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Financial statements

Pictou County 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 Pictou County 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.



Allan Horsburgh, Vice President,
Stewardship and Accountability



Janet Knox, President and CEO

To the Board of the Nova Scotia 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, 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 an 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, 2015, and results of its operations, changes in net debt and 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

Pictou County Health Authority
Statement of financial position

March 31, 2015

	<u>2015</u>	<u>2014</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 2,563,908	\$ 479,541
Receivables (Note 4)	6,261,687	12,615,529
Other receivables (Note 5)	10,303,681	10,452,089
Compensated absences benefits (Note 10)	<u>3,636,864</u>	<u>3,242,400</u>
	<u>\$ 22,766,140</u>	<u>\$ 26,789,559</u>
Liabilities		
Bank overdraft	\$ -	\$ 1,771,790
Payables and accruals (Note 6)	11,362,997	13,821,428
Deferred revenue (Note 7)	381,724	356,298
Post employment benefits (Note 9)	8,210,160	8,358,568
Compensated absences benefits (Note 10)	<u>3,636,864</u>	<u>3,242,400</u>
	<u>23,591,745</u>	<u>27,550,484</u>
Net debt	<u>(825,605)</u>	<u>(760,925)</u>
Non-financial assets		
Inventories	776,327	691,679
Prepaid expenses	154,389	169,297
Tangible capital assets (Page 19)	<u>39,981,628</u>	<u>41,361,810</u>
	<u>40,912,344</u>	<u>42,222,786</u>
Accumulated surplus	<u>\$ 40,086,739</u>	<u>\$ 41,461,861</u>

Commitments and contingencies (Notes 14 and 16)



 Director



 Director

See accompanying notes to the financial statements

Pictou County Health Authority

Statement of operations

Year ended March 31, 2015

	Budget 2015	Actual 2015	Actual 2014
Revenues			
Nova Scotia Department of Health and Wellness	\$ 72,515,317	\$ 79,441,744	\$ 77,632,041
Charges to MSI	3,319,300	3,473,410	3,293,755
Department of Veterans Affairs	2,181,600	2,166,066	2,194,398
Preferred accommodations and uninsured patients	1,876,500	1,809,788	1,401,079
Rental income	887,800	784,060	739,881
Foundations	-	592,488	711,943
Investment income	25,000	19,064	23,392
Laboratory	115,000	80,910	98,150
Other income	407,600	2,096,580	2,226,497
	<u>81,328,117</u>	<u>90,464,110</u>	<u>88,321,136</u>
Expenses			
In-patient services	28,961,083	31,922,676	31,287,742
Ambulatory services	15,304,075	15,421,232	14,876,139
Diagnostic and therapeutic services	11,691,734	11,829,623	11,405,012
Support services	15,191,659	17,703,258	17,986,492
Community health services	7,074,319	8,312,009	7,600,706
Rental expenses	1,139,700	1,075,941	1,133,196
Education and library	665,547	705,495	638,738
Amortization of tangible capital assets	-	3,418,070	3,195,469
Post-employment benefits (Note 9)	1,000,000	1,056,464	1,016,325
Compensated absence benefits (Note 10)	300,000	394,464	332,400
	<u>81,328,117</u>	<u>91,839,232</u>	<u>89,472,219</u>
Deficit	<u>-</u>	<u>(1,375,122)</u>	<u>(1,151,083)</u>
Accumulated surplus, beginning of year	\$ 41,461,861	\$ 41,461,861	\$ 42,612,944
Accumulated surplus, end of year	<u>\$ 41,461,861</u>	<u>\$ 40,086,739</u>	<u>\$ 41,461,861</u>

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of changes in net debt

Year ended March 31	2015	2014
Deficit	\$ (1,375,122)	\$ (1,151,083)
Purchase of tangible capital assets, net of disposals	(2,037,888)	(1,856,973)
Amortization of tangible capital assets	<u>3,418,070</u>	<u>3,195,469</u>
	<u>5,060</u>	<u>187,413</u>
Changes in other-non financial assets		
Acquisition of prepaid expenses (net of usage)	14,908	332,682
Acquisition of inventories (net of usage)	<u>(84,648)</u>	<u>(81,321)</u>
	<u>(69,740)</u>	<u>251,361</u>
(Increase) decrease in net debt	(64,680)	438,744
Net debt		
Beginning of year	<u>(760,925)</u>	<u>(1,199,699)</u>
End of year	<u>\$ (825,605)</u>	<u>\$ (760,925)</u>

