



Financial statements

Colchester East Hants Health Authority

March 31, 2015

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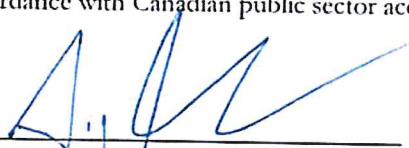
## Management's responsibility for financial reporting


The accompanying financial statements are the responsibility of the management of Colchester East Hants Health Authority (the "Authority") and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP, as the Board's appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Authority in accordance with Canadian public sector accounting standards.

  
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Allan Horsburgh, Vice President,  
Stewardship and Accountability

  
\_\_\_\_\_  
Janet Knox, President and CEO

## Independent auditor's report

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To the Board of the Nova Scotia 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, 2015, the statement of operations, changes in net debt 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 public sector accounting standards, 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, 2015, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Truro, Canada  
June 25, 2015

*Grant Thornton LLP*

Chartered Accountants

# Colchester East Hants Health Authority

## Statement of financial position

March 31	2015	2014
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 649,994	\$ -
Receivables (Note 3)	11,932,368	19,731,727
Post-employment benefits (Note 7)	8,755,125	8,199,705
Compensated absences benefits (Note 9)	<u>3,785,000</u>	<u>3,351,100</u>
	<u>25,122,487</u>	<u>31,282,532</u>
<b>Liabilities</b>		
Bank indebtedness (Note 4)	-	6,021,358
Payables and accruals (Note 5)	12,860,215	13,856,987
Deferred revenue (Note 6)	961,990	804,883
Post-employment benefits (Note 7)	8,755,125	8,199,705
Compensated absences benefits (Note 9)	<u>3,785,000</u>	<u>3,351,100</u>
	<u>26,362,330</u>	<u>32,234,033</u>
<b>Net debt</b>	<u>(1,239,843)</u>	<u>(951,501)</u>
<b>Non-financial assets</b>		
Inventories	794,100	786,928
Prepays	671,558	409,188
Tangible capital assets (Page 18)	<u>176,114,187</u>	<u>177,242,870</u>
	<u>177,579,845</u>	<u>178,438,986</u>
<b>Accumulated surplus</b>	\$ <u>176,340,002</u>	\$ <u>177,487,485</u>

Commitments and contingencies (Notes 11 and 13)

  
Director

  
Director

See accompanying notes to the financial statements

## Colchester East Hants Health Authority

### Statement of operations

Year ended March 31, 2015	Budget 2015	Actual 2015	Actual 2014
<b>Revenues</b>			
Nova Scotia Department of Health and Wellness	\$ 73,917,200	\$ 91,315,431	\$ 85,309,769
Charges to M.S.I.	5,606,000	6,263,486	5,925,238
Auxiliaries	-	189,461	40,993
Foundations	-	835,018	681,790
In-patients	487,000	775,139	608,523
Out-patients	782,000	726,153	559,287
Addiction services	-	75,205	82,983
Operating room services	-	293,803	243,230
Food services	215,000	165,148	153,328
Laboratory	225,000	138,819	146,845
Health information technology services	140,000	172,351	171,274
Other income	403,000	124,842	18,375
Parking	846,000	462,436	290,335
	<u>82,621,200</u>	<u>101,537,292</u>	<u>94,231,970</u>
<b>Expenses</b>			
In-patient services	23,787,020	25,889,282	24,421,076
Ambulatory services	19,777,539	21,527,005	20,424,918
Amortization	-	6,023,753	5,633,052
Diagnostic and therapeutic services	12,833,730	13,770,026	12,981,395
Support services	16,014,221	24,059,403	22,300,389
Community health board initiatives	229,135	222,993	250,904
Community services	8,921,409	9,401,270	8,644,526
Education and library	308,146	322,626	222,416
Retirement allowance benefits (Note 7)	750,000	840,749	759,113
Retirement health benefits (Note 7)	-	193,768	178,487
Compensated absences benefit (Note 9)	-	433,900	366,100
	<u>82,621,200</u>	<u>102,684,775</u>	<u>96,182,376</u>
Deficit	-	(1,147,483)	(1,950,406)
Accumulated surplus, beginning of year	-	177,487,485	179,437,891
Accumulated surplus, end of year	\$ -	\$ 176,340,002	\$ 177,487,485

