# Public Accounts

VOLUME 2—AGENCIES AND FUNDS

NOVA SCOTIA

For the fiscal year ended

## March 31, 2006

**The Honourable Michael G. Baker, Q.C.**
Minister of Finance

NOVA SCOTIA

**Finance**

*Public Accounts Volume 2 – Agencies and Funds* consists of reproductions of the financial statements of various agencies, boards, governmental units, government business enterprises, and trust funds. It is prepared to facilitate the tabling of these documents in the House of Assembly and is the official version of this publication.

# PROVINCE OF NOVA SCOTIA

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## AGENCIES AND FUNDS

Financial Statements of

# 3052155 NOVA SCOTIA LIMITED

Year ended March 31, 2006

KPMG

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# AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of 3052155 Nova Scotia Limited as at March 31, 2006 and the statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Halifax, Canada
June 27, 2006

# 3052155 NOVA SCOTIA LIMITED

Balance Sheet
(In thousands of dollars)

March 31, 2006, with comparative figures for 2005

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and short-term investments | $ | 1,219 | $ | 18,681 |
| Other assets (note 2) | | 241 | | 380 |
| | $ | 1,460 | $ | 19,061 |
| **Liabilities and Shareholder's Equity (Deficiency)** | | | | |
| Provision for site restoration (note 3) | $ | 883 | $ | 19,517 |
| Payables and accruals | | 10 | | 8 |
| Due to Province of Nova Scotia | | 79 | | 79 |
| | | 972 | | 19,604 |
| Shareholder's equity (deficiency): | | | | |
| Capital stock: | | | | |
| Authorized: 100,000 common shares without par value | | | | |
| Issued and outstanding: 1,000 common shares | | 1 | | 1 |
| Contributed surplus (note 4) | | 8,978 | | 8,978 |
| Deficit | | (8,491) | | (9,522) |
| | | 488 | | (543) |
| | $ | 1,460 | $ | 19,061 |

See accompanying notes to financial statements.

Approved on behalf of the Board:

__________________________ Director

__________________________ Director

# 3052155 NOVA SCOTIA LIMITED

Statement of Operations and Retained Earnings (Deficit)
(In thousands of dollars)

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Revenue: | | |
| Interest income | $ 249 | $ 408 |
| Sundry income | – | 502 |
| | 249 | 910 |
| Expenses: | | |
| Insurance | 150 | 148 |
| General and administrative | 68 | 91 |
| | 218 | 239 |
| Earnings before the undernoted | 31 | 671 |
| Decrease (increase) in provision for site restoration | 1,000 | (10,811) |
| Net earnings (loss) | 1,031 | (10,140) |
| Opening retained earnings (deficit) | (9,522) | 618 |
| Ending deficit | $ (8,491) | $ (9,522) |

See accompanying notes to financial statements.

# 3052155 NOVA SCOTIA LIMITED

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Cash derived from (applied to): | | |
| Operating: | | |
| Net earnings (loss) | $ 1,031 | $ (10,140) |
| Item not involving cash: | | |
| Increase (decrease) in provision for site restoration | (1,000) | 10,811 |
| Changes in non-cash operating working capital items: | | |
| Other assets | 139 | 4 |
| Payables and accruals | 2 | (772) |
| Expenditures for site restoration | (17,634) | (394) |
| Decrease in cash | (17,462) | (491) |
| Cash and short-term investments, beginning of year | 18,681 | 19,172 |
| Cash and short-term investments, end of year | $ 1,219 | $ 18,681 |

Supplemental cash flow information (note 5)

See accompanying notes to financial statements.

# 3052155 NOVA SCOTIA LIMITED



The Company was incorporated in 2001 for the purpose of holding and administering various assets and obligations transferred from Nova Scotia Resources Limited prior to the sale of that company's shares.

## 1. Significant accounting policies:

(a) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates. Expenses were recorded in Nova Scotia Resources (Ventures) Limited prior to the provision being transferred to the Company.

(b) Measurement uncertainty:

The amount recorded for site restoration is based on estimates of future costs. By its nature, this estimate is subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

## 2. Other assets:

| | | 2006 | | 2005 |
|---|---|---|---|---|
| | | (In thousands of dollars) | | |
| Accounts receivable | $ | 1 | $ | 81 |
| Prepaid expenses | | 235 | | 294 |
| Other assets | | 5 | | 5 |
| | $ | 241 | $ | 380 |

## 3. Provision for site restoration:

| | | 2006 | | 2005 |
|---|---|---|---|---|
| | | (In thousands of dollars) | | |
| Cohasset/Panuke Project | $ | 883 | $ | 19,517 |

The Cohasset/Panuke Project ceased producing oil in 1999.

The carrying value of the provision for remaining site restoration costs for the Cohasset/Panuke Project is based on abandonment studies conducted by independent third parties. The Company is a nominee of the Province of Nova Scotia with respect to this obligation. The Company's remaining share of the cost of site restoration, based on the remediation option chosen, has been estimated at $883,000 (2005 - $19,517,000). However, based on the unpredictable nature of the environment in which the work is being performed this liability could range between $800,000 and $1,000,000 (2005 - $18,000,000 to $22,000,000).

**3. Provision for site restoration (continued):**

The Company has assumed an obligation for a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of $17.5 million as evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project. This promissory note expired in 2006 and the Company is negotiating with the Canada-Nova Scotia Offshore Petroleum Board to reduce this note to more accurately reflect the remaining abandonment obligation.

**4. Contributed surplus:**

In anticipation of the sale of the shares of Nova Scotia Resources Limited, many of the monetary items from that company, together with the obligation for site restoration for the Cohasset/Panuke Project, amounting to $8,978,000, were transferred from the Province of Nova Scotia as contributed surplus.

