



Grant Thornton

Financial statements

Colchester East Hants Health Authority

March 31, 2011

# Contents

	<b>Page</b>
Independent auditors' report	1
Statement of financial position	3
Statement of operations	4
Statement of changes in fund balances	5
Statement of cash flows	6
Notes to the financial statements	7

## Independent auditors' report

Grant Thornton LLP  
Suite 400  
35 Commercial Street  
Truro, NS  
B2N 3H9  
T +1 902 893 1150  
F +1 902 893 9757  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Board of the Colchester East Hants Health Authority

We have audited the accompanying financial statements of the Colchester East Hants Health Authority, which comprise the statement of financial position as at March 31, 2011, 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 Health Authority'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 Health Authority'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 Colchester East Hants Health Authority as at March 31, 2011, and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Truro, Nova Scotia  
June 28, 2011

Chartered Accountants

# Colchester East Hants Health Authority

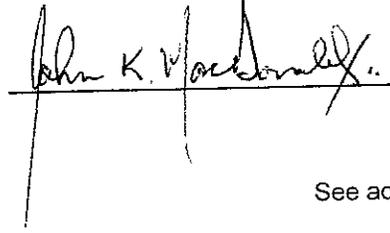
## Statement of financial position

March 31, 2011

	Operating Fund	Capital Fund	New Hospital Fund	Total 2011	Total 2010
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 1,240,065	\$ -	\$ 97,743	\$ 1,337,808	\$ 3,338,503
Receivables (Note 3)	6,988,001	489,200	6,451,089	13,928,290	9,798,742
Due from other funds	7,536,172	11,688,371	5,083,997	24,308,540	17,582,958
Inventories	566,130	-	-	566,130	623,529
Prepays	<u>666,694</u>	-	-	<u>666,694</u>	<u>536,351</u>
	16,997,062	12,177,571	11,632,829	40,807,462	31,880,083
Other receivables (Note 4)	6,408,594	-	-	6,408,594	6,083,285
Capital assets (Note 5)	-	<u>11,007,271</u>	<u>96,149,268</u>	<u>107,156,539</u>	<u>59,519,746</u>
	<u>\$ 23,405,656</u>	<u>\$ 23,184,842</u>	<u>\$ 107,782,097</u>	<u>\$ 154,372,595</u>	<u>\$ 97,483,114</u>
<b>Liabilities</b>					
<b>Current</b>					
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 10,962
Payables and accruals (Note 6)	9,093,047	414,385	10,629,739	20,137,171	15,559,408
Due to other funds	6,953,140	11,596,121	5,759,279	24,308,540	17,582,958
Deferred revenue	<u>1,014,664</u>	<u>30,555</u>	<u>149,226</u>	<u>1,194,445</u>	<u>1,310,661</u>
	17,060,851	12,041,061	16,538,244	45,640,156	34,463,989
Retirement allowances and health benefits (Note 7)	<u>6,408,594</u>	-	-	<u>6,408,594</u>	<u>6,083,285</u>
	<u>23,469,445</u>	<u>12,041,061</u>	<u>16,538,244</u>	<u>52,048,750</u>	<u>40,547,274</u>
<b>Fund balances (Page 5)</b>					
Restricted	-	11,143,781	91,243,853	102,387,634	58,204,288
Unrestricted	<u>(63,789)</u>	-	-	<u>(63,789)</u>	<u>(1,268,448)</u>
	<u>(63,789)</u>	<u>11,143,781</u>	<u>91,243,853</u>	<u>102,323,845</u>	<u>56,935,840</u>
	<u>\$ 23,405,656</u>	<u>\$ 23,184,842</u>	<u>\$ 107,782,097</u>	<u>\$ 154,372,595</u>	<u>\$ 97,483,114</u>

Commitments and contingencies (Notes 10 and 13)

