



Financial Statements

Cape Breton District Health Authority

March 31, 2009

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Auditors' Report

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To the Chairperson and Members of
Cape Breton District Health Authority

We have audited the statement of financial position of Cape Breton District Health Authority as at March 31, 2009, and the statements of operations, cash flows, and net assets for the year then ended. These financial statements are the responsibility of the Association'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 misstatements. 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 company as at March 31, 2009, and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Sydney, Nova Scotia

June 9, 2009

Grant Thornton LLP
Chartered accountants

Cape Breton District Health Authority

Statement of Operations

Year ended March 31

2009

2008

Revenue:		
Net patient income:		
Provincial Plan	\$ 221,488,212	\$ 202,274,701
Other	23,565,905	18,466,113
Employee Future Benefits (Note 8)	2,805,027	6,472,604
Medical service insurance	9,411,212	8,488,978
Net differential	1,605,371	1,810,687
Dietary Recoveries	874,955	759,639
Miscellaneous	3,709,180	3,461,555
Interest income	300,080	569,253
Referred in work	120,646	104,487
	<u>263,880,588</u>	<u>242,408,017</u>
Expenditures:		
Nursing inpatient services	88,143,426	80,666,723
Support services	67,195,267	59,840,504
Diagnostic and therapeutic services	43,502,256	40,926,480
Ambulatory care services	49,302,781	44,396,577
Primary health care	907,113	446,604
Addiction services	6,318,650	5,230,759
Public health	5,145,128	3,832,657
Education	654,505	595,129
Employee Future Benefits Expense (Note 8)	2,805,027	6,472,604
	<u>263,974,153</u>	<u>242,407,037</u>
Excess of (expenditures over revenue)		
revenue over expenditures before		
amortization	<u>(93,565)</u>	<u>980</u>
Amortization of deferred contributions related to capital		
assets (Note 10)	9,524,084	10,303,505
Amortization of capital assets (Note 10)	<u>(9,524,084)</u>	<u>(10,183,505)</u>
		<u>120,000</u>
Excess of (expenditures over revenue)		
revenues over expenditures	<u>\$ (93,565)</u>	<u>\$ 120,980</u>

See accompanying notes to financial statements.

Cape Breton District Health Authority Statement of Financial Position

Year ended March 31

2009

2008

Assets

Current

Cash

Receivables (Note 3)

Inventories (Note 5)

Prepaid expenses

\$ 9,594,481	\$ 9,850,144
15,091,032	15,298,581
2,998,313	3,390,300
<u>569,233</u>	<u>976,484</u>

28,253,059

29,515,509

Capital assets (Note 6)

154,309,639

154,787,248

Employee future benefits (Note 8)

16,926,932

16,766,083

Retirement health benefits (Note 8)

7,591,038

6,946,300

\$ 207,080,668

\$ 208,015,140

Liabilities

Current

Payables and accruals (Note 7)

Deferred revenue

\$ 25,741,447	\$ 28,572,863
<u>5,619,793</u>	<u>3,957,263</u>

31,361,240

32,530,126

Employee future benefits

16,926,932

16,766,083

Retirement health benefits

7,591,038

6,946,300

Deferred contributions related to capital assets (Note 9)

151,295,606

151,773,214

\$ 207,174,816

\$ 208,015,723

Equity

Unrestricted

Investment in capital assets (Note 10)

(3,108,182)

(3,014,617)

3,014,034

3,014,034

(94,148)

(583)

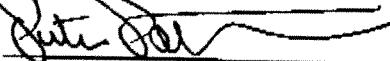
\$ 207,080,668

\$ 208,015,140

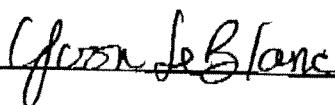
Contingencies (Note 13)

Commitments (Note 14)

On behalf of the Board:



Director



Director

See accompanying notes to the financial statements.

Cape Breton District Health Authority

Statement of Changes in Net Assets

Year ended March 31, 2009

	<u>Unrestricted</u>	<u>Investment in capital assets</u>	<u>Total 2009</u>	<u>Total 2008</u>
Balance, beginning of year	\$ (3,014,617)	\$ 3,014,034	\$ (583)	\$ (121,563)
Excess of (expenditures over revenue) revenue over expenditure	(93,565)		(93,565)	120,980
Balance, end of year	<u>\$ (3,108,182)</u>	<u>\$ 3,014,034</u>	<u>\$ (94,148)</u>	<u>\$ (583)</u>

See accompanying notes to financial statements.