See accompanying notes to the financial statements

Pictou County Health Authority

Statement of cash flows

Year ended March 31

2015

2014

Increase (decrease) in cash and cash equivalents

Operating

Deficit	\$ (1,375,122)	\$ (1,151,083)
Amortization of tangible capital assets	<u>3,418,070</u>	<u>3,195,469</u>
	<u>2,042,948</u>	<u>2,044,386</u>

Change in non-cash working capital

Receivables	6,353,842	(817,156)
Inventories	(84,648)	(81,321)
Prepaid expenses	14,908	332,682
Compensated absences benefits	(394,464)	(332,400)
Other receivables	148,408	(265,711)
Payables and accruals	(2,458,431)	2,116,506
Compensated absences benefits	394,464	332,400
Post employment benefits accrual	(148,408)	265,711
Deferred revenue	<u>25,426</u>	<u>187,611</u>

5,894,045 3,782,708

Financing

Repayments of bank borrowings	<u>(1,771,790)</u>	<u>(2,057,994)</u>
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Capital

Purchase of tangible capital assets, net of disposals	<u>(2,037,888)</u>	<u>(1,856,973)</u>
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Net increase (decrease) in cash and cash equivalents 2,084,367 (132,259)

Cash and cash equivalents, beginning of year 479,541 611,800

Cash and cash equivalents, end of year \$ 2,563,908 \$ 479,541

Cash and cash equivalents consists of:

Cash and cash equivalents	\$ 2,275,954	\$ 159,762
Restricted cash	<u>287,954</u>	<u>319,779</u>
	<u>\$ 2,563,908</u>	<u>\$ 479,541</u>

See accompanying notes to the financial statements

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

1. Nature of operations

Pictou County Health Authority operates several health care facilities including Aberdeen Regional Hospital, Sutherlands 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 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.

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:

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.

Laboratory income and preferred accommodations and uninsured service (which includes in-patient, out-patient, food services and parking revenue) are recognized as revenue when the related service is rendered or goods are provided. Rental income is recognized on a straight-line basis over the term of the lease.

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

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

2. Summary of significant accounting policies (continued)

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	50 years
Land improvements	20 years
Equipment	5-15 years
Equipment under capital lease	5-20 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

The 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 and 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.

ii) The costs of post-employment future 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.

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

2. Summary of significant accounting policies (continued)

Retirement and post employment benefits and compensated allowances (continued)

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, balances with banks and short-term investments. Bank overdrafts and short-term borrowings for operating purposes are recorded as financing activities.

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 retirement allowance and health benefit liabilities, sick leave benefits, amortization rates on tangible capital assets and allowances for uncollectible receivables. Actual results could differ from those reported.

Financial instruments

The Health Authority classifies its financial instruments at amortized cost.

This category includes cash and cash equivalents, receivables, other 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.

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 have 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 at March 31, 2015.

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

3. Restricted cash

The Health Authority has included in its cash and cash equivalents restricted cash totalling \$287,954 (2014 - \$319,779). Restricted cash includes amounts held in trust on behalf of four employees' deferred salary arrangements. An offsetting liability is included in payables and accruals, and will be paid out in accordance with the terms and conditions of the arrangements. Restricted cash also includes cash held in trust under various endowment trusts.

4. Receivables

	<u>2015</u>	<u>2014</u>
Charges to MSI	\$ 234,176	\$ 206,642
Foundation and auxiliary	199,124	213,315
Harmonized sales tax	355,571	450,075
Patients, net of allowance for doubtful accounts of \$140,385 (2014 - \$200,936)	296,247	82,038
Veterans Affairs Canada	268,504	179,808
Other, net of allowance for doubtful accounts of \$132,494 (2014 - \$94,107)	<u>2,090,232</u>	<u>2,139,185</u>
	<u>\$ 3,443,854</u>	<u>\$ 3,271,063</u>
Nova Scotia Department of Health and Wellness		
Construction and equipment	\$ 379,244	\$ 928,187
Settlements and other	<u>2,438,589</u>	<u>8,416,279</u>
	<u>2,817,833</u>	<u>9,344,466</u>
	<u>\$ 6,261,867</u>	<u>\$ 12,615,529</u>

Pledges from the Aberdeen Health Foundation of \$3,020,907 (2014 - \$1,088,562) for future acquisition of tangible capital assets are not recorded as accounts receivable.

