

Financial Statements of

**SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH**

March 31, 2009

Auditors' Report

To the Chair and Members of the Board of Directors of the
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2009 and the statements of operations, changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the South Shore District 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 South Shore District Health Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Halifax, Nova Scotia
June 23, 2009

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH
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SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH
Statement of Financial Position
March 31, 2009

	Operating Fund	Capital Fund	2009 Total	2008 Total
ASSETS				
Current				
Cash and cash equivalents	\$ -	\$ 1,920,641	\$ 1,920,641	\$ 2,000,609
Accounts receivable (Note 4)	4,210,891	1,809,943	6,020,834	8,714,346
Inventories	1,001,233	-	1,001,233	835,151
Prepaid expenses	531,731	24,844	556,575	428,621
	5,743,855	3,755,428	9,499,283	11,978,727
Long-term assets (Note 5)	7,114,929	-	7,114,929	6,453,239
Property, plant and equipment (Note 6)		32,126,153	32,126,153	33,041,752
	\$ 12,858,784	\$ 35,881,581	\$ 48,740,365	\$ 51,473,718
LIABILITIES				
Current				
Bank indebtedness	\$ 392,429	\$ -	\$ 392,429	\$ 914,750
Accounts payable and accrued liabilities (Note 8)	6,082,464	926,585	7,009,049	7,361,292
Revenue received in advance	1,122,334		1,122,334	969,074
	7,597,227	926,585	8,523,812	9,245,116
Deferred capital grants (Note 9)	-	35,004,614	35,004,614	35,923,935
Employee future benefits (Note 15)	6,960,011	-	6,960,011	6,304,667
	14,557,238	35,931,199	50,488,437	51,473,718
FUND BALANCE				
Unrestricted	(1,698,454)	(49,618)	(1,748,072)	-
	\$ 12,858,784	\$ 35,881,581	\$ 48,740,365	\$ 51,473,718

Commitments (Note 12)
Contingency (Note 17)

APPROVED BY THE BOARD

.....Chair

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH
Statement of Changes in Fund Balance
Year ended March 31, 2009

	Operating Fund	Capital Fund	2009 Total	2008 Total
<i>Unrestricted</i>				
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Excess of revenues over expenses	(1,698,454)	(49,618)	(1,748,072)	-
Balance, end of year	\$ (1,698,454)	\$ (49,618)	\$ (1,748,072)	\$ -

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH
Statement of Operations
Year ended March 31, 2009

	Operating Fund	Capital Fund	2009 Total	2008 Total
Revenues				
Department of Health	\$ 62,890,282	\$ -	\$ 62,890,282	\$ 58,599,793
Veterans Affairs Canada	2,495,660	-	2,495,660	2,394,280
Patient services	1,785,358	-	1,785,358	1,751,066
Program recoveries	9,326,148	-	9,326,148	7,529,288
Amortization of deferred capital grants (Note 9)	-	2,845,076	2,845,076	2,587,540
Other	713,215	-	713,215	717,200
	77,210,663	2,845,076	80,055,739	73,579,167
Expenses				
Addiction	2,701,034	-	2,701,034	2,214,091
Administration and support	2,459,581	-	2,459,581	2,361,454
Amortization of property, plant and equipment	-	2,861,490	2,861,490	2,618,341
Bad debts	22,211	-	22,211	91,657
Diagnostic imaging	3,486,454	-	3,486,454	3,124,670
Employee future benefits (Note 15)	1,055,479	-	1,055,479	1,671,213
Environmental	2,402,426	-	2,402,426	2,326,892
Finance	685,737	-	685,737	572,341
Food and nutrition	3,068,651	-	3,068,651	2,910,521
Health registry	2,076,466	-	2,076,466	1,886,956
Human resources	717,833	-	717,833	678,053
Information services	1,635,974	-	1,635,974	1,574,101
Laboratory	5,767,239	-	5,767,239	4,936,943
Material management	1,738,131	-	1,738,131	1,621,368
Mental health	4,737,130	-	4,737,130	4,347,636
Nursing	31,597,723	-	31,597,723	28,292,446
Other programs (Note 10)	3,199,566	-	3,199,566	2,622,322
Pharmacy	1,091,895	-	1,091,895	1,049,486
Plant and support	4,681,991	-	4,681,991	4,293,556
Public health	2,078,484	-	2,078,484	1,902,951
Rehabilitation services	1,175,519	-	1,175,519	1,179,693
Sundry (Note 11)	2,529,593	33,204	2,562,797	1,302,476
	78,909,117	2,894,694	81,803,811	73,579,167
Deficiency of revenues over expenses (Note 18)	\$ (1,698,454)	\$ (49,618)	\$ (1,748,072)	\$ -