See accompanying notes to the financial statements

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## Colchester East Hants Health Authority

### Statement of changes in net debt

Year ended March 31, 2015

	Actual 2015	Actual 2014
Deficit	\$ (1,147,483)	\$ (1,950,406)
Purchase of tangible capital assets, net of disposals	(4,895,070)	(3,569,447)
Amortization of tangible capital assets	<u>6,023,753</u>	<u>5,633,052</u>
	<u>(18,800)</u>	<u>113,199</u>
Changes in other non financial assets		
Acquisition of prepaids (net of usage)	(262,370)	76,605
Acquisition of inventories (net of usage)	<u>(7,172)</u>	<u>(47,016)</u>
	<u>(269,542)</u>	<u>29,589</u>
Increase in net debt	(288,342)	(142,788)
<b>Net debt</b>		
Beginning of year	<u>(951,501)</u>	<u>(1,094,289)</u>
<b>End of year</b>	<u>\$ (1,239,843)</u>	<u>\$ (951,501)</u>

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See accompanying notes to the financial statements



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## Colchester East Hants Health Authority

### Statement of cash flows

Year ended March 31

2015

2014

Increase (decrease) in cash and cash equivalents

**Operating**

Deficit	\$ (1,147,483)	\$ (1,950,406)
Amortization	<u>6,023,753</u>	<u>5,633,052</u>
	4,876,270	3,682,646

Change in non-cash working capital

Receivables	7,799,359	(5,282,815)
Inventories	(7,172)	(47,016)
Prepays	(262,370)	76,605
Payables and accruals	(996,772)	2,404,856
Deferred revenue	<u>157,107</u>	<u>118,855</u>
	<u>11,566,422</u>	<u>953,131</u>

**Capital**

Purchase of tangible capital assets, net of disposals	<u>(4,895,070)</u>	<u>(3,569,447)</u>
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Net increase (decrease) in cash and cash equivalents 6,671,352 (2,616,316)

Cash and cash equivalents (bank indebtedness), beginning of year (6,021,358) (3,405,042)

**Cash and cash equivalents (bank indebtedness), end of year** **\$ 649,994 \$ (6,021,358)**

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See accompanying notes to the financial statements

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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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### 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.

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### 2. Summary of significant accounting policies

#### Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant policies:

#### Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting 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 expenses during the year. Certain of these estimates require subjective or complex judgements that may be uncertain. Some of these items include the post-employment benefits, compensated absences, amortization rates on tangible capital assets, receivables, and allowances for uncollectible receivables. Actual results could differ from those reported.

#### Contributed services

Volunteers contribute numerous hours to assist the Health Authority in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

#### Revenue recognition

Provincial government transfers for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility credits or stipulations, it is recognized when the transfer from the Province of Nova Scotia is authorized.

All non-government contribution or grant/revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has not been met is reported as a liability until the resources are used for the purpose or purposes specified.

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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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

#### Revenue recognition (continued)

In patient, out-patient, food services, laboratory and parking revenue are recognized as revenue when the related service is rendered or goods are provided.

Investment income is recognized as revenue in the year in which it was 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.

#### Tangible capital assets

Tangible capital assets are recorded at cost. The cost is amortized on a straight line basis over the estimated useful life as follows:

Buildings and land improvements – Colchester East Hants Health Centre	50 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.

When conditions indicate that a tangible capital asset no longer contributes to the Health Authority's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

#### 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 and post employment benefits and compensated allowances

The Health Authority provides defined retirement allowances, post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, retirement allowances and non-vesting sick leave. The Health Authority has adopted the following policies with respect to accounting for these employee benefits:

i) The costs of post-employment retirement allowances are actuarially determined using management's best estimate of employee retention, retirement ages of employees, salary escalation, other cost escalation, long term inflation and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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

#### Retirement and post employment benefits and compensated allowances (continued)

ii) The costs of post-employment future health benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

iii) The costs of multi-employer defined benefit pension are the employer's contributions due to the plan in the period and are accounted for as a defined contribution plan.

iv) The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any bank indebtedness.