5. Other receivables

	<u>2015</u>	<u>2014</u>
Nova Scotia Department of Health and Wellness		
Vacation pay	\$ 2,093,521	\$ 2,093,521
Retirement allowances	5,173,967	5,415,040
Post-retirement benefits	<u>3,036,193</u>	<u>2,943,528</u>
	<u>\$ 10,303,681</u>	<u>\$ 10,452,089</u>

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

6. Payables and accruals	2015	2014
Trade	\$ 8,945,480	\$ 11,265,994
Vacation pay	<u>2,417,517</u>	<u>2,555,434</u>
	<u>\$ 11,362,997</u>	<u>\$ 13,821,428</u>

7. Deferred revenue	2015	2014
Government grants	\$ 24,816	\$ 24,816
Capital grants	334,836	315,626
Other	<u>22,072</u>	<u>15,856</u>
	<u>\$ 381,724</u>	<u>\$ 356,298</u>

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 a funding surplus.
- (ii) a defined benefit plan, 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 \$4,301,869 (2014 - \$4,160,223).

9. 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 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 8-11 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.

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

9. Post-employment benefits (continued)

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:

	<u>Health</u>	<u>Retirement</u>	<u>2015</u>	<u>2014</u>
Accrued benefit plan obligation				
Opening benefit obligation, beginning of year	\$ 2,553,007	\$ 6,552,590	\$ 9,105,597	\$ 8,789,704
Current service cost	127,200	464,600	591,800	543,500
Interest on obligation	105,367	255,394	360,761	362,307
Less: premiums paid	(93,337)	(1,111,535)	(1,204,872)	(750,614)
Actuarial (gains) losses	(15,200)	-	(15,200)	160,700
Closing benefit obligation, end of year	\$ <u>2,677,037</u>	\$ <u>6,161,049</u>	\$ <u>8,838,086</u>	\$ <u>9,105,597</u>
Plan deficit	2,677,037	6,161,049	8,838,086	9,105,597
Unamortized actuarial gain (loss)	359,156	(987,082)	(627,926)	(747,029)
Total liability	\$ <u>3,036,193</u>	\$ <u>5,173,967</u>	\$ <u>8,210,160</u>	\$ <u>8,358,568</u>

The Health Authority's net expense for retirement allowances and post-employment benefits is as follows:

Current year benefit costs	\$ 127,200	\$ 464,600	\$ 591,800	\$ 543,500
Interest on accrued benefit obligation	105,367	255,394	360,761	362,307
Amortized actuarial losses	<u>(46,565)</u>	<u>150,468</u>	<u>103,903</u>	<u>110,518</u>
Retirement and post employment benefits expense	\$ <u>186,002</u>	\$ <u>870,462</u>	\$ <u>1,056,464</u>	\$ <u>1,016,325</u>

The following actuarial assumptions have been used in the determination of the accrued benefit obligation 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	1.2 - 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 65th 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.

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

10. 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 were extrapolated based on the latest actuarial valuation.

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>
Accrued benefit liability		
Opening benefit obligation, beginning of year	\$ 3,317,000	\$ 2,924,000
Current service cost	506,000	481,000
Interest on obligation	141,000	125,000
Less: premiums paid	(261,000)	(275,000)
Actuarial (gains) losses	(637,000)	62,000
Closing benefit obligation, end of year	<u>\$ 3,066,000</u>	<u>\$ 3,317,000</u>
Plan deficit	\$ 3,066,000	\$ 3,317,000
Unamortized actuarial (gain) loss	<u>570,864</u>	<u>(74,600)</u>
Total liability	<u>\$ 3,636,864</u>	<u>\$ 3,242,400</u>
Current year benefit costs	\$ 506,000	\$ 481,000
Interest on accrued benefit obligation	141,000	125,000
Unamortized actuarial loss	8,464	1,400
Amounts paid	<u>(261,000)</u>	<u>(275,000)</u>
Compensated absences benefit expense	<u>\$ 394,464</u>	<u>\$ 332,400</u>

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2015:

Discount rate	4.1%
Rate of compensation increase	0.15 – 2.65%
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 return 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.

Pictou County Health Authority

Notes to the financial statements

March 31, 2014

11. Accumulated surplus

Accumulated surplus is comprised of endowment, internally restricted, general capital and unrestricted.

Endowment 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 public parking facilities owned by the Health Authority be internally restricted to be used for specific purposes at the direction of the board of directors. All net income from the operation of staff parking facilities owned by the Health Authority are internally restricted to be used for the acquisition of minor equipment as designated by the Health Authority's staff parking committee.

The capital surplus is comprised of amounts invested in capital assets and internally restricted amounts to be used as directed by the board.