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH
Statement of Cash Flows

Year ended March 31, 2009

	Operating Fund	Capital Fund	2009 Total	2008 Total
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Deficiency of revenues over expenses	\$ (1,698,454)	\$ (49,618)	\$ (1,748,072)	\$ -
Adjusted for items not affecting cash:				
Amortization of property, plant and equipment	-	2,861,490	2,861,490	2,618,341
Amortization of deferred capital grants	-	(2,845,076)	(2,845,076)	(2,587,540)
Employee future benefits expense (Note 15)	1,055,479	-	1,055,479	1,671,213
Changes in non-cash working capital items (Note 14)	2,227,121	(26,628)	2,200,493	(1,387,715)
Employee future benefits paid (Note 15)	(400,135)	-	(400,135)	(286,151)
	1,184,011	(59,832)	1,124,179	28,148
Financing				
Proceeds received from grants for capital assets (Note 9)	-	1,925,755	1,925,755	3,700,228
Investing				
Investment in long-term assets	(661,690)	-	(661,690)	(1,349,196)
Acquisition of property, plant and equipment		(1,945,891)	(1,945,891)	(4,039,926)
	(661,690)	(1,945,891)	(2,607,581)	(5,389,122)
NET CASH INFLOW (OUTFLOW)	522,321	(79,968)	442,353	(1,660,746)
(BANK INDEBTEDNESS) CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(914,750)	2,000,609	1,085,859	2,746,605
(BANK INDEBTEDNESS) CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (392,429)	\$ 1,920,641	\$ 1,528,212	\$ 1,085,859
Supplemental cash flow information:				
Interest received	\$ 105,155	\$ -	\$ 105,155	\$ 158,718

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2009

1. DESCRIPTION OF ORGANIZATION

The South Shore District Health Authority ("South Shore Health") was formed by the Health Authorities Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. South Shore Health's mission: "Work with individuals, families and communities to prevent illness, provide care and improve the health of those we serve."

The facilities owned and operated by South Shore Health are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queens General Hospital. In addition, South Shore Health lease space in other locations to operate community-based programs throughout Lunenburg and Queens Counties and supports two Community Health Boards.

South Shore Health is dependent on the Nova Scotia Department of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. South Shore District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries that were established to raise funds for the respective hospitals within South Shore Health.

2. CHANGES IN ACCOUNTING POLICIES – ADOPTION OF NEW ACCOUNTING STANDARDS

Adoption of accounting policies

On April 1, 2008, South Shore Health adopted Capital Disclosures, Section 1535 of the CICA Handbook. The adoption of this new standard has not resulted in any change in how South Shore Health accounts for its transactions, but does require additional disclosure, which is presented in Note 19.

On April 1, 2008, South Shore Health adopted the recommendations of Section 3031, Inventories of the CICA Handbook. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on South Shore Health's financial statements.

On April 23, 2008, the CICA amended Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook. The amended section allows Not-for-Profit organizations to exempt themselves from accounting for certain non-financial contracts as derivatives under Section 3855 and also to exempt themselves from accounting for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives under Section 3855. These amendments to Section 3855 apply to fiscal years beginning on or after August 1, 2008, with earlier adoption permitted.

South Shore Health has elected early adoption of these amendments to Section 3855 effective for its fiscal year beginning on April 1, 2008. This change in accounting policy is required to be applied retrospectively with restatement of prior years. South Shore Health did not have any non-financial contracts that were required to be accounted for as derivatives under Section 3855, nor any derivative features embedded in non-financial contracts, leases and insurance contracts that were required to be accounted for as embedded derivatives under Section 3855. This change in accounting policy did not have an impact on the current or prior year's financial statements.

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

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2. CHANGES IN ACCOUNTING POLICIES – ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Adoption of accounting policies (continued)

The CICA deferred indefinitely the requirement of Not-for-Profit organizations to implement sections 3862 and 3863 of the CICA Handbook. Section 3862 requires the disclosure of information about: (a) the significance of financial instruments for South Shore Health's financial position and performance and (b) the nature and extent of risks arising from the financial instruments to which South Shore Health is exposed during the period and at the statement of financial position date, and how South Shore Health manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

South Shore Health has elected to defer application of these standards and as such continues to follow the disclosure requirements of section 3861.

