



**Pictou County Health  
Authority  
Financial Statements  
March 31, 2011**

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## Independent auditor's report

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To the Board of the Pictou County Health Authority

We have audited the accompanying financial statements of the Pictou County Health Authority, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pictou County Health Authority as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia

June 21, 2011



Chartered Accountants

# **Pictou County Health Authority** **Statement of Financial Position** **March 31, 2011**

<b>Assets</b>	<b>General Fund</b>	<b>Capital Asset Fund</b>	<b>Endowment Fund</b>	<b>Total 2011</b>	<b>Total 2010</b>
<b>Current</b>					
Cash and cash equivalents (Note 3)	\$ 956,834	\$ 61,047	\$ 762,077	\$ 1,779,958	\$ 3,734,185
Receivables (Note 4)	4,660,918	3,013,265	-	7,674,183	7,681,957
Due from other funds	2,122,702	-	-	2,122,702	637,957
Inventories	677,235	-	-	677,235	976,717
Prepaids	726,651	-	-	726,651	574,720
	9,144,340	3,074,312	762,077	12,980,729	13,605,536
Other receivables (Note 5)	8,998,538	-	-	8,998,538	8,516,858
Capital assets (Note 6)	-	43,011,529	-	43,011,529	41,912,639
	\$ 18,142,878	\$ 46,085,841	\$ 762,077	\$ 64,990,796	\$ 64,035,033
<b>Liabilities</b>					
<b>Current</b>					
Payables and accruals (Note 7)	\$ 11,067,804	\$ 1,138,468	\$ -	\$ 12,206,272	\$ 12,429,991
Due to other funds	-	1,615,437	507,265	2,122,702	637,957
Deferred revenue	251,465	45,095	-	296,560	1,300,392
	11,319,269	2,799,000	507,265	14,625,534	14,368,340
Retirement allowances and post-retirement benefits (Note 8)	6,905,017	-	-	6,905,017	6,458,218
	18,224,286	2,799,000	507,265	21,530,551	20,826,558
<b>Fund balances</b>					
Unrestricted	(81,408)	-	-	(81,408)	31,928
Restricted (Note 9)	-	43,286,841	254,812	43,541,653	43,176,547
	(81,408)	43,286,841	254,812	43,460,245	43,208,475
	\$ 18,142,878	\$ 46,085,841	\$ 762,077	\$ 64,990,796	\$ 64,035,033

Commitments (Note 12) Contingencies (Note 14)

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 Balance**

### **General Fund**

<b>Year Ended March 31</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Nova Scotia Department of Health and Wellness	\$ 69,987,198	\$ 67,448,620
Charges to MSI	3,164,084	3,082,630
Department of Veterans Affairs	2,165,633	2,192,755
In-patients	737,696	836,555
Out-patients	672,370	661,122
Rental income	422,602	311,430
Investment income	45,351	12,279
Laboratory	64,059	63,464
Project funding	93,000	130,005
Other income	672,880	521,589
	<u>78,024,873</u>	<u>75,260,449</u>
<b>Expenses</b>		
In-patient services	26,996,041	26,224,325
Ambulatory services	13,271,400	12,583,069
Diagnostic and therapeutic services	10,917,872	11,071,826
Support services	17,467,701	17,062,469
Community health services	7,277,620	6,243,058
Rental expenses	719,051	224,047
Education and library	643,870	572,715
Retirement allowance benefits (Note 8)	812,726	768,291
	<u>78,106,281</u>	<u>74,749,800</u>
(Deficiency) excess of revenue over expenses	(81,408)	510,649
Fund balance, beginning of year	31,928	31,919
Interfund transfers (Note 9)	<u>(31,928)</u>	<u>(510,640)</u>
Fund balance, end of year	<u>\$ (81,408)</u>	<u>\$ 31,928</u>

See accompanying notes to the financial statements

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

<b>Year Ended March 31</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Nova Scotia Departments of Health and Health Promotion and Protection	\$ 2,144,611	\$ 1,943,603
Foundations	837,411	915,343
Investment income	469	130
Other income	-	73,638
	<u>2,982,491</u>	<u>2,932,714</u>
<b>Expenses</b>		
Amortization	<u>2,655,163</u>	<u>3,757,331</u>
	<u>2,655,163</u>	<u>3,757,331</u>
Excess (deficiency) of revenue over expenses	327,328	(824,617)
Fund balance, beginning of year	42,927,585	43,241,562
Interfund transfers (Note 9)	<u>31,928</u>	<u>510,640</u>
Fund balance, end of year	<u>\$ 43,286,841</u>	<u>\$ 42,927,585</u>