	<u>2015</u>	<u>2014</u>
Endowment	\$ 270,893	\$ 268,171
Capital		
Internally restricted	107,892	32,761
General capital	39,981,628	41,361,810
Unrestricted	<u>(273,764)</u>	<u>(200,881)</u>
	<u>\$ 40,086,739</u>	<u>\$ 41,461,861</u>

12. Reconciliation of annual operating funding

	<u>2015</u>	<u>2014</u>
Annual deficit	(1,375,122)	(1,151,083)
Amortization	3,418,070	3,195,469
Transfer from operating to capital	(74,296)	(141,718)
Net parking revenues and other non-operating adjustments	(29,535)	(243,716)
Capital grants	<u>(2,012,000)</u>	<u>(1,747,918)</u>
Deficit from operations	(72,883)	(88,966)
Amounts attributed to capital asset purchases	<u>72,883</u>	<u>88,966</u>
Annual operating deficit	<u>\$ -</u>	<u>\$ -</u>

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

13. 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, of which \$1,000,000 is unused at March 31, 2015.

14. Commitments

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

2016	\$ 1,186,599
2017	\$ 1,219,653
2018	\$ 1,244,600
2019	\$ 1,231,473
2020	\$ 1,258,686

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

16. Contingencies

- (a) The Health Authority has uncovered environmental contamination (most likely fuel oil) on the Sutherland Harris Memorial Hospital property and adjoining property owned by the Province of Nova Scotia. Cost of, and responsibility for, remediation including any oil underneath Sutherland Harris Memorial Hospital rests with the Province. The Province has committed to fund the monitoring costs for the Sutherland Harris Memorial Hospital property. Related risks include uninsured asset impairment, litigation costs and costs for remediation.
- (b) 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.
- (c) During the year, the Health Authority entered into an agreement with the Aberdeen Health Foundation Society (the "Society") which grants a security interest to the Society in all tangible capital assets purchased by the Health Authority with funds provided by the Society. The agreement contains provisions whereby the Health Authority must not dispose of, release, surrender, abandon, or move or transfer the specified assets to another location without the approval of the Society. Violation of these terms is considered an event of default, whereby an obligation to the Society may become immediately due.

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

17. 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.

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	0-45 days	45-90 days	90-135 days	135-180 days	>180 days
Charges to MSI	\$ 234,176	\$ 232,234	\$ -	\$ -	\$ -	\$ 1,942
Foundation and Auxiliary	199,124	199,124				
Harmonized sales tax	355,571	355,571				
Patients	436,632	209,691	24,201	14,343	21,876	166,520
Veterans Affairs Canada	268,504	88,733	-			179,771
Nova Scotia Department of Health and Wellness	16,758,378	2,716,121	102,483	(1,396)	619	13,940,549
Other receivables	2,222,727	1,060,530	161,178	50,491	69,970	880,558
Less: impairment allowances	(272,879)					(272,879)
Net receivables	\$ 20,202,232	\$ 4,862,004	\$ 287,863	\$ 63,438	\$ 92,465	\$ 14,896,461

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

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.

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.

Pictou County Health Authority

Notes to the financial statements

March 31, 2015

17. Financial instrument risk management (continued)

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:

	0-60 days	61-120 days	121-180 days	>181 days
Payables and accruals	\$ 11,116,235	\$ 342,862	\$ 47,102	\$ (143,201)
Compensated employee absences	-	-	-	3,636,864
Post employment benefits	-	-	-	8,210,160
	\$ 11,116,235	\$ 342,862	\$ 47,102	\$ 11,703,823

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.

18. Subsequent event

The Pictou County 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 Pictou County Health Authority were assumed by the newly created Nova Scotia Health Authority.

Pictou County Health Authority

Schedule of tangible capital assets

Year ended March 31, 2015

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and improvements</u>	<u>Equipment</u>	<u>Construction in progress</u>	<u>2015</u>	<u>2014</u>
Cost							
Beginning of year	\$27,528	\$1,386,072	\$60,550,713	\$29,559,229	\$1,323,524	\$92,847,066	\$91,096,052
Additions	-	-	44,577	1,039,647	1,205,736	2,289,960	3,652,401
Disposals	-	-	-	(1,408)	(250,664)	(252,072)	(1,901,387)
End of year	\$27,528	\$1,386,072	\$60,595,290	\$30,597,468	\$2,278,596	\$94,884,954	\$92,847,066
Accumulated amortization							
Beginning of year	\$ -	\$532,661	\$26,526,526	\$24,426,069	\$ -	\$51,485,256	\$48,395,746
Amortization	-	68,531	1,173,225	2,176,314	-	3,418,070	3,195,469
Disposals	-	-	-	-	-	-	(105,959)
End of year	\$27,528	\$601,192	\$27,699,751	\$26,602,383	\$ -	\$54,903,326	\$51,485,256
Net book value							
	\$27,528	\$784,880	\$32,895,539	\$3,995,085	\$2,278,596	\$39,981,628	\$41,361,810