Cape Breton District Health Authority

Statement of Cash Flows

Year ended March 31

2009

2008

(Decrease) increase in cash:

Operating		
Excess of (expenditures over revenue) revenue expenditures over	\$ (93,565)	\$ 120,980
Amortization of capital assets	9,524,084	10,183,505
Amortization of deferred contributions related to capital assets	(9,524,084)	(10,303,505)
Change in non-cash operating working capital (Note 12)	<u>(162,098)</u>	<u>1,721,337</u>
	<u>(255,663)</u>	<u>1,722,317</u>
Investing		
Purchases of capital assets	(9,046,476)	(10,963,249)
Additions to deferred contributions related to capital assets	<u>9,046,476</u>	<u>11,223,017</u>
		<u>259,768</u>
Net (decrease) increase in cash	(255,663)	1,982,085
Cash, beginning of year	<u>9,850,144</u>	<u>7,868,059</u>
Cash, end of year	<u>\$ 9,594,481</u>	<u>\$ 9,850,144</u>

See accompanying notes to financial statements.

Cape Breton District Health Authority

Notes to Financial Statements

March 31, 2009

1. Nature of operations

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

Revenue recognition

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Inventories

Inventories are valued at the lower of cost and replacement cost.

Capital assets

Capital assets are stated at cost less accumulated amortization and amortized on the straight-line basis using the following annual rates:

Land improvements	5%
Buildings and service equipment	2% - 5%
Major equipment	5% - 20%

Cape Breton District Health Authority

Notes to Financial Statements

March 31, 2009

2. Significant accounting policies (continued)

Employee future benefits

The employee future benefit obligations and current employee future benefit expense are recorded in the Statement of Financial Position and Statement of Operation, respectively. These obligations have been agreed to be funded by the Province of Nova Scotia, and accordingly, a corresponding receivable has been recorded from the Department of Finance.

i) Retirement allowance/public service awards

Per Union Collective Agreements, employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

ii) Retirement health benefits

As a result of recent NSNU, CAW and CUPE union negotiations, certain retirement health benefits will be cost shared between the employees and District Health Authorities.

Use of estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Financial instruments

The Authority's financial instruments consist of cash, receivables, payables and accruals, and deferred contributions. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Cape Breton District Health Authority

Notes to Financial Statements

March 31, 2009

2. Significant accounting policies (continued)

Adoption of accounting policy - financial instruments

Effective April 1, 2008 the Authority prospectively adopted the guidance presented in Sections 3855 - Financial Instruments - Recognition and Measurement and 3862 - Financial Instruments - Disclosure and Presentation.

Section 3855 requires the Authority to revalue all of its financial instruments at fair value on the initial date of implementation and at each subsequent reporting date based on the classification method chosen. Section 3862 establishes standards for the presentation of financial instruments and identifies the information that should be disclosed about them.

The Authority 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 adoption of the new standards does not result in any changes to the carrying value of the financial assets or liabilities.

3. Receivables	2009	2008
Patients, medical service insurance, Level II Care, veterans	\$ 2,308,832	\$ 2,393,066
Harmonized sales tax	1,693,551	1,519,148
Hospital Foundations (Note 11)	1,821,898	2,422,761
Sundry	965,716	1,387,953
Department of Health (Note 4):		
Nova Scotia Hospital Information System	413,781	27,628
Vacation accrual	2,443,187	2,355,376
Capital funding	2,268,166	3,006,348
Other	2,812,103	1,569,919
Retirement payouts	263,708	494,807
Addiction Services and Public Health	100,090	121,575
	<u>\$ 15,091,032</u>	<u>\$ 15,298,581</u>

Cape Breton District Health Authority

Notes to Financial Statements

March 31, 2009

4. Accounts with the Department of Health

The Health Authority has the following accounts with the Department of Health:

	<u>2009</u>	<u>2008</u>
Accounts receivable (payable):		
Employee future benefits (Note 8)	\$ 24,517,970	\$ 23,712,383
Nova Scotia Hospital Information System	413,781	27,628
Vacation accrual	2,443,187	2,355,378
Capital funding	2,268,166	3,006,348
Other	1,225,170	1,569,919
Retirement allowance payouts	263,708	494,807
NSNU Premiums	783,615	
Retiree Health Benefits	7,887	
Community Rehab	629,115	
Addiction Services and Public Health	89,290	121,575
New Hospital construction	<u>(540,240)</u>	<u>(575,240)</u>
	<u>\$ 32,101,649</u>	<u>\$ 30,712,796</u>