See accompanying notes to the financial statements

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

<b>Year Ended March 31</b>	<b>2011</b>	<b>2010</b>
Revenues		
Investment income	<u>\$ 5,850</u>	<u>\$ 1,616</u>
	<u>5,850</u>	<u>1,616</u>
Expenses		
Endowment fund disbursements	<u>-</u>	<u>2,100</u>
	<u>-</u>	<u>2,100</u>
Excess (deficiency) of revenue over expenses	<b>5,850</b>	<b>(484)</b>
Fund balance, beginning of year	<u><b>248,962</b></u>	<u>249,446</u>
Fund balance, end of year	<u><b>\$ 254,812</b></u>	<u><b>\$ 248,962</b></u>

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See accompanying notes to the financial statements



# Pictou County Health Authority

## Statement of Cash Flows

Year Ended March 31

2011

2010

Increase (decrease) in cash and cash equivalents

### Operations

(Deficiency) excess of revenues over expenses - General Fund	\$ (81,408)	\$ 510,649
Excess (deficiency) of revenues over expenses		
- Endowment Fund	5,850	(484)

(75,558)	510,165
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Change in non-cash working capital

Receivables	808,885	(3,408,662)
Inventories	299,482	(550,065)
Prepays	(151,931)	(97,435)
Other receivables, net	(34,881)	(131,389)
Payables and accruals	(235,092)	3,739,829
Deferred revenue	(1,003,832)	305,434

Cash derived from operating activities

(392,927)	367,877
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### Financing and investing

Excess (deficiency) of revenues over expenses		
- Capital Asset Fund	327,328	(824,617)

Item not affecting cash

Amortization of capital assets	2,655,163	3,757,331
	2,982,491	2,932,714

Changes in non-cash working capital

Receivables	(801,111)	(719,365)
Payables and accruals	11,373	1,049,639
	2,192,753	3,262,988

Purchase of capital assets

(3,754,053)	(3,812,337)
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Cash applied to financing and investing activities

(1,561,300)	(549,349)
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Net decrease in cash and cash equivalents

(1,954,227)	(181,472)
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Cash and cash equivalents, beginning of year

3,734,185	3,915,657
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Cash and cash equivalents, end of year

\$ 1,779,958	\$ 3,734,185
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See accompanying notes to the financial statements

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# **Pictou County Health Authority**

## **Notes to the Financial Statements**

**March 31, 2011**

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### **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 and continuing care 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.

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### **2. Summary of significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as outlined in the Canadian Institute of Chartered Accountants Handbook and include the significant accounting policies set out below. The CICA has issued accounting standards that are specifically applicable to not-for-profit organizations which are to be adopted for fiscal years beginning on or after January 1, 2012. It is the Authority's intention to transition to these standards no later than its March 31, 2013 fiscal year.

#### **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 general fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

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# **Pictou County Health Authority**

## **Notes to the Financial Statements**

**March 31, 2011**

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### **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. The Authority uses the weighted average cost method to determine stores inventory and the first in first out cost method to determine cost of pharmacy inventories.

#### **Capital assets**

Assets purchased during the year are recorded in the Capital Asset 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, 2011

### 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.

### 3. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling \$42,485 (2010 - \$42,715), held in trust on behalf of four 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.

### 4. Receivables

	General Fund	Capital Asset Fund	Total 2011	Total 2010
Charges to MSI	\$ 236,221	\$ -	\$ 236,221	\$ 166,842
Foundations and Auxiliary	36,140	959,344	995,484	1,045,943
Harmonized sales tax	498,127	464	498,591	502,864
Patients	301,362	-	301,362	104,709
Veterans Affairs Canada	313,619	-	313,619	229,331
Other	1,061,547	-	1,061,547	2,551,400
	<u>2,447,016</u>	<u>959,808</u>	<u>3,406,824</u>	<u>4,601,089</u>
Nova Scotia Department of Health and Wellness				
Construction and equipment	-	2,053,457	2,053,457	1,134,559
Settlements and other	2,213,902	-	2,213,902	1,946,309
	<u>2,213,902</u>	<u>2,053,457</u>	<u>4,267,359</u>	<u>3,080,868</u>
	<u>\$ 4,660,918</u>	<u>\$ 3,013,265</u>	<u>\$ 7,674,183</u>	<u>\$ 7,681,957</u>

Pledges from the Aberdeen Health Foundation of \$420,556 (2010 - \$409,016) for future acquisition of capital assets are not recorded as accounts receivable.