#### Financial instruments

The Health Authority classifies its financial instruments at amortized cost.

This category includes cash and cash equivalents, receivables, and payables and accruals. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assess each financial instrument to determine whether there is any impairment losses and if any, are reported in the statement of operations and changes in accumulated surplus.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore the statement of remeasurement gains and losses has not been presented.

#### Application of new Canadian public sector accounting standards

During the year, the Health Authority adopted Section 3260 – Liability for Contaminated Sites. This section establishes the recognition, measurement, and disclosure requirements for reporting liabilities associated with remediation of contaminated sites, and is applicable to fiscal year ends beginning on or after April 1, 2014. Management has evaluated the criteria to determine the applicability of the standard, and determined the standard did not have an impact on the Health Authority as of March 31, 2015.

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

<b>3. Receivables</b>	<u>2015</u>	<u>2014</u>
Charges to M.S.I.	\$ 220,172	\$ 353,379
Foundations and auxiliaries	611,001	422,026
Harmonized sales tax	629,854	719,937
Patients, net of allowance for doubtful accounts of \$112,206 (2014 - \$220,238)	377,107	396,046
Other District Health Authorities	1,206,947	2,041,982
Other	<u>415,952</u>	<u>201,138</u>
	<u>3,461,033</u>	<u>4,134,508</u>
 Nova Scotia Department of Health and Wellness		
Construction and equipment	1,286,427	346,589
Contracts and other	5,599,803	13,665,525
Vacation pay	<u>1,585,105</u>	<u>1,585,105</u>
	<u>8,471,335</u>	<u>15,597,219</u>
	<u>\$ 11,932,368</u>	<u>\$ 19,731,727</u>

### 4. Credit facilities

The Health Authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling \$3,000,000, of which \$3,000,000 is unused at March 31, 2015.

<b>5. Payables and accruals</b>	<u>2015</u>	<u>2014</u>
Trade	\$ 8,774,140	\$ 10,006,682
Vacation pay	3,011,312	2,885,079
Harmonized sales tax	75,503	39,206
Government source deductions	<u>999,260</u>	<u>926,020</u>
	<u>\$ 12,860,215</u>	<u>\$ 13,856,987</u>

Payroll advances to employees of \$197,652 (2014 - \$216,520), 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.

<b>6. Deferred revenue</b>	<u>2015</u>	<u>2014</u>
Balance, beginning of the year	\$ 804,883	\$ 686,028
Add: amounts received during the year	264,547	150,930
Less: amounts recognized as revenue in the year	<u>(107,440)</u>	<u>(32,075)</u>
Balance, end of year	<u>\$ 961,990</u>	<u>\$ 804,883</u>
 Deferred revenue is comprised of:		
Government grants	\$ 753,710	\$ 615,928
Capital contributions	158,418	137,757
Other	<u>49,862</u>	<u>51,198</u>
	<u>\$ 961,990</u>	<u>\$ 804,883</u>

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

### 7. Post employment 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 March 31, 2013. The last actuarial valuation for the health benefits was as at March 31, 2012. These actuarial liabilities as at March 31, 2015 were extrapolated based on the latest actuarial valuations.

The retirement allowance and post-retirement health benefit values are 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.

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.

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

			2015	2014
			Total post	Total post
			employment	employment
	Health	Retirement	benefits	benefits
Opening benefit obligation, beginning of year	\$ 2,362,736	\$ 6,372,713	\$ 8,735,449	\$ 8,103,508
Current service cost	132,500	470,400	602,900	538,200
Interest on obligation	98,199	262,493	360,692	338,115
Less: premiums paid	(67,824)	(411,274)	(497,098)	(534,374)
Actuarial gains (losses)	(12,600)	-	(12,600)	290,000
Closing benefit obligation, end of year	\$ 2,513,011	\$ 6,694,333	\$ 9,207,344	\$ 8,735,449
Plan deficit	2,513,011	6,694,333	9,207,344	8,735,449
Unamortized actuarial (gains) losses	315,390	(767,609)	(452,219)	(535,744)
Total liability	\$ 2,828,401	\$ 5,926,724	\$ 8,755,125	\$ 8,199,705