5. Inventories

	<u>2009</u>	<u>2008</u>
Drugs	\$ 1,222,158	\$ 1,356,832
Medical and surgical	627,994	636,264
Food	89,684	97,107
General	<u>1,058,477</u>	<u>1,300,097</u>
	<u>\$ 2,998,313</u>	<u>\$ 3,390,300</u>

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>
Land	\$ 532,958		\$ 532,958	\$ 532,958
Land improvements	4,072,884	\$ 2,603,670	1,469,214	1,659,986
Buildings and service equipment	208,967,851	76,768,794	132,199,057	132,615,257
Equipment	<u>99,194,186</u>	<u>79,085,776</u>	<u>20,108,410</u>	<u>19,979,047</u>
	<u>\$ 312,767,879</u>	<u>\$ 158,458,240</u>	<u>\$ 154,309,639</u>	<u>\$ 154,787,248</u>

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

7. Payables and accruals	<u>2009</u>	<u>2008</u>
Accounts payable	\$ 13,029,351	\$ 19,314,803
Salaries	9,033,070	5,984,536
Vacation pay accrual	3,138,786	2,698,285
Department of Health, new hospital construction	<u>540,240</u>	<u>575,240</u>
	<u>\$ 25,741,447</u>	<u>\$ 28,572,863</u>

8. Other receivables/liabilities

Employee future benefits

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on service as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Cape Breton District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2005. Actuarial liabilities as at March 31, 2009, were extrapolated from the results of the December 31, 2007, actuarial valuation.

Cape Breton District Health Authority has provided for retirement allowances as follows:

	<u>2009</u>	<u>2008</u>
<i>Accrued benefit liability</i>		
Balance, beginning of year	\$ 16,766,083	\$ 16,496,804
Current service cost	1,066,600	1,016,300
Interest cost	812,000	808,000
Amortization of experience loss	196,349	13,304
Estimated fiscal payments for employees	<u>(1,914,100)</u>	<u>(1,568,325)</u>
Balance, end of year	<u>\$ 16,926,932</u>	<u>\$ 16,766,083</u>

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

8. Other receivables/liabilities (continued)

Reconciliation to funding status

Funding status – plan deficit	\$ 24,105,475	\$ 16,825,775
Unamortized net actuarial gain (loss)	<u>(7,178,543)</u>	<u>(59,692)</u>
	<u>\$ 16,926,932</u>	<u>\$ 16,766,083</u>

Employee future benefits expense

Current service cost	\$ 1,066,600	\$ 1,016,300
Interest cost	812,000	808,000
Amortization of experience loss	<u>196,349</u>	<u>13,304</u>
	<u>\$ 2,074,949</u>	<u>\$ 1,837,604</u>

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2009:

Retirement allowance

Discount rate	4.95%
Retirement % at age 65	75.00%
Average age of employees	46.20
Average age of services	9.9
Future mortality rate	No pre-retirement mortality assumed
Rate of compensation increase	2.65%-5.15%

Employee future benefits

All accumulated liabilities from the retiring allowance program of the Cape Breton District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2009.

Retirement health benefits

Retirement Health Benefits paid to employees upon retirement are actuarially determined. The retirement health benefit value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on service as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable is recorded on the books for the same amount.

The Department of Finance engaged a consultant to conduct an actuarial valuation of the post-retirement health subsidy negotiated between NSNU, CUPE and CAW, and the District Health Authorities. The results are based on an actuarial valuation for accounting purposes conducted as at April 1, 2006. Actuarial liabilities as at March 31, 2009, were extrapolated from the results of the actuarial valuation.

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

8. Other receivables/liabilities (continued)

Cape Breton District Health Authority has provided for retirement health benefits as follows:

	<u>2009</u>	<u>2008</u>
<i>Accrued benefit liability</i>		
Balance, beginning of year	\$ 6,946,300	\$ 2,333,900
Current service cost	354,400	171,300
Interest cost	358,400	172,900
Plan amendment		4,290,800
Amortization of experience (gains) losses	17,278	
Estimated fiscal payments for employees	<u>(85,340)</u>	<u>(22,600)</u>
Balance, end of year	<u>\$ 7,591,038</u>	<u>\$ 6,946,300</u>
<i>Reconciliation to funding status</i>		
	<u>2009</u>	<u>2008</u>
Funding status – surplus (deficiency)	\$ (7,453,360)	\$ (7,101,800)
Unamortized actuarial (gains) losses	<u>(137,678)</u>	<u>155,500</u>
	<u>\$ (7,591,038)</u>	<u>\$ (6,946,300)</u>
<i>Employee future benefits expense</i>		
Current service cost	\$ 354,400	\$ 171,300
Interest cost	358,400	172,900
Plan amendment		4,290,800
Amortization of experience (gains) losses	<u>17,278</u>	<u></u>
	<u>\$ 730,078</u>	<u>\$ 4,635,000</u>

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2009:

Retirement Health Benefits

	<u>CAW/CUPE</u>	<u>NSNU</u>
Discount rate	4.95%	4.95%
Number of employees CAW and CUPE	1,145.00	567.00
Retirement % at age 65	75.00%	75.00%
Average age of employees	46.10	44.70
Average service	14.90	15.10
Future mortality rate	UP 94 projected to 2015	

All accumulated liabilities from the post-retirement Health Subsidy for CUPE and CAW of the Cape Breton District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2009.