On Behalf of the Board

 Chair

 Chief Executive Officer

See accompanying notes to the financial statements

# Colchester East Hants Health Authority

## Statement of operations

Year ended March 31, 2011

	Operating Fund	Capital Fund	New Hospital Fund	Total 2011	Total 2010
<b>Revenues</b>					
Nova Scotia Department of Health and Wellness	\$ 72,199,789	\$ 535,003	\$ 39,251,442	\$ 111,986,234	\$ 88,028,612
Charges to M.S.I.	3,952,359	-	-	3,952,359	4,167,349
Auxiliaries	-	23,308	-	23,308	12,684
Foundations	-	164,863	6,434,296	6,599,159	4,076,028
In-patients	454,120	-	-	454,120	559,241
Out-patients	520,900	-	-	520,900	564,751
Rental income	41,902	-	-	41,902	22,805
Addiction services	232,240	-	-	232,240	134,376
Operating room services	196,784	-	-	196,784	242,997
Investment income	41,991	-	-	41,991	33,057
Food services	223,273	-	-	223,273	251,552
Laboratory	251,434	-	-	251,434	225,303
Health information technology services	165,082	-	-	165,082	153,862
Other income	54,380	-	1,488	55,868	95,582
	<u>78,334,254</u>	<u>723,174</u>	<u>45,687,226</u>	<u>124,744,654</u>	<u>98,568,169</u>
<b>Expenses</b>					
In-patient services	21,660,276	-	-	21,660,276	22,159,223
Ambulatory services	17,947,416	-	-	17,947,416	17,653,483
Amortization	-	2,129,634	-	2,129,634	2,389,216
Diagnostic and therapeutic services	12,670,770	-	-	12,670,770	12,544,145
Support services	15,539,392	-	-	15,539,392	15,273,172
Community health board initiatives	148,174	-	-	148,174	134,316
Community services	8,203,960	-	-	8,203,960	7,609,792
Education and library	319,398	-	-	319,398	491,064
Retirement allowance benefits (Note 7)	560,269	-	-	560,269	552,810
Retirement health benefits (Note 7)	177,360	-	-	177,360	162,910
	<u>77,227,015</u>	<u>2,129,634</u>	<u>-</u>	<u>79,356,649</u>	<u>78,970,131</u>
Excess (deficiency) of revenues over expenses	\$ <u>1,107,239</u>	\$ <u>(1,406,460)</u>	\$ <u>45,687,226</u>	\$ <u>45,388,005</u>	\$ <u>19,598,038</u>

See accompanying notes to the financial statements

# Colchester East Hants Health Authority

## Statement of changes in fund balances

Year ended March 31, 2011

	Operating Fund	Capital Fund	New Hospital Fund	Total 2011	Total 2010
<b>Restricted</b>					
Balance, beginning of year	\$ -	\$ 12,581,408	\$ 45,622,880	\$ 58,204,288	\$ 37,365,511
Excess(deficiency) of revenues over expenses	-	(1,406,460)	45,687,226	44,280,766	20,912,090
Inter-fund transfers (Note 14)	-	(31,167)	(66,253)	(97,420)	(73,313)
	\$ -	\$ 11,143,781	\$ 91,243,853	\$ 102,387,634	\$ 58,204,288
<b>Unrestricted</b>					
Balance, beginning of year	\$ (1,268,448)	\$ -	\$ -	\$ (1,268,448)	\$ (27,709)
Excess (deficiency) of revenues over expenses	1,107,239	-	-	1,107,239	(1,314,052)
Inter-fund transfers (Note 14)	97,420	-	-	97,420	73,313
	\$ (63,789)	\$ -	\$ -	\$ (63,789)	\$ (1,268,488)

See accompanying notes to the financial statements

# Colchester East Hants Health Authority

## Statement of cash flows

Year ended March 31

2011

2010

Increase (decrease) in cash and cash equivalents

### Operations

Excess (deficiency) of revenues over expenses – Operating Fund	\$ 1,107,239	\$ (1,314,052)
Change in non-cash working capital		
Receivables	(1,375,645)	(1,949,596)
Inventories	57,399	(152,431)
Prepays	(167,541)	(144,818)
Payables and accruals	(521,260)	2,050,394
Deferred revenue	<u>(129,173)</u>	<u>(73,741)</u>
Cash applied to operating activities	<u>(1,028,981)</u>	<u>(1,584,244)</u>

### Financing and investing

Excess of expenses over revenues – Capital Fund	(1,406,460)	(313,149)
Excess of revenues over expenses – New Hospital Fund	45,687,226	21,225,239
Amortization	<u>2,129,634</u>	<u>2,389,216</u>
Change in non-cash working capital		
Receivables	(3,079,212)	1,936,144
Prepays	37,198	(37,198)
Payables and accruals	5,424,332	(61,861)
Deferred revenue	<u>12,957</u>	<u>(41,297)</u>
	<u>48,805,675</u>	<u>25,097,094</u>
Purchase of capital assets	<u>(49,766,427)</u>	<u>(23,381,611)</u>
Cash (applied to) derived from financing and investing activities	<u>(960,752)</u>	<u>1,715,483</u>
Net (decrease) increase in cash and cash equivalents	(1,989,733)	131,239
Cash and cash equivalents, beginning of year	<u>3,327,541</u>	<u>3,196,302</u>
Cash and cash equivalents, end of year	\$ <u>1,337,808</u>	\$ <u>3,327,541</u>

See accompanying notes to the financial statements

---

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2011

---

### 1. Nature of operations

Colchester East Hants Health Authority operates several health care facilities and programs including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions, mental health, senior's clinic, continuing care and related health services.

