 2007.

The retirement allowance and post-retirement health benefit values are calculated by the Department of Finance for the health authority using the projected benefit method prorated on service 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 13 and 10 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds these liabilities, thus an offsetting receivable balance is recorded.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2009

9. Retirement allowances and post-retirement benefits (continued)

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

	Retirement Allowances	Health Benefits	Total 2009	Total 2008
Accrued benefit obligation				
Balance, beginning of year	\$ 4,257,059	\$ 1,759,000	\$ 6,016,059	\$ 4,497,407
Current service cost	346,600	93,000	439,600	354,400
Plan amendment	-	-	-	1,474,400
Interest cost	224,400	89,900	314,300	242,200
Amortization of experience loss	54,031	1,833	55,864	14,412
Other adjustments	14	-	14	-
Benefits paid	(473,560)	(17,650)	(491,210)	(566,760)
Balance, end of year	\$ 4,408,544	\$ 1,926,083	\$ 6,334,627	\$ 6,016,059
Funded status - plan deficit	\$ (4,731,580)	\$ (1,853,050)	\$ (6,584,630)	\$ (6,368,426)
Unamortized net actuarial loss	323,036	(73,033)	250,003	352,367
Accrued benefit liability recognized	\$ (4,408,544)	\$ (1,926,083)	\$ (6,334,627)	\$ (6,016,059)

The health authority's net expense for the retirement allowances and benefits is as follows:

Retirement allowance expense	\$ 625,031	\$ 184,733	\$ 809,764	\$ 2,085,412
------------------------------	------------	------------	------------	--------------

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

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

In calculating the retirement allowance liability it was 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. In calculating the health benefits liability it was assumed that 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 post-retirement 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.

Pictou County Health Authority

Notes to the Financial Statements

March 31, 2009

10. Restricted net assets and interfund transfers

Endowment Fund net assets are restricted by the settlors of the funds. In most cases the original contribution must be maintained in perpetuity, with annual income available for specified operating purposes (primarily staff education). Annual income not spent within designated times becomes externally restricted as part of the fund principal.

The health authority board of directors has directed that all net income from the operation of parking facilities owned by the authority be internally restricted to be used for the acquisition of capital assets. In 2007 and 2008 a total of \$1,280,000 was transferred from the General Fund to the Capital Asset Fund for future capital asset acquisition. In addition, \$560,438 (2008 - \$244,869) was transferred from the General Fund to the Capital Asset Fund to fund the cash outlays for capital asset acquisitions in the year. The board of directors also has internally restricted net assets invested in capital assets of \$41,857,633 (2008 - \$43,491,332). The internally restricted amounts are not available for unrestricted purposes without approval of the board of directors.

11. Pension plans

The health authority contributes to the following pension plans on behalf of its employees:

- (i) a multi-employer defined benefit plan, 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 liability of \$123.3 million. The Pictou County Health Authority bears no direct financial responsibility for the unfunded liability of the plan.
- (ii) a defined benefit plan, administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at December 31, 2007 and extrapolated to March 31, 2008 which indicated an unfunded liability of \$912.2 million. The Pictou County 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 \$2,884,976 (2008 - \$2,594,151).

12. 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, 2008.

13. Commitments

Pictou County Health Authority has entered into agreements to lease computer and medical equipment. Minimum annual lease payments are as follows:

2010	\$	53,851	2012	\$	49,734
2011	\$	49,734	2013	\$	37,300

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2009

14. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities 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 facilities. 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.

15. Contingencies

The health authority and an adjoining property owner at the Sutherland Harris Memorial Hospital site have uncovered environmental contamination (most likely fuel oil) on their properties. This contamination could result in a claim for damages by or against the health authority once the source and extent of the contamination are delineated. Cost of, and responsibility for, remediation are unknown. Liability has yet to be determined. Related risks include uninsured asset impairment, litigation costs and costs for remediation.

In addition, 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 authority believes would not reasonably be expected to have a material adverse effect on its financial condition.