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

9. Deferred contributions related to capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 151,773,214	\$ 150,853,702
Additional contributions received	9,046,476	11,223,017
Less amounts amortized to revenue	<u>(9,524,084)</u>	<u>(10,303,505)</u>
	<u>\$ 151,295,606</u>	<u>\$ 151,773,214</u>

10. Investment in capital assets

	<u>2009</u>	<u>2008</u>
Capital assets	\$ 154,309,639	\$ 154,787,248
Amounts financed by deferred contributions	<u>(151,295,605)</u>	<u>(151,773,214)</u>
	<u>\$ 3,014,034</u>	<u>\$ 3,014,034</u>
Excess of expenses over revenue		
Amortization of deferred contributions related to capital assets	\$ 9,524,084	\$ 10,303,505
Amortization of capital assets	<u>(9,524,084)</u>	<u>(10,183,505)</u>
	<u>\$ _____</u>	<u>\$ 120,000</u>
Net change in investment in capital assets		
Capital assets acquired	\$ 9,046,476	\$ 10,963,249
Amounts financed by deferred contributions	<u>9,046,476</u>	<u>(11,223,017)</u>
	<u>\$ _____</u>	<u>\$ (259,768)</u>

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

11. Due to/from Foundations

The Health Authority receives donations from the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

	<u>2009</u>	<u>2008</u>
Cape Breton Regional Hospital Foundation	\$ 541,745	\$ 700,675
Northside Hospital Charitable Foundation	83,266	58,443
Inverness Consolidated Memorial Hospital Foundation		6,457
Buchanan Memorial Hospital Foundation	573,341	929,618
Sacred Heart Hospital Foundation	18,300	4,794
New Waterford Hospital Foundation		7,205
Victoria County Memorial Hospital Foundation	9,221	14,281
Victoria County Hospital Auxiliary	5,012	
Hospice Palliative Care		700,000
Inverary Manor	590,934	
Other	<u>79</u>	<u>1,288</u>
	<u>\$ 1,821,898</u>	<u>\$ 2,422,761</u>

12. Supplemental cash flow information

	<u>2009</u>	<u>2008</u>
Change in non-cash operating working capital		
Receivables	\$ 207,549	\$ (3,169,396)
Inventories	391,987	(357,912)
Prepays	407,252	108,738
Accounts payable and accrued liabilities	(2,831,416)	5,283,357
Deferred revenue	<u>1,662,530</u>	<u>(143,450)</u>
	<u>\$ (162,098)</u>	<u>\$ 1,721,337</u>

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

13. Contingencies

The Health Authority has been named a defendant in several lawsuits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

14. Commitments

The Authority leases premises under operating leases which expire from 2009 to 2017 with minimum annual lease payments and aggregate lease payments as follows:

Minimum	Aggregate	
	Annual Lease Payments	Lease Payments
Board of Trustees of St. Andrews United Church	\$ 28,030	\$ 126,135
Nova Scotia Power Inc.	356,895	2,850,883
Aneal Virick and Ajay Virick	48,976	258,352
Pembroke Realties	45,500	107,792
Pembroke Realties	73,440	55,080
Sydney Medical Holdings	87,313	116,417
Sydney Medical Holdings	34,442	54,533
Sydney Airport Authority	14,787	16,019
Senator's Corner Development Ltd.	56,350	4,696
Alexander Gillis	16,800	2,800
Health Park	104,421	304,562
Health Park	98,369	352,489
Health Park	24,615	88,204
Kate Muir	10,200	3,400
Grand Lake Road Volunteer Fire Department	68,000	124,667

In addition, the Authority leases various other smaller properties and storage facilities with annual lease payments of approximately \$72,804. These lease agreements are renewed on a yearly or monthly basis.

Cape Breton District Health Authority

Notes to the Financial Statements

March 31, 2009

15. Comparative figures

Certain of the 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009. The reclassifications are the result of new revenue and expense groupings adopted in the current year.