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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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### 7. Post employment benefits (continued)

Current year benefit costs	\$	132,500	\$	470,400	\$	602,900	\$	538,200
Interest on accrued benefit obligation		98,198		262,493		360,691		338,115
Amortized actuarial losses (gains)		<u>(36,930)</u>		<u>107,856</u>		<u>70,926</u>		<u>61,285</u>
Retirement and post employment benefits expense	\$	<u>193,768</u>	\$	<u>840,749</u>	\$	<u>1,034,517</u>	\$	<u>937,600</u>

The following actuarial assumptions have been used in these valuations as at March 31, 2015:

	<u>Allowances</u>	<u>Benefits</u>
Discount rate	4.1%	4.1%
Rate of compensation increase	0.15%-2.65%	N/A
Termination rates	1.20%-20%	0%-20%
Rate of coverage increase	N/A	4.5%-6.8%

- (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 60% of members will elect family coverage and that 95% of eligible employees will elect to participate.

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### 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, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at April 1, 2012, which indicated there was a funding surplus.
- (ii) the second plan is administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc., which also administers the actuarial and investment risk. The most recent actuarial valuation was December 31, 2012 and extrapolated to March 31, 2015. At this time, there was an unfunded liability.

The Health Authority's pension expense for the year amounted to \$6,330,038 (2014 - \$5,787,927).

# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

### 9. Compensated absences

Qualifying employees are entitled to a prescribed number of sick leave days over their employment term. The Health Authority has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. The Health Authority has also recorded a corresponding receivable from the Province of Nova Scotia which has assumed responsibility for the liability up to March 31, 2015.

Compensated absences for qualifying employees are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all Health Authorities. The last actuarial valuation for non-vesting sick leave banks usage was as at March 31, 2011. These actuarial liabilities as at March 31, 2015 were extrapolated based on the latest actuarial valuations.

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.

	<u>2015</u>	<u>2014</u>
Opening benefit obligation, beginning of year	\$ 3,428,000	\$ 3,006,000
Current service cost	541,000	515,000
Interest on obligation	146,000	129,000
Less: premiums paid	(261,000)	(280,000)
Actuarial gains (losses)	<u>(268,000)</u>	<u>58,000</u>
Closing benefit obligation, end of year	\$ 3,586,000	\$ 3,428,000
Plan deficit	3,586,000	3,428,000
Unamortized actuarial (gains) losses	199,000	(76,900)
Total liability	\$ <u>3,785,000</u>	\$ <u>3,351,100</u>
Current year benefit costs	\$ 287,900	\$ 237,100
Interest on accrued benefit obligation	<u>146,000</u>	<u>129,000</u>
Compensated absences benefit expense	\$ <u>433,900</u>	\$ <u>366,100</u>

These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the board's best estimate of expected rates of:

	<u>2015</u>
Salary growth rate	0.15%-2.65%
Discount rate	4.1%
Current sick leave utilization	8.2 days
Sick leave bank utilization	6.2-14.6 days
Termination rates	0-20%

The actuary for the 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.



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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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### 10. Reconciliation of annual operating funding

	<u>2015</u>	<u>2014</u>
Annual deficit	\$ (1,147,483)	\$ (1,950,406)
Amortization	6,023,753	5,633,052
Capital grants	(1,593,586)	(305,002)
New hospital revenue	(3,282,684)	(3,377,644)
Annual operating deficit	<u>\$ -</u>	<u>\$ -</u>

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### 11. Commitments

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

2016	\$2,259,192
2017	\$1,230,504
2018	\$982,586
2019	\$929,930
2020	\$338,251

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### 12. 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 Health Authority. The amount and nature of these assets at March 31, 2015 are available from the individual financial statements of the related entities.

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### 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 position.

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### 14. Financial instrument risk management

The Health Authority has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit risk, liquidity risk and market risk. Market risk arises from changes in interest rates, foreign currency exchange rates and other price risks. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to market risks arising from financial instruments.

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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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### 14. Financial instrument risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Health Authority if a debtor fails to make payments when due. The Health Authority is exposed to this risk relating to its receivables.