**5. Supplemental cash flow information:**

| | 2006 | 2005 |
|---|---|---|
| | (In thousands of dollars) | |
| Cash received: | | |
| Interest | $ 249 | $ 408 |

**6. Financial instruments – fair values:**

The fair value of the Company's other assets, cash and short-term investments and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

**7. Income taxes:**

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

# AGRAPOINT INTERNATIONAL INC.

## FINANCIAL STATEMENTS

## FOR THE NINE MONTH PERIOD ENDED

## DECEMBER 31, 2005

WBLI

Chartered Accountants

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# AUDITORS' REPORT

## To The Shareholder of Agrapoint International Inc.

We have audited the balance sheet of Agrapoint International Inc. as at December 31, 2005 and the statements of earnings, retained earnings and cash flows for the nine month period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of operations and cash flows of the company for the nine month period then ended, in accordance with Canadian generally accepted accounting principles.

WBLI

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Bedford, Nova Scotia

February 10, 2006

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# AGRAPOINT INTERNATIONAL INC.

## BALANCE SHEET

## AS AT DECEMBER 31, 2005

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | **118,048** | 268,061 |
| Short-term investments (market value-$274,954; Mar 31,2005-$337,653) (note 4) | **275,055** | 338,268 |
| Accounts receivable | **174,601** | 231,091 |
| HST recoverable | **29,077** | 10,160 |
| Inventory | **2,060** | 665 |
| Prepaid expenses | **51,388** | 39,499 |
| Deferred Agrifest 2006 expenses | **79,287** | - |
| | **729,516** | 887,744 |
| PROPERTY, PLANT AND EQUIPMENT (note 5) | **241,552** | 247,166 |
| INVESTMENT IN GLOBAL FOOD EXCELLENCE INC. (note 6) | **-** | 25 |
| LONG-TERM INVESTMENTS (note 7) | **1,310,521** | 568,691 |
| OTHER LONG TERM ASSETS (note 8) | **5,136** | 10,266 |
| | **2,286,725** | 1,713,892 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | **233,889** | 233,686 |
| Current portion of long-term debt | **18,611** | 20,564 |
| Deferred revenue | **512,500** | - |
| Deferred Agrifest 2006 revenue | **41,400** | - |
| | **806,400** | 254,250 |
| DEFERRED GOVERNMENT ASSISTANCE (note 9) | **30,850** | 69,426 |
| LONG TERM DEBT (note 10) | **5,894** | 19,364 |
| | **843,144** | 343,040 |
| **SHAREHOLDER'S EQUITY** | | |
| CAPITAL STOCK (note 11) | **1** | 1 |
| RETAINED EARNINGS | **1,443,580** | 1,370,851 |
| | **1,443,581** | 1,370,852 |
| | **2,286,725** | 1,713,892 |

COMMITMENTS (note 12)

APPROVED ON BEHALF OF THE BOARD

Director

Director

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# AGRAPOINT INTERNATIONAL INC.

## STATEMENT OF RETAINED EARNINGS

## FOR THE NINE MONTH PERIOD ENDED

## DECEMBER 31, 2005

| | **December 31, 2005** | March 31, 2005 |
|---|---|---|
| | **$** | $ |
| RETAINED EARNINGS - beginning of period | **1,370,851** | 1,494,364 |
| Net earnings (loss) for the period | **72,729** | (123,513) |
| RETAINED EARNINGS - end of period | **1,443,580** | 1,370,851 |

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# AGRAPOINT INTERNATIONAL INC.

## STATEMENT OF EARNINGS

## FOR THE NINE MONTH PERIOD ENDED

## DECEMBER 31, 2005

| | **December 31, 2005 (9 months)** | March 31, 2005 (12 months) |
|---|---|---|
| | **$** | $ |
| **REVENUE** | | |
| Consulting and fee revenue (note 13) | **2,163,636** | 2,790,364 |
| Other revenue | **48,383** | 121,002 |
| Agrifest 2004 (schedule) | **-** | 411,471 |
| | **2,212,019** | 3,322,837 |
| COST OF SERVICES | **379,516** | 412,161 |
| | **1,832,503** | 2,910,676 |
| EXPENSES | | |
| Salaries, wages and benefits | **1,263,734** | 1,684,623 |
| Office and administration | **116,694** | 163,614 |
| Amortization | **88,225** | 105,601 |
| Occupancy | **85,578** | 102,235 |
| Travel | **67,053** | 56,972 |
| Marketing and communications | **44,867** | 92,904 |
| Professional fees | **43,712** | 53,915 |
| Dues and professional development | **33,591** | 51,966 |
| Board expense | **32,178** | 35,315 |
| Insurance | **22,239** | 31,149 |
| Agrifest 2004 (schedule) | **-** | 669,869 |
| | **1,797,871** | 3,048,163 |
| EARNINGS (LOSS) FOR THE YEAR BEFORE OTHER ITEMS | **34,632** | (137,487) |
| OTHER ITEMS | | |
| Amortization of deferred government assistance | **38,577** | 30,655 |
| Loss on disposal of property, plant and equipment | **(455)** | (16,681) |
| Equity interest in investment | **(25)** | - |
| | **38,097** | 13,974 |
| **NET EARNINGS (LOSS) FOR THE PERIOD** | **72,729** | (123,513) |