Colchester East Hants Health Authority was formed by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

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

---

### 2. Summary of significant accounting policies

#### Basis of presentation

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 including 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 Health Authority's intention to transition to these standards no later than its March 31, 2013 fiscal year.

#### Use of estimates

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

#### Fund accounting

The restricted fund method of accounting is being used to account for contributions. Revenues and expenses related to program delivery and administration are reported in the Operating Fund.

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

The New Hospital Fund reports the assets, liabilities and revenues related to the Health Authority's Colchester Regional Hospital Replacement Project.

#### Revenue recognition

Restricted operating contributions are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the operating fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

---

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2011

---

### 2. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

Capital contributions are treated as revenue in the Capital Fund and New Hospital Fund in the year in which the funds are received or receivable. If funds are received in advance, they are deferred and recognized to revenue when the underlying capital asset item is acquired.

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 Health Authority uses the weighted average cost method to determine stores inventory and the first-in first-out method to determine cost of pharmacy inventory.

#### Capital assets

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

Buildings and land improvements – Colchester Regional Hospital	2-7 years
Buildings – Lillian Fraser Memorial Hospital	50 years
Land improvements – Lillian Fraser Memorial Hospital	20 years
Equipment	3-20 years

Amortization on construction in progress is not recorded until the projects are completed. Amortization on all assets recorded in the New Hospital Fund will not be recorded until the project is complete.

#### Compensation accruals

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

#### Retirement allowances and retirement health benefits

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

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

#### Financial instruments

The Health Authority's financial instruments consist of cash and cash equivalents, 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. The carrying value of these financial instruments approximate their fair value unless otherwise noted.

The Health Authority has classified its financial instruments as held for trading. Financial instruments classified as held for trading are measured at fair value in each reporting date, which approximates fair value.

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2011

3. Receivables	Operating Fund	Capital Fund	New Hospital Fund	Total 2011	Total 2010
Charges to M.S.I.	\$ 367,124	\$ -	\$ -	\$ 367,124	\$ 277,782
Foundations and auxiliaries	94,715	92,309	816,759	1,003,783	924,030
Harmonized sales tax	346,410	-	1,186,398	1,532,808	436,110
Patients	511,878	-	-	511,878	453,086
Other District Health Authorities	35,797	-	-	35,797	163,438
Other	403,999	-	-	403,999	380,644
	<u>1,759,923</u>	<u>92,309</u>	<u>2,003,157</u>	<u>3,855,389</u>	<u>2,635,090</u>
Nova Scotia Department of Health and Wellness					
Construction and equipment	-	396,891	4,447,932	4,844,823	2,571,256
Contracts and other	3,449,315	-	-	3,449,315	2,778,650
Recovery of project costs	188,100	-	-	188,100	250,062
Vacation pay	1,590,663	-	-	1,590,663	1,563,684
	<u>5,228,078</u>	<u>396,891</u>	<u>4,447,932</u>	<u>10,072,901</u>	<u>7,163,652</u>
	\$ <u>6,988,001</u>	\$ <u>489,200</u>	\$ <u>6,451,089</u>	\$ <u>13,928,290</u>	\$ <u>9,798,742</u>

4. Other receivables	2011	2010
Nova Scotia Department of Health and Wellness		
Retirement allowances	\$ 4,469,434	\$ 4,280,185
Retirement health benefits	<u>1,939,160</u>	<u>1,803,100</u>
	\$ <u>6,408,594</u>	\$ <u>6,083,285</u>

5. Capital assets	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<b>Capital Fund</b>				
Land	\$ 155,349	\$ -	\$ 155,349	\$ 155,349
Land improvements	328,724	276,171	52,553	56,713
Buildings	22,314,685	19,335,542	2,979,143	3,561,677
Equipment	15,842,575	10,474,104	5,368,471	6,287,798
Construction in progress	<u>2,451,755</u>	-	<u>2,451,755</u>	<u>2,375,609</u>
	<u>41,093,088</u>	<u>30,085,817</u>	<u>11,007,271</u>	<u>12,437,146</u>
<b>New Hospital Fund</b>				
Land and site costs	1,301,415	-	1,301,415	1,301,415
Equipment	1,829,937	-	1,829,937	827,333
Construction in progress	<u>93,017,916</u>	-	<u>93,017,916</u>	<u>44,953,852</u>
	<u>96,149,268</u>	-	<u>96,149,268</u>	<u>47,082,600</u>
	\$ <u>137,242,356</u>	\$ <u>30,085,817</u>	\$ <u>107,156,539</u>	\$ <u>59,519,746</u>