Future accounting policy changes

In September 2008, the CICA issued amendments to several of the existing sections in Section 4400 of the CICA Handbook – Financial Statements by Not-for-Profit Organizations. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, South Shore Health will have to adopt the amended standards for its fiscal year beginning April 1, 2009. The amendments include a) additional guidance in the applicability of Section 1100, Generally Accepted Accounting Principles; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, Reporting Revenue Gross as a Principal Versus Net as an Agent; d) requirement to include a statement of cash flows in accordance with Section 1540, Cash Flow Statements; e) requirement to apply Section 1751, Interim Financial Statements, when preparing interim financial statements in accordance with GAAP; f) requirement for non-for-profit organizations that recognize capital assets to amortize and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840; Related Party Transactions; and h) new disclosure requirements regarding the allocation of fundraising and general support costs. Management is assessing the impact of these changes on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants.

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to South Shore Health's capital assets, and special purpose and endowment funds.

SOUTH SHORE DISTRICT HEALTH AUTHORITY

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Notes to the Financial Statements

March 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

South Shore Health has classified its financial instruments as follows:

	<u>Category</u>
Cash and cash equivalents (bank indebtedness)	Held-for-trading
Accounts receivable	Loans and receivables
Long-term assets	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

“Held-for-trading” items are carried at fair value, with changes in their fair value recognized in the Statement of Operations in the current year. “Loans and receivables” are carried at amortized cost, using the effective interest method. “Other liabilities” are carried at amortized cost, using the effective interest method.

Transaction costs are expensed as incurred.

Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents (bank indebtedness) consist of cash on hand, bank indebtedness and balances with banks.

Inventories

Inventories are recorded at the lower of cost and net realizable value and includes stores, pharmacy drugs, medical/surgical, and other general inventory. Cost is determined using the weighted average method.

Property, plant and equipment

Purchased property, plant and equipment are recorded in the Capital Fund at cost. Contributed property, plant and equipment are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 – 10%
Building and building service equipment	2.5 – 10%
Equipment	5 – 33%

Deferred capital grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

Employee future benefits are determined as outlined in Note 15 and recognized in the period in which benefits are earned by the employee.

Revenue recognition

South Shore Health follows the deferral method of accounting for 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. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

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

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, estimated useful life for certain items of property, plant and equipment and certain employee future benefits assumptions. Actual results may differ from these estimates.

SOUTH SHORE DISTRICT HEALTH AUTHORITY
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Notes to the Financial Statements
March 31, 2009

4. ACCOUNTS RECEIVABLE

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- operating funding	\$ 2,076,172	\$ -	\$ 2,076,172	\$ 4,358,258
- capital grants	-	761,538	761,538	735,225
Veterans Affairs Canada	197,448	-	197,448	264,002
Patient care	583,524	-	583,524	497,746
HST rebates	240,448	105,271	345,719	531,256
Extended care facilities	4,676	-	4,676	5,157
Homecare/VON	32,249	-	32,249	37,102
Charitable foundations	90,748	943,134	1,033,882	1,146,615
Psychiatric recoveries	196,015	-	196,015	236,471
HITS-NS- HIS Project	11,189	-	11,189	69,769
Interfacility	-	-	-	(84,201)
ER physicians	77,466	-	77,466	38,825
Supplier rebate	17,936	-	17,936	55,563
Other	683,020	-	683,020	822,558
	\$ 4,210,891	\$ 1,809,943	\$ 6,020,834	\$ 8,714,346

5. LONG-TERM ASSETS

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Employee future benefits receivable	\$ 7,021,606	\$ -	\$ 7,021,606	\$ 6,353,147
Payroll advances receivable	93,323	-	93,323	100,092
	\$ 7,114,929	\$ -	\$ 7,114,929	\$ 6,453,239

The employee future benefits receivable represents an amount due from the Province of Nova Scotia – Department of Health. This receivable corresponds to retiring the accrued benefit liability for allowances and retirement health benefits for current and retired employees respectively for South Shore District Health Authority.