Receivables are ultimately due from the government, third party insurers, patients, foundations and auxiliaries and other Health Authorities. Credit risk is mitigated by management review of aging and collection of receivables and billings. The Health Authority recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable.

The Health Authority measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Health Authority's historical experience regarding collections. The amounts outstanding at year end were as follows:

	Total	0-120 Days	121+ Days
Charges to MSI	\$ 220,172	\$ 220,172	\$ -
Foundation and Auxiliary	611,001	611,001	-
Harmonized sales tax	629,854	629,854	-
Patients	377,107	218,066	159,041
Other District Health Authorities	1,206,947	1,206,947	-
Other	528,158	528,158	-
Nova Scotia Department of Health and Wellness	8,471,335	6,886,230	1,585,105
Less: impairment allowances	(112,206)		(112,206)
Net receivables	\$ 11,932,368	\$ 10,300,428	\$ 1,631,940

Patient receivables not impaired are collectible based on the Health Authority's assessment and past experience regarding collection rates.

Government receivables are due from the Nova Scotia Government. The Health Authority mitigates credit risk by ensuring that grants are entered into by way of a contract and by continuous monitoring of outstanding balances to ensure collection is timely.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Health Authority is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

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# Colchester East Hants Health Authority

## Notes to the financial statements

March 31, 2015

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### 14. Financial instrument risk management (continued)

#### Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Health Authority is exposed to this risk through its variable interest bearing bank overdraft. However, management does not feel that this represents a material risk to the Health Authority as fluctuations in market interest rates would not materially impact future cash flows and operations relating to the bank overdraft.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### Liquidity risk

Liquidity risk is the risk that the Health Authority will not be able to meet all cash outflow obligations as they come due. The Health Authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining a bank overdraft credit facility if unexpected cash outflows arise. The following table sets out the contractual maturities of financial liabilities:

	Total	Within 6 months	>5 years
Payables and accruals	\$ 9,848,903	\$ 9,848,903	\$ -
Vacation Pay	3,011,312		3,011,312
	<b>\$12,860,215</b>	\$ 9,848,903	\$ 3,011,312

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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### 15. Subsequent event

The Colchester East Hants Health Authority was amalgamated into the Nova Scotia Health Authority on April 1, 2015 with eight other health authorities and a new provincial board was established by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on October 3, 2014. The operations, assets and liabilities of the Colchester East Hants Health Authority were assumed by the newly created Nova Scotia Health Authority.

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### 16. Comparative figure

Certain of the 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2015.

## Colchester East Hants Health Authority

### Schedule of tangible capital assets

Year ended March 31, 2015

	Land	Land improvements	Buildings and improvements	Equipment	Construction in progress	2015	2014
<b>Cost</b>							
Beginning of year	\$ 1,456,764	\$ 83,212	\$ 164,238,603	\$ 23,912,588	\$ 271,727	\$ 189,962,894	\$ 214,587,628
Additions during the year	-	-	3,694,985	1,471,812	-	5,166,797	3,740,752
Disposals during the year	-	-	-	-	(271,727)	(271,727)	(166,993)
Adjustments							
Write-Down of fully amortized assets	-	-	-	-	-	-	(28,194,181)
End of year	\$ 1,456,764	\$ 83,212	\$ 167,933,588	\$ 25,384,400	\$ -	\$ 194,857,964	\$ 189,967,206
<b>Accumulated amortization</b>							
Beginning of year	\$ -	\$ 43,139	\$ 5,509,353	\$ 7,167,532	\$ -	\$ 12,720,024	\$ 35,281,153
Write-Down of fully amortized assets	-	-	-	-	-	-	(28,189,869)
Amortization	-	4,162	3,317,585	2,702,006	-	6,023,753	5,633,052
End of year	\$ -	\$ 47,301	\$ 8,826,938	\$ 9,869,538	\$ -	\$ 18,743,777	\$ 12,724,336
<b>Net book value of tangible capital costs</b>	<b>\$ 1,456,764</b>	<b>\$ 35,911</b>	<b>\$ 159,106,650</b>	<b>\$ 15,514,862</b>	<b>\$ -</b>	<b>\$ 176,114,187</b>	<b>\$ 177,242,870</b>