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2011

6. Payables and accruals	Operating Fund	Capital Fund	New Hospital Fund	Total 2011	Total 2010
Trade	\$ 6,728,864	\$ 414,385	\$ 10,629,739	\$ 17,772,988	\$ 13,236,155
Vacation pay	<u>2,364,183</u>	<u>-</u>	<u>-</u>	<u>2,364,183</u>	<u>2,323,253</u>
	<u>\$ 9,093,047</u>	<u>\$ 414,385</u>	<u>\$ 10,629,739</u>	<u>\$ 20,137,171</u>	<u>\$ 15,559,408</u>

Payroll advances to employees of \$319,549 (2010 - \$338,366), which resulted from the payroll cut-off date being changed to accommodate the conversion to the Province wide SAP payroll system, have been netted with trade payables above.

### 7. Retirement allowances and health benefits

Retirement allowances amounts for employees and cost sharing for certain employees on health benefits following retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments' agencies and boards. The last actuarial valuation for retiring allowances was conducted as at September 30, 2010. The last actuarial valuation for the health benefits was as at March 31, 2009. These actuarial liabilities as at March 31 were extrapolated based on the latest actuarial valuations.

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

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

	2011	2010
<b>Accrued benefit obligation</b>		
Balance, beginning of year	\$ 6,083,285	\$ 5,617,085
Current service cost	448,579	401,500
Interest cost	295,190	275,500
Amortization of experience gains/losses	(424,280)	44,810
Other adjustments	376,840	(31,480)
Estimated benefits paid	(371,020)	(224,130)
Balance, end of year	<u>\$ 6,408,594</u>	<u>\$ 6,083,285</u>
Funded status – plan deficit	\$ (7,460,859)	\$ (6,207,089)
Unamortized net actuarial loss	<u>1,052,265</u>	<u>123,804</u>
Accrued benefit liability recognized	<u>\$ (6,408,594)</u>	<u>\$ (6,083,285)</u>

---

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2011

---

### 7. Retirement allowances and health benefits (continued)

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

Retirement allowance	\$ <u>737,629</u>	\$ <u>715,720</u>
----------------------	-------------------	-------------------

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

	<u>Allowances</u>	<u>Benefits</u>
Discount rate	4.75%	4.75%
Rate of compensation increase	2.65 – 5.15%	N/A
Termination rates	1.2 – 20%	0 – 20%
Rate of coverage increase	N/A	4.5-7%

- (i) The actuary for the pension manager assumed that 75% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65<sup>th</sup> birthday.
- (ii) The actuary for the health benefits plan manager assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65. In calculating the 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.

---

### 8. Pension plans

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

- (i) a multi-employer defined benefit plan, as administered by the Health Association of Nova Scotia, formerly the Nova Scotia Association of Health Organizations (NSAHO), 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.
- (ii) the second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2009 and extrapolated to March 31, 2010. At this time, there was an unfunded liability. The Colchester East Hants Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The Health Authority's pension expense for the year amounted to \$3,818,120 (2010 - \$2,985,510).

---

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2011

---

### 9. 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.

---

### 10. Commitments

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

2012	\$	1,451,163
2013	\$	761,314
2014	\$	545,715
2015	\$	233,121

- (ii) The Health Authority has entered into agreements to spend \$50,935,888 on additions to property and equipment for the Colchester Regional Hospital replacement project.
- 

### 11. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2011 are available from the individual financial statements of the related entities.

---

### 12. Comparative figures

Certain of the 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2011.

---

### 13. Contingencies

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

---

## Colchester East Hants Health Authority

### Notes to the financial statements

March 31, 2011

---

	Operating Fund	Capital Fund	New Hospital Fund
<b>14. Interfund transfers</b>			
Records imaging project	\$ 119,454	\$ 75,451	\$ (194,905)
Pharmacy automation project	-	(193,750)	193,750
Medivator project	513	64,585	(65,098)
Stroke funding	(18,244)	18,244	-
Methadone funding	(4,303)	4,303	-
	<u>\$ 97,420</u>	<u>\$ (31,167)</u>	<u>\$ (66,253)</u>

---

#### 15. Subsequent event

Subsequent to year end, the Health Authority entered into a contractual agreement to satisfy employment related obligations amounting to \$360,000. This amount is to be paid over a term of eighteen months commencing in June 2011.