SOUTH SHORE DISTRICT HEALTH AUTHORITY

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Notes to the Financial Statements

March 31, 2009

6. PROPERTY, PLANT AND EQUIPMENT

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 302,434	\$ -	\$ 302,434	\$ 302,434
Land improvements	876,056	803,775	72,281	101,656
Building and building service equipment	49,840,924	22,520,070	27,320,854	28,351,252
Equipment	34,585,858	30,155,274	4,430,584	4,286,410
	\$ 85,605,272	\$ 53,479,119	\$ 32,126,153	\$ 33,041,752

7. CREDIT FACILITIES

South Shore Health has an available operating line of credit with a Canadian chartered bank totalling \$3.4 million. Interest is charged at prime less 0.75%. There was no amount drawn on the operating line as at March 31, 2009.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Trade payables	\$ 1,233,644	\$ 434,104	\$ 1,667,747	\$ 1,077,580
Accrued liabilities	878,670	492,482	1,371,152	1,891,125
Vacation pay	639,924	-	639,924	740,095
Salary and benefits	3,288,639	-	3,288,639	3,611,875
Other	41,586	-	41,586	40,617
	\$ 6,082,464	\$ 926,585	\$ 7,009,049	\$ 7,361,292

9. DEFERRED CAPITAL GRANTS

	2009	2008
Balance, beginning of year	\$ 35,923,935	\$ 34,811,247
Grants received for:		
Capital assets purchased	1,793,142	3,581,547
Future capital asset purchases	132,613	118,681
Total grants received for capital assets	1,925,755	3,700,228
	37,849,690	38,511,475
Amortization of deferred capital grants	(2,845,076)	(2,587,540)
Balance, end of year	\$ 35,004,614	\$ 35,923,935

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2009

10. OTHER PROGRAMS EXPENDITURES

	2009	2008
Community Based Physiotherapy	\$ 115,784	\$ 74,710
Community Health Boards	122,323	131,508
District Social Work	212,464	161,958
Infection control	191,332	174,617
Non-Invasive Cardiology	481,129	441,185
Palliative Care	495,088	397,245
Patient Navigator	77,060	82,388
Planning and development	100,755	122,272
Nurse Practitioner	531,836	328,948
Respiratory Therapy	561,730	534,789
Seniors Program	125,054	105,214
Adult Day Night Care	115,065	-
Student with Health Needs	69,947	67,488
	\$ 3,199,566	\$ 2,622,322

11. SUNDRY EXPENDITURES

	2009	2008
ALC and Seniors Community Health Team	\$ 585,401	\$ 639,079
Centre for Restorative Care	344,308	262,604
Health Administrative Systems Project (HASP)		
-funded	993,561	73,528
-non-funded	63,417	-
Occupational therapy	39,789	13,342
Parking	68,743	62,896
PHC	319,331	189,872
Physician Leader	34,012	-
Rental property	57,802	50,654
Other	56,433	4,491
	\$ 2,562,797	\$ 1,302,476

SOUTH SHORE DISTRICT HEALTH AUTHORITY
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Notes to the Financial Statements
March 31, 2009

12. COMMITMENTS

Lease and purchase commitments

South Shore Health has committed funds from operations for operating supplies, occupancy and equipment leases. Estimated minimum lease payments over the next four years are expected to be as follows:

2010	\$ 1,094,702
2011	570,147
2012	457,458
2013	260,373
	<u>\$ 2,382,680</u>

13. PENSION PLAN

South Shore Health contributes to two pension plans on behalf of its employees. The first plan is a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2008, which showed an unfunded liability for the entire multi-employer plan of \$123.3 million. The next actuarial valuation is scheduled for December 31, 2011.

The second plan is also a multi-employer plan administered by the Province of Nova Scotia. The most recent actuarial valuation was March 31, 2008. At that time, there was an unfunded liability for the entire multi-employer plan of \$912.2 million. The next actuarial valuation is scheduled for March 31, 2009 and is currently in progress.

South Shore District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2009 was \$ 3,222,877 (2008 - \$2,848,164).

14. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Accounts receivable	\$ 2,421,677	\$ 271,835	\$ 2,693,512	\$ (1,383,139)
Inventories	(166,082)	-	(166,082)	(35,603)
Prepaid expenses	(130,160)	2,206	(127,954)	(44,695)
Accounts payable and accrued liabilities	(51,574)	(300,669)	(352,243)	(302,701)
Revenue received in advance	153,260	-	153,260	378,423
	<u>\$ 2,227,121</u>	<u>\$ (26,628)</u>	<u>\$ 2,200,493</u>	<u>\$ (1,387,715)</u>

SOUTH SHORE DISTRICT HEALTH AUTHORITY

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Notes to the Financial Statements

March 31, 2009

15. EMPLOYEE FUTURE BENEFITS

Retirement allowances and health benefits paid to employees upon retirement are actuarially determined. The retirement allowance and health benefits values are calculated based on assumptions provided by the Provincial Department of Finance for District Health Authorities. The accrued benefit obligation is calculated using the projected benefit method pro-rated on service. Experience gains and losses and assumption charges are amortized on a linear basis over the employee group's expected average remained service life. 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 balance is recorded.