# AGRAPOINT INTERNATIONAL INC.

## STATEMENT OF CASH FLOWS

## FOR THE NINE MONTH PERIOD ENDED

## DECEMBER 31, 2005

| | **December 31, 2005 (9 months)** | March 31, 2005 (12 months) |
|---|---|---|
| | **$** | $ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash provided from (used in) operations | | |
| Net earnings (loss) for the period | **72,729** | (123,513) |
| Items in earnings not involving cash | | |
| Amortization | **88,225** | 105,601 |
| Amortization of deferred government assistance | **(38,577)** | (30,655) |
| Loss on disposal of property, plant and equipment | **455** | 16,681 |
| | **122,832** | (31,886) |
| Change in noncash working capital balances | | |
| Accounts receivable | **56,490** | (103,543) |
| HST recoverable | **(18,917)** | 305,612 |
| Inventory | **(1,395)** | 2,119 |
| Prepaid expenses | **(11,889)** | (19,454) |
| Deferred Agrifest 2006 expenses | **(79,287)** | 71,722 |
| Accounts payable and accrued liabilities | **203** | 26,369 |
| Deferred Agrifest 2006 revenue | **41,400** | (73,870) |
| Deferred revenue | **512,500** | - |
| | **621,937** | 177,069 |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | |
| Borrowing of long-term debt | **-** | 23,444 |
| Repayment of long-term debt | **(15,423)** | (13,727) |
| Repayment of obligation under capital lease | **-** | (25,322) |
| | **(15,423)** | (15,605) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | **(78,460)** | (77,561) |
| Proceeds on disposal of property, plant and equipment | **525** | 18,458 |
| Acquisition of investment in Global Food Excellence Inc. | **-** | (25) |
| Net acquisition of long-term investments | **(741,830)** | (568,691) |
| Net disposal of short-term investments | **63,213** | 614,957 |
| Decrease in equity interest in Global Food Excellence Inc. | **25** | - |
| | **(756,527)** | (12,862) |
| CHANGE IN CASH DURING THE PERIOD | **(150,013)** | 148,602 |
| CASH - beginning of period | **268,061** | 119,459 |
| CASH - end of period | **118,048** | 268,061 |

NOTE:

| | **2005** | 2005 |
|---|---|---|
| | **$** | $ |
| Interest paid | **1,020** | 450 |

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# AGRAPOINT INTERNATIONAL INC.

## AGRIFEST PROJECT SUMMARY SCHEDULE

## FOR THE NINE MONTH PERIOD ENDED

## DECEMBER 31, 2005

| | **December 31, 2005 (9 months)** | March 31, 2005 (12 months) |
|---|---|---|
| | **$** | $ |
| **REVENUE** | | |
| Sponsors | - | 302,385 |
| Event | - | 109,086 |
| | - | 411,471 |
| EXPENSES | | |
| Marketing and communications | - | 125,482 |
| Crop expenses | - | 49,406 |
| Event production | - | 368,325 |
| Insurance | - | 4,680 |
| Labour, salaries and benefits | - | 97,718 |
| Office and administration | - | 15,758 |
| Occupancy | - | 8,500 |
| | - | 669,869 |
| **NET LOSS FROM AGRIFEST** | - | (258,398) |

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## 1. NATURE OF OPERATIONS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. Established by the Province of Nova Scotia, AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Inventory**
Inventory is valued at the lower of cost, determined on a first in, first out basis, and net realizable value.

**Credit risk**
The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company regularly monitors the balances outstanding from its customers. The customer base is made up of individual farmers and government agencies.

The company does not have a significant exposure to any individual customer or counterpart other than the Province of Nova Scotia as discussed in note 13. The company's customers vary in size and nature. The company incurred bad debt expense in the current period of $828 (March 31, 2005 - $334).

**Short-term investments**
Short-term investments are stated at the lower of cost or market. At year end, cost was substantially the same as the quoted market value.

**Property, plant and equipment**
Property, plant and equipment are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

| | |
|---|---|
| Computer equipment | 50% |
| Computer software | 100% |
| Furniture and fixtures | 20% |
| Leasehold improvements | 20% |

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment in significantly influenced entity**
The company's investment in Global Food Excellence Inc., of which it owns 25% of the outstanding voting shares and over which it exercises significant influence, is accounted for by the equity method. Under this method, the investment is initially recorded at cost and is increased for the proportionate share of any post acquisition earnings and is decreased by any post acquisition losses and dividends received.

**Other assets**
Other assets are recorded at cost, and are amortized using the straight-line method over five years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

**Government assistance**
Government assistance related to property, plant and equipment and other assets is deferred and amortized to earnings on the same basis as the related asset.

**Revenue recognition**
Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue as it is earned.

Revenue relating to the sale of goods is recorded when the risk and rewards of ownership have been transferred, which is normally the date of shipment.

**Non-monetary transactions**
Non-monetary transactions are recorded at the fair value of the service provided to the company.

**Fair value of financial instruments**
The fair value of cash, accounts receivable, short-term investments and accounts payable and accrued liabilities is approximately equal to their carrying value due to their short-term maturity dates.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on market interest rates for loans with similar conditions and maturities.

**Use of estimates**
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

## 3. INCOME TAXES

The company and its property are exempt from taxation under section 149(1)(e) of the Income Tax Act.

## 4. SHORT TERM INVESTMENTS

The short-term investments are comprised of government bonds, treasury bills and other interest bearing investments.

## 5. PROPERTY, PLANT AND EQUIPMENT

| | **December 31, 2005** | | | March 31, 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net** | Net |
| | **$** | **$** | **$** | $ |
| Computer hardware | **210,005** | **130,665** | **79,340** | 93,191 |
| Computer software | **90,412** | **81,081** | **9,331** | 12,682 |
| Furniture, fixtures and equipment | **164,314** | **62,558** | **101,756** | 81,150 |
| Leasehold improvements | **93,356** | **42,231** | **51,125** | 60,143 |
| | **558,087** | **316,535** | **241,552** | 247,166 |

## 6. INVESTMENT IN COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

| | **December 31, 2005** | March 31, 2005 |
|---|---|---|
| | **$** | $ |
| 25% Investment in Global Food Excellence Inc. | **25** | 25 |
| Equity in earnings (loss) since acquisition | **(25)** | - |
| | **-** | 25 |

The company's share of the losses of Global Food Excellence Inc. for the year ending December 31, 2005 is $284. The company has recognized a loss equal to the original investment in Global Food Excellence Inc. in its financial statements. The company will apply the unrecognized loss of $259 against its share of future profits from Global Food Excellence Inc. Once the company's share of profits equal its share of the losses not recognized, the company will resume including its share of profits from Global Food Excellence Inc. in its earnings and increase the carrying value of its investment.

## 7. LONG-TERM INVESTMENTS

| | **December 31, 2005** | March 31, 2005 |
|---|---|---|
| | **$** | $ |
| Fixed Income<br>Imperial short-term bond pool is made up of bonds, debentures, notes or other debt instruments, of Canadian and non-Canadian issuers, with a remaining term to maturity of one to five years. The interest rate exposure for the top ten holdings ranges from 2.38% to 5.83% The market value at December 31, 2005 is $218,796. | **221,522** | 96,674 |
| Imperial Canadian bond pool is made up of bonds, debentures, notes, other debt instruments (whether secured or unsecured), preferred shares and convertible preferred shares of Canadian and non-Canadian issuers. The interest rate exposure for the top ten holdings ranges from 1.46% to 7.12%. The market value at December 31, 2005 is $461,574. | **459,711** | 199,589 |
| | **681,233** | 296,263 |
| Investments in equities (market value of $672,809) | **629,288** | 272,428 |
| | **1,310,521** | 568,691 |

## 8. OTHER ASSETS

| | **December 31, 2005** | | | March 31, 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net** | Net |
| | **$** | **$** | **$** | $ |
| Web site development | **34,215** | **29,079** | **5,136** | 10,266 |

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## 9. DEFERRED GOVERNMENT ASSISTANCE

| | **December 31, 2005** | | | March 31, 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net** | Net |
| | **$** | **$** | **$** | $ |
| Deferred government assistance | **215,429** | **184,579** | **30,850** | 69,426 |

## 10. LONG-TERM DEBT

| | **December 31, 2005** | March 31, 2005 |
|---|---|---|
| | **$** | $ |
| Non-interest bearing, financing of leasehold improvements, is being repaid in monthly principal instalments of $737, matures in August 2007. | **14,737** | 21,368 |
| Non-interest bearing, financing of computer software, licenses and support, is being repaid in monthly instalments of $977, matures in October 2006. | **9,768** | 18,560 |
| | **24,505** | 39,928 |
| Less current portion | **18,611** | 20,564 |
| | **5,894** | 19,364 |

The approximate principal due within each of the next two years is as follows:

| | $ |
|---|---|
| 2006 | 18,611 |
| 2007 | 5,894 |

## 11. CAPITAL STOCK

| | | December 31, 2005 | March 31, 2005 |
|---|---|---|---|
| | | $ | $ |
| Authorized | | | |
| 1,000,000 | Common shares without nominal or par value | | |
| 1,000,000 | Common shares with a par value of $1 each | | |
| Issued | | | |
| 1 | Common share without nominal or par value | **1** | 1 |

## 12. COMMITMENTS

The company is renting its office premises in both Truro and Kentville. The long-term leases expire in August 2007 and April 2012 respectively. The annual rent is $35,472 and $104,036 respectively.

The company is leasing office equipment expiring October 2010 and January 2011. The annual rent is $5,876 and $984 respectively.

The Board of Directors has made a commitment to the Soil and Crop Association of Nova Scotia to provide funding for an industry nutrient management chair position at $25,000 per year for five years commencing in 2006.

## 13. ECONOMIC DEPENDENCE

The company has signed a Memorandum of Understanding with the Province of Nova Scotia to provide services as described in this document for a five year period ending in 2010. The annual fee to be paid for the services performed is $2,200,000. Due to the company changing its fiscal year end to December 31, 2005, the annual fee from the Province of Nova Scotia reported as revenue for the nine month period ended December 31, 2005 is $1,650,000.

## 14. ACCOUNTING CHANGES

During the year, the company changed its estimate of the useful life of computer hardware from 3 years to 2 years. As a result, the annual rate for the amortization of computer hardware, using the diminishing balance method, changed from 30% to 50%. The amortization rate for government assistance relating to the computer hardware was also changed so that it would be amortized to earnings on the same basis as the computer hardware. The effect of this change is to increase amortization by $19,522, increase amortization of deferred government assistance by $15,525, reduce earnings for the period by $3,997 and reduce the net book value of property, plant and equipment by $19,522 and reduce the deferred government assistance by $15,525.

## 15. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the financial statement presentation adopted for the current year. The reader should note that the amounts reported on the Statement of Earnings for the current period cover the nine month period from April 1, 2005 to December 31, 2005 due to the company changing its fiscal year end from March 31 to December 31. The comparative figures on the Statement of Earnings are for twelve months from April 1, 2004 to March 31, 2005.

# AGRITECH PARK INCORPORATED

## FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2006

**HEMMING WEIR CASEY**
CHARTERED ACCOUNTANTS

Dale A. Saunders, CA, CBV
Myles W. Johnson, CA

TELEPHONE (902) 895-7480
FAX (902) 895-7499
14 Court Street, Suite 308
Truro NS B2N 3H7
www.hwcinc.ca

## AUDITORS' REPORT

To the Shareholder of
AgriTECH Park Incorporated

We have audited the balance sheet of AgriTECH Park Incorporated as at March 31, 2006 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia
May 24, 2006

Chartered Accountants

**AGRITECH PARK INCORPORATED**

**BALANCE SHEET AS AT MARCH 31, 2006**

| ASSETS | 2006 | 2005 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Accounts receivable | $ 36,697 | $ 33,044 |
| **LIABILITIES** | | |
| **DUE TO NOVA SCOTIA DEPARTMENT OF AGRICULTURE AND FISHERIES** *(Note 5)* | $ 68,434 | $108,474 |
| **SHAREHOLDER'S DEFICIENCY** | | |
| **CAPITAL STOCK** *(Note 6)* | 1 | 1 |
| **DEFICIT** | (31,738) | (75,431) |
| | (31,737) | (75,430) |
| | $ 36,697 | $ 33,044 |

Approved by the Board

_____________________________________Director

_____________________________________Director

**AGRITECH PARK INCORPORATED**

**STATEMENT OF INCOME AND DEFICIT**

**YEAR ENDED MARCH 31, 2006**

| | **2006** | **2005** |
|---|---|---|
| **REVENUE** | | |
| Conference | | |
| Meals | $ 97,216 | $136,111 |
| Lodging | 67,612 | 94,124 |
| Rental | | |
| Facilities | 132,896 | 118,129 |
| Other | 16,000 | 18,000 |
| Sundry | 23,957 | 22,163 |
| Grants and assistance | - | 11,250 |
| | 337,681 | 399,777 |
| **OPERATING EXPENSES** | | |
| Advertising | 3,845 | 2,176 |
| Catering services | 92,575 | 134,497 |
| Consulting | - | 40,990 |
| Heat | 100,593 | 117,295 |
| Lights | 36,063 | 39,297 |
| Motor vehicle | 5,046 | 3,513 |
| Office and postage | 7,199 | 10,628 |
| Professional fees | 3,000 | 4,524 |
| Provision for doubtful account | - | 10,764 |
| Repairs and maintenance | 89,590 | 87,141 |
| Salaries and benefits | 239,857 | 199,147 |
| Security | 2,054 | 25,032 |
| Sundry | 11,336 | 8,007 |
| Supplies | 6,929 | 8,349 |
| Telecommunications | 17,895 | 22,201 |
| | 615,982 | 713,561 |
| Loss from operations before departmental recoveries and grants | (278,301) | (313,784) |
| Departmental recoveries and grants *(Note 5)* | 321,994 | 480,970 |
| **NET INCOME FOR THE YEAR** | 43,693 | 167,186 |
| Deficit, beginning of year | (75,431) | (242,617) |
| **DEFICIT, END OF YEAR** | $ (31,738) | $( 75,431) |

**AGRITECH PARK INCORPORATED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2006**

| | 2006 | 2005 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income for the year | $ 43,693 | $167,186 |
| Increase in accounts receivable | (3,653) | 31,004 |
| Decrease in accounts payable | - | (6,210) |
| Decrease in payable to Nova Scotia Department of Agriculture and Fisheries *(Note 5)* | (40,040) | (191,980) |
| **CASH FLOWS FROM OPERATING ACTIVITIES AND CASH, END OF YEAR** | $ - | $ - |

## 1. GOVERNING STATUS AND NATURE OF ACTIVITIES

The company, incorporated under the Nova Scotia Companies Act on December 9, 1997, operates a business development and agri-business centre in Bible Hill, Nova Scotia. In addition to offering conference facilities, AgriTECH Park's objective is to assist in the development of innovative products and services in the agricultural and environment sectors in Atlantic Canada.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Financial Instruments**
The company's financial instruments consist of accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**Use of Estimates**
The preparation of financial statements in conformity with Canadian generally accepted accounting principles may require the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

**Capital Assets**
The company applies the capitalization policies of the Province of Nova Scotia to assets and improvements purchased. No assets acquired by the company during the year meet the minimum guidelines for capitalization.

## 3. INCOME TAXES

The company is exempt from taxation under Section 149(1)(e) of the Income Tax Act.

## 4. ECONOMIC DEPENDENCE

The company receives significant operating contributions from, and is considered to be economically dependent on the Nova Scotia Department of Agriculture and Fisheries for its continued economic viability.

## 5. RELATED PARTY TRANSACTIONS

The company is related to the Nova Scotia Department of Agriculture and Fisheries, as the only common share of the company is held by the Deputy Minister of this department. Transactions between these related parties are departmental recoveries and grants in the amount of $321,994 (2005 - $480,970). Amounts due to the Nova Scotia Department of Agriculture and Fisheries are disclosed separately in the financial statements.

## 5. RELATED PARTY TRANSACTIONS *(Continued)*

The company is related to another company by reason of a common shareholder. Transactions between these related parties are facilities rental in the amount of $35,472 (2005 - $32,607). During the year, an amount of $8,842 (2005 - $8,842) was paid by the related party on a leasehold improvements receivable and the remaining balance receivable, included in accounts receivable, at March 31, 2006 is $12,527 (2005 - $21,369).

## 6. CAPITAL STOCK

| | 2006 | 2005 |
|---|---|---|
| Authorized | | |
| 50,000 Common shares | | |
| Issued | | |
| 1 Common share | $ 1 | $ 1 |

*Financial Statements of*

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

*March 31, 2006*

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: (902) 422-8541
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www.deloitte.ca

# Auditors' Report

To the Chairman and Members of the Board of Directors of the
Annapolis Valley District Health Authority

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Annapolis Valley District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Annapolis Valley District Health Authority as at March 31, 2006 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants
June 14, 2006

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
# OPERATING AS ANNAPOLIS VALLEY HEALTH
# Table of Contents
**March 31, 2006**

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
# OPERATING AS ANNAPOLIS VALLEY HEALTH
## Statement of Financial Position
**March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash and cash equivalents | **$ 9,158,045** | **$ 655,542** | **$ 9,813,587** | $ 12,126,929 |
| Accounts receivable (Note 3) | **7,986,276** | **5,368,138** | **13,354,414** | 11,018,632 |
| Inventory | **1,181,058** | **-** | **1,181,058** | 1,244,326 |
| Prepaid expenses | **494,338** | **19,179** | **513,517** | 521,998 |
| | **18,819,717** | **6,042,859** | **24,862,576** | 24,911,885 |
| Long-term assets (Note 4) | **6,282,617** | **34,272** | **6,316,889** | 6,228,592 |
| Property, plant and equipment (Note 5) | **-** | **50,495,021** | **50,495,021** | 45,563,178 |
| | **$ 25,102,334** | **$ 56,572,152** | **$ 81,674,486** | $ 76,703,655 |
| **LIABILITIES** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (Note 7) | **$ 12,360,093** | **$ 1,875,366** | **$ 14,235,459** | $ 12,630,495 |
| Current portion of long-term debt (Note 8) | **-** | **16,174** | **16,174** | 61,169 |
| Revenue received in advance | **6,918,047** | **-** | **6,918,047** | 5,454,016 |
| | **19,278,140** | **1,891,540** | **21,169,680** | 18,145,680 |
| Long-term debt (Note 8) | **-** | **63,447** | **63,447** | 130,956 |
| Employee future benefits (Note 13) | **5,764,292** | **-** | **5,764,292** | 5,630,467 |
| Deferred capital grants (Note 9) | **-** | **54,074,007** | **54,074,007** | 52,151,339 |
| | **25,042,432** | **56,028,994** | **81,071,426** | 76,058,442 |
| **FUND BALANCES** | | | | |
| Restricted | **-** | **38,161** | **38,161** | 38,161 |
| Unrestricted | **59,902** | **504,997** | **564,899** | 607,052 |
| | **59,902** | **543,158** | **603,060** | 645,213 |
| | **$ 25,102,334** | **$ 56,572,152** | **$ 81,674,486** | $ 76,703,655 |

Commitments (Note 10)

APPROVED BY THE BOARD

…………………….………….Chair

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
# OPERATING AS ANNAPOLIS VALLEY HEALTH
## Statement of Changes in Fund Balances
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Restricted fund balances | | | | |
| Balance, beginning of year | $ - | $ 38,161 | $ 38,161 | $ 358,487 |
| Transferred to the Crosbie Memorial Trust Fund | - | - | - | (320,326) |
| Balance, end of year | - | 38,161 | 38,161 | 38,161 |
| Unrestricted fund balances | | | | |
| Balance, beginning of year | 68,235 | 538,817 | 607,052 | 568,006 |
| (Deficiency) excess of revenues over expenses | (8,333) | (33,820) | (42,153) | 39,046 |
| Balance, end of year | 59,902 | 504,997 | 564,899 | 607,052 |
| Total fund balances | $ 59,902 | $ 543,158 | $ 603,060 | $ 645,213 |

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
# OPERATING AS ANNAPOLIS VALLEY HEALTH
## Statement of Operations
**Year ended March 31, 2006**

| | **Operating Fund** | **Capital Fund** | **2006 Total** | 2005 Total |
|---|---|---|---|---|
| Revenue | | | | |
| Department of Health funding | **$ 77,321,071** | **$ -** | **$ 77,321,071** | $ 71,786,345 |
| Veterans Affairs Canada | **2,310,000** | **-** | **2,310,000** | 2,259,046 |
| Patient services | **2,799,803** | **-** | **2,799,803** | 2,239,597 |
| Program recoveries | **7,656,020** | **-** | **7,656,020** | 5,938,014 |
| Amortization of deferred capital grants | **-** | **3,509,228** | **3,509,228** | 3,253,062 |
| Other | **256,521** | **9,604** | **266,125** | 309,217 |
| | **90,343,415** | **3,518,832** | **93,862,247** | 85,785,281 |
| Expenses | | | | |
| Addiction services | **2,013,749** | **-** | **2,013,749** | 1,779,994 |
| Administration | **3,602,754** | **-** | **3,602,754** | 3,465,892 |
| Amortization of property, plant and equipment | **-** | **3,538,634** | **3,538,634** | 3,260,263 |
| Clinical support | **1,505,013** | **-** | **1,505,013** | 1,330,225 |
| Community support | **1,371,840** | **-** | **1,371,840** | 927,381 |
| Diagnostic imaging | **3,753,975** | **-** | **3,753,975** | 3,650,268 |
| Emergency and ambulatory care | **9,208,667** | **-** | **9,208,667** | 8,295,323 |
| Employee future benefits | **542,812** | **-** | **542,812** | 623,257 |
| Facility support | **9,126,411** | **-** | **9,126,411** | 8,339,908 |
| Finance | **916,519** | **-** | **916,519** | 814,686 |
| Food and nutrition | **4,006,219** | **-** | **4,006,219** | 3,808,940 |
| Health information | **2,397,611** | **-** | **2,397,611** | 1,947,870 |
| Human resources | **1,010,005** | **-** | **1,010,005** | 799,075 |
| Information technology | **1,939,251** | **-** | **1,939,251** | 1,781,836 |
| Inpatient care | **18,980,365** | **-** | **18,980,365** | 17,971,385 |
| Interest on long-term debt | **-** | **7,625** | **7,625** | 13,746 |
| Laboratory | **5,584,527** | **-** | **5,584,527** | 5,119,226 |
| Materials management | **2,465,058** | **-** | **2,465,058** | 1,834,517 |
| Mental health | **6,952,675** | **-** | **6,952,675** | 6,918,035 |
| Operating suite | **8,056,125** | **-** | **8,056,125** | 7,667,040 |
| Pharmacy | **1,085,871** | **-** | **1,085,871** | 807,207 |
| Public health | **1,867,446** | **-** | **1,867,446** | 1,647,511 |
| Quality and patient safety | **645,626** | **-** | **645,626** | 541,600 |
| Rehabilitation | **1,739,485** | **-** | **1,739,485** | 1,610,077 |
| Sundry | **1,579,744** | **6,393** | **1,586,137** | 790,973 |
| | **90,351,748** | **3,552,652** | **93,904,400** | 85,746,235 |
| (Deficiency) excess of revenues over expenses | **$ (8,333)** | **$ (33,820)** | **$ (42,153)** | $ 39,046 |

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
# OPERATING AS ANNAPOLIS VALLEY HEALTH
## Statement of Cash Flows
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | | | |
| Operating | | | | |
| (Deficiency) excess of revenues over expenditures | $ (8,333) | $ (33,820) | $ (42,153) | $ 39,046 |
| Adjusted for: | | | | |
| Amortization of property, plant and equipment | - | 3,538,634 | 3,538,634 | 3,260,263 |
| Amortization of deferred capital grants | - | (3,509,228) | (3,509,228) | (3,253,062) |
| Employee future benefits (Note 13) | 542,812 | - | 542,812 | 623,257 |
| Payment of employee future benefits (Note 13) | (408,987) | - | (408,987) | (321,478) |
| Changes in non-cash working capital items (Note 12) | 2,599,940 | (1,794,978) | 804,962 | (2,980,290) |
| | 2,725,432 | (1,799,392) | 926,040 | (2,632,264) |
| Financing | | | | |
| Proceeds from capital grants (Note 9) | - | 5,431,896 | 5,431,896 | 9,626,300 |
| Transferred to the Crosbie Memorial Trust Fund | - | - | - | (320,326) |
| Repayment of long-term receivable | | 96,297 | 96,297 | 48,597 |
| Repayment of long-term debt | - | (112,504) | (112,504) | (8,295) |
| | - | 5,415,689 | 5,415,689 | 9,346,276 |
| Investing | | | | |
| Investment in long-term assets | (184,594) | - | (184,594) | (255,219) |
| Acquisition of property, plant and equipment | - | (8,470,477) | (8,470,477) | (2,710,734) |
| | (184,594) | (8,470,477) | (8,655,071) | (2,965,953) |
| **NET CASH INFLOW (OUTFLOW)** | 2,540,838 | (4,854,180) | (2,313,342) | 3,748,059 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 6,617,207 | 5,509,722 | 12,126,929 | 8,378,870 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 9,158,045 | $ 655,542 | $ 9,813,587 | $ 12,126,929 |
| Supplemental cash flow information: | | | | |
| Interest received (paid) | $ 243 | $ 68 | $ 311 | $ 95,921 |

## 1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The Annapolis Valley District Health Authority's mission: "Working together to support and improve the health of individuals and communities in the Annapolis Valley".

The facilities owned and operated by the Annapolis Valley District Health Authority are Annapolis Community Health Centre, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, the Annapolis Valley District Health Authority leases space to operate certain programs at the Western Kings Memorial Health Centre and other locations throughout Annapolis and Kings Counties for the delivery of certain programs and services and supports five (5) Community Health Boards.

The Annapolis Valley District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

## 2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

*Fund accounting*

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Annapolis Valley District Health Authority's capital assets and special purpose endowment funds.

*Revenue recognition*

The Annapolis Valley District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

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

## 2. ACCOUNTING POLICIES (continued)

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

*Inventory*

Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

*Property, plant and equipment*

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates

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

*Deferred capital grants*

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

*Employee future benefits*

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

*Use of estimates*

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

## 3. ACCOUNTS RECEIVABLE

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Department of Health | | | | |
| - operating funding | **$ 5,295,662** | **$ -** | **$ 5,295,662** | $ 6,235,322 |
| - transition support program | **-** | **-** | **-** | 191,033 |
| - capital grants | **-** | **4,724,958** | **4,724,958** | 1,111,942 |
| Veterans Affairs Canada | **132,406** | **-** | **132,406** | 247,933 |
| Patient care | **1,120,475** | **-** | **1,120,475** | 918,960 |
| HST rebates | **326,539** | **236,809** | **563,348** | 339,597 |
| Psychiatric recoveries | **148,227** | **-** | **148,227** | 175,476 |
| Trade | **962,967** | **406,371** | **1,369,338** | 1,798,369 |
| | **$ 7,986,276** | **$ 5,368,138** | **$ 13,354,414** | $ 11,018,632 |

## 4. LONG-TERM ASSETS

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Payroll advances | **$ 311,439** | **$ -** | **$ 311,439** | $ 327,837 |
| Employee future benefits | **5,971,178** | **-** | **5,971,178** | 5,770,186 |
| Fidelis House Society | **-** | **34,272** | **34,272** | 130,569 |
| | **$ 6,282,617** | **$ 34,272** | **$ 6,316,889** | $ 6,228,592 |

## 5. PROPERTY, PLANT AND EQUIPMENT

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Land and land improvements | **$ 699,514** | **$ 320,425** | **$ 379,089** | $ 394,475 |
| Building and building service equipment | **68,554,495** | **25,440,301** | **43,114,194** | 39,898,309 |
| Equipment | **41,336,618** | **34,334,880** | **7,001,738** | 5,270,394 |
| | **$ 110,590,627** | **$ 60,095,606** | **$ 50,495,021** | $ 45,563,178 |

## 6. CREDIT FACILITIES

The Annapolis Valley District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $5.6 million. As of March 31, 2006, interest charges on any overdraft accounts are prime less .75%. There was no amount on the operating line as at March 31, 2006.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Trade payables | **$ 1,465,940** | **$ 113,722** | **$ 1,579,662** | $ 870,827 |
| Accrued liabilities | **1,019,509** | **1,761,644** | **2,781,153** | 2,093,870 |
| Vacation pay | **4,571,895** | **-** | **4,571,895** | 4,391,033 |
| Salary and benefits | **4,980,430** | **-** | **4,980,430** | 4,866,098 |
| Miller building removal | **-** | **-** | **-** | 50,308 |
| Other | **322,319** | **-** | **322,319** | 358,359 |
| | **$ 12,360,093** | **$ 1,875,366** | **$ 14,235,459** | $ 12,630,495 |

## 8. LONG-TERM DEBT

| | **2006** | 2005 |
|---|---|---|
| Nova Scotia Housing Development Corporation | | |
| Interest at 7.13%, maturing December 1, 2028 | **$ 79,621** | $ 192,125 |
| Current portion | **(16,174)** | (61,169) |
| | **$ 63,447** | $ 130,956 |

Estimated minimum principal repayments over the next five years are expected to be as follows:

| | |
|---|---|
| 2007 | $ 16,174 |
| 2008 | 17,348 |
| 2009 | 18,606 |
| 2010 | 19,957 |
| 2011 | 7,536 |
| | $ 79,621 |

### 9. DEFERRED CAPITAL GRANTS

| | **2006** | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 52,151,339** | $ 45,778,101 |
| Grants received for: | | |
| Capital assets purchased | **4,604,153** | 2,399,304 |
| Future capital asset purchases | **827,743** | 7,226,996 |
| | **57,583,235** | 55,404,401 |
| Amortization of deferred capital grants | **(3,509,228)** | (3,253,062) |
| Balance, end of year | **$ 54,074,007** | $ 52,151,339 |

### 10. COMMITMENTS

*Leases and purchase commitments*

The Annapolis Valley District Health Authority has committed funds from operations for the purchase of lab and medical supplies, occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next five years are expected to be as follows:

| | |
|---|---|
| 2007 | $ 1,413,542 |
| 2008 | 1,216,769 |
| 2009 | 783,800 |
| 2010 | 597,734 |
| 2011 | 7,894 |
| | $ 4,019,739 |

### 11. PENSION PLAN

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2003, which showed an unfunded liability for the entire plan of $nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2004. At that time, there was an unfunded liability. Annapolis Valley District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2006 was $3,112,375 (2005 - $2,848,156).

## 12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Accounts receivable | **$ 622,835** | **$ (2,958,617)** | **$ (2,335,782)** | $ (3,350,514) |
| Inventory | **63,268** | **-** | **63,268** | (134,045) |
| Prepaid expenses | **2,088** | **6,393** | **8,481** | (81,859) |
| Accounts payable and accrued liabilities | **447,718** | **1,157,246** | **1,604,964** | (201,608) |
| Revenue receive in advance | **1,464,031** | **-** | **1,464,031** | 787,736 |
| | **$ 2,599,940** | **$ (1,794,978)** | **$ 804,962** | $ (2,980,290) |

## 13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using “the projected benefit method pro-rated on service”.

The measurement date for the accrued benefit obligation, as calculated in the District’s last actuarial valuation for post retirement benefits was performed in December, 2003.

## 13. EMPLOYEE FUTURE BENEFITS (continued)

| | | **2006** | | 2005 |
|---|---|---|---|---|
| Accrued benefit liability | | | | |
| Accrued benefit obligation | **$** | **5,207,933** | $ | 4,978,421 |
| Add unamortized actuarial experience gain | | **556,359** | | 652,046 |
| Accrued benefit liability on the statement of financial position | **$** | **5,764,292** | $ | 5,630,467 |
| Net benefit costs recognized | | | | |
| Current service costs | **$** | **282,922** | $ | 377,200 |
| Interest cost | | **309,300** | | 292,200 |
| Current year amortized actuarial gain | | **(49,410)** | | (46,143) |
| Employee future benefit expense on the statement of operations | **$** | **542,812** | $ | 623,257 |
| Payment of employee future benefits on the statement of cash flows | **$** | **(408,987)** | $ | (321,478) |

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2006 was 5.95% (2005 – 6.05%).

## 14. FINANCIAL INSTRUMENTS

*Fair value*

The reported values of financial instruments which consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

*Credit risk*

The Annapolis Valley District Health Authority performs an evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2006.

## 15. COMPARATIVE FIGURES

Certain of the 2005 comparative balances have been reclassified to conform with the presentation adopted for the current year.

# Annapolis Valley Regional School Board Financial Statements March 31, 2006

## Contents

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158 Commercial Street
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**Morse and Brewster**

Chartered Accountants

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## Auditor's Report

**To the Chairman and Members of the**

**Annapolis Valley Regional School Board**

We have audited the statements of financial position, of **Annapolis Valley Regional School Board** as at March 31, 2006, and the statements of operations and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Board is now required to report school based funds in its financial activities. The schools derive revenues from such sources as fund raising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, we were not able to determine whether any adjustments might be necessary to school generated funds, excess of revenues over expenses or net (debt) surplus.

In our opinion, except for any adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school based funds referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations, changes in net direct debt and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Morse and Brewster

Berwick, Nova Scotia
June 7, 2006

Chartered Accountants

Annapolis Valley Regional School Board
Statement of Financial Position
As at March 31, 2006

| | 2006 | | 2005 | |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | | | | |
| Cash | $ | 2,857,641 | $ | 1,764,233 |
| School Based Funds (Note 2) | | 1,960,272 | | 1,744,361 |
| **Total Cash and Cash Equivalents** | $ | 4,817,913 | **$** | **3,508,594** |
| Accounts Receivable | | | | |
| Province of Nova Scotia | $ | 11,114,400 | $ | 9,520,352 |
| Government of Canada | | 673,986 | | 513,278 |
| Municipalities | | 12,034 | | - |
| Other | | 1,111,730 | | 1,391,883 |
| Due from Trust Funds | | 221,154 | | 201,764 |
| **Total Financial Assets** | $ | 17,951,217 | **$** | **15,135,871** |
| **Capital Assets** | | | | |
| New Book Value of Capital Assets (Note 1) | | 55,530,696 | | 55,910,424 |
| **Total Financial and Capital Assets** | **$** | **73,481,913** | **$** | **71,046,295** |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ | 1,723,469 | $ | 1,885,037 |
| Payables and Accruals - Government | | | | |
| Province of Nova Scotia | | 224,978 | | 30,126 |
| Government of Canada | | 1,918 | | 2,301 |
| Municipalities | | 20,453 | | 30,206 |
| Other | | 4,725,849 | | 1,858,026 |
| Current portion of Long-term Debt | | 355,297 | | 610,690 |
| Deferred Revenues | | 933,599 | | 546,640 |
| Due to Trusts | | 10,988 | | 16,012 |
| Employee pension, retirement & post employment benefits (Note 1) | | 7,505,000 | | 7,505,000 |
| **Total Liabilities** | **$** | **15,501,551** | **$** | **12,484,038** |
| Equity - Capital | | 56,441,693 | | 55,910,424 |
| **Total Liabilities and Capital Equity** | **$** | **71,943,244** | **$** | **68,394,462** |
| **Net (debt)/surplus** | **$** | **1,538,669** | **$** | **2,651,833** |
| **Non-Financial assets** | | | | |
| Prepaid expenses | | 211,621 | | 3,526 |
| Previous year's surplus 2005 | | 910,998 | | |
| Tangible capital assets (Schedule E) | | 138,197 | | - |
| **Accumulated surplus/(deficit) end of year** | **$** | **2,799,485** | **$** | **2,655,359** |
| **Committed Surplus** | | | | |
| School Budget Carry-over | $ | 363,409 | $ | 362,266 |
| Major Maintenance Projects | | | | 340,502 |
| School Based Funds | | 1,960,272 | | 1,744,361 |
| **Total Committed Surplus** | **$** | **2,323,681** | **$** | **2,447,129** |
| **Uncommitted Surplus** | **$** | **475,804** | **$** | **208,230** |

Trust Funds Under Administration (Note 3)
Commitments (Note 4)

On Behalf of the Board

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Statement of Operations
For the Year Ended March 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenue (Schedule A)** | | | |
| Province of Nova Scotia | $ 85,758,891 | $ 88,037,818 | $ 84,220,123 |
| Government of Canada | 1,109,337 | 1,107,996 | 1,472,078 |
| Municipal Contributions | 15,967,264 | 15,967,265 | 15,431,780 |
| School Generated Funds(Note 2) | | 1,960,272 | 1,744,361 |
| Other Revenues | 3,684,634 | 3,242,086