**Pictou County Health Authority**  
**Notes to the Financial Statements**  
**March 31, 2011**

<b>5. Other receivables</b>	<b>General Fund</b>	<b>Total 2011</b>	<b>Total 2010</b>
Nova Scotia Department of Health			
Vacation pay	\$ 2,093,521	\$ 2,093,521	\$ 2,058,640
Retirement allowances	4,694,724	4,694,724	4,394,635
Post-retirement benefits	2,210,293	2,210,293	2,063,583
	<u>\$ 8,998,538</u>	<u>\$ 8,998,538</u>	<u>\$ 8,516,858</u>

<b>6. Capital assets</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2011 Net Book Value</b>	<b>2010 Net Book Value</b>
Land	\$ 27,528	\$ -	\$ 27,528	\$ 27,528
Land improvements	1,386,072	327,066	1,059,006	1,122,783
Buildings	57,210,520	23,087,808	34,122,712	34,887,129
Equipment	22,767,565	18,764,275	4,003,290	3,936,627
Equipment under capital lease	557,676	557,676	-	-
Construction in progress	3,798,993	-	3,798,993	1,938,572
	<u>\$ 85,748,354</u>	<u>\$ 42,736,825</u>	<u>\$ 43,011,529</u>	<u>\$ 41,912,639</u>

The Aberdeen Health Foundation has 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.

<b>7. Payables and accruals</b>	<b>General Fund</b>	<b>Capital Asset Fund</b>	<b>Total 2011</b>	<b>Total 2010</b>
Trade	\$ 8,458,631	\$ 1,138,468	\$ 9,597,099	\$ 9,780,731
Vacation pay	2,609,173	-	2,609,173	2,649,260
	<u>\$ 11,067,804</u>	<u>\$ 1,138,468</u>	<u>\$ 12,206,272</u>	<u>\$ 12,429,991</u>

# Pictou County Health Authority

## Notes to the Financial Statements

March 31, 2011

### 8. 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 September 30, 2010. Actuarial liabilities at March 31, 2011 were extrapolated from the results of the September 30, 2010 valuation.

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 March 31, 2009. Actuarial liabilities at March 31, 2011 were extrapolated from the results of the March 31, 2009 valuation.

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 10.7 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.

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

	Retirement Allowances	Health Benefits	Total 2011	Total 2010
<b>Accrued benefit obligation</b>				
Balance, beginning of year	\$ 4,394,635	\$ 2,063,583	\$ 6,458,218	\$ 6,334,627
Current service cost	331,600	101,500	433,100	414,700
Interest cost	225,440	98,000	323,440	306,700
Amortization of experience loss	59,616	(3,430)	56,186	46,891
Benefits paid	(316,567)	(49,360)	(365,927)	(644,700)
Balance, end of year	\$ 4,694,724	\$ 2,210,293	\$ 6,905,017	\$ 6,458,218
Funded status - plan deficit	\$ (6,135,313)	\$ (2,436,330)	\$ (8,571,643)	\$ (6,773,430)
Unamortized net actuarial loss	1,440,589	226,037	1,666,626	315,212
Accrued benefit liability recognized	\$ (4,694,724)	\$ (2,210,293)	\$ (6,905,017)	\$ (6,458,218)

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

Retirement allowance expense	\$ 616,656	\$ 196,070	\$ 812,726	\$ 768,291
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## Pictou County Health Authority

### Notes to the Financial Statements

March 31, 2011

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#### 8. Retirement allowances and post-retirement benefits (continued)

The following actuarial assumptions have been used in the determination of the accrued benefit obligations at March 31, 2011:

	Allowances	Benefits
Discount rate	4.75%	4.75%
Rate of compensation increase	2.65 - 5.15%	N/A
Rate of coverage cost increase	N/A	4.5 - 7%
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 65<sup>th</sup> 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.

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#### 9. Restricted net assets and interfund transfers

Endowment Fund fund balances 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 2011 \$680,000 of the above amount was applied to the purchase of capital assets. In addition, \$31,928 (2010 - \$510,640) 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 fund balance invested in capital assets of \$43,011,529 (2010 - \$41,912,639). The internally restricted amounts are not available for unrestricted purposes without approval of the board of directors.



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## **Pictou County Health Authority**

### **Notes to the Financial Statements**

**March 31, 2011**

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#### **10. 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 Health Association Nova Scotia, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at October 31, 2010 and extrapolated to December 31, 2010 which indicated a funding surplus of \$109.6 million.
- (ii) a defined benefit plan, administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at December 31, 2009 and extrapolated to March 31, 2010 which indicated an unfunded liability of \$1,516.5 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 \$3,649,101 (2010 - \$2,928,412).

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#### **11. 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, 2011.

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#### **12. Commitments**

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

2012	\$	914,362	2013	\$	901,928
2014	\$	864,628	2015	\$	850,396
2016	\$	869,495			

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#### **13. 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 and wellness 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, 2011 are available from the individual financial statements of the related entities.



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## **Pictou County Health Authority**

### **Notes to the Financial Statements**

**March 31, 2011**

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#### **14. 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.