The accrued benefit obligation, as calculated in the last actuarial valuation for post retirement benefits was completed as at December 31, 2005. The last actuarial valuation of post retirement health benefits for CUPE and non-union employees was performed as at April 1, 2006, and as at April 1, 2007 for NSNU employees. The next actuarial valuation of post retirement benefits was scheduled for December 2008 and is currently in progress. The next actuarial valuation for CUPE and non-union employees and NSNU employees is scheduled for April of 2009 and is currently in progress. The valuations for each of the above noted plans have been extrapolated to March 31, 2009.

	<u>2009</u>	<u>2008</u>
Accrued benefit liability		
Accrued benefit obligation	\$ 7,810,250	\$ 6,401,985
Unamortized actuarial experience gain	(850,239)	(97,318)
Accrued benefit liability on the statement of financial position	<u>\$ 6,960,011</u>	<u>\$ 6,304,667</u>
Net benefit costs recognized		
Current service costs	\$ 452,600	\$ 375,100
Interest cost	324,900	255,000
Current year amortized actuarial loss (gain)	265,100	(18,687)
Plan amendments	12,879	1,059,800
Employee future benefit expense on the statement of operations	<u>\$ 1,055,479</u>	<u>\$ 1,671,213</u>
Employee future benefits liability, beginning of year	\$ 6,304,667	\$ 4,919,605
Expense	1,055,479	1,671,213
Benefits paid	(400,135)	(286,151)
Employee future benefits liability, end of year	<u>\$ 6,960,011</u>	<u>\$ 6,304,667</u>

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Notes to the Financial Statements

March 31, 2009

16. FINANCIAL INSTRUMENTS

Fair value

The carrying values of financial instruments which consist of accounts receivable and accounts payable and accrued liabilities and long-term assets, approximate their fair values.

Credit risk

South Shore Health performs an evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there to be no significant credit risk as at March 31, 2009.

17. CONTINGENCY

There is pending legal action against South Shore Health regarding a claim of inappropriate treatment of a prospective vendor's bid by way of a request for proposals. Management has defenses to this claim, but the outcome of this matter is not determinable at this time.

18. DEFICIT FUNDING SETTLEMENT

In accordance with Provincial Legislation (Section 31 of the Health Authorities Act) and Department of Health policy, the Department of Health provided additional funding to South Shore Health to cover the 2007-08 operating deficit of \$1,387,394. During fiscal 2009, South Shore Health has received the funding to cover the operating deficit.

As directed by the Department of Health the 2008-09 operating deficit of \$1,698,452 will be recovered over the next three fiscal years. This will be accomplished by a combination of a reduction in expenditures and an increase in revenues.

19. CAPITAL MANAGEMENT

South Shore Health considers its fund balance, short-term debt facilities and deferred contributions as its capital.

Fund balance

As a not-for-profit organization, South Shore Health's operations are reliant on revenues generated annually. South Shore Health has an accumulated net deficit balance to March 31, 2009 of \$1,748,072 (2008 - \$Nil) which is presented in the balance sheet as fund balance.

A portion of fund balances represents financial resources which are subject to external restrictions on future use. South Shore Health, through its policies, has placed internal restrictions on the use of certain other portions of its accumulated net deficit. Unrestricted funds represent capital that may be utilized for general business operations, a portion of which is retained as working capital, except in the case of the current year deficiency.

**SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH**
Notes to the Financial Statements
March 31, 2009

19. CAPITAL MANAGEMENT (continued)

Debt

South Shore Health maintains an available line of credit for periodic short-term requirements (Note 7). At March 31, 2009, South Shore Health was in compliance with all covenants applicable to its debt instruments.

Deferred contributions

Revenue received in advance is for operating and deferred capital grants are received for capital purposes. These contributions are in advance of the expenditures they are intended to fund. At March 31, 2009, South Shore Health was in compliance with all restrictions applicable to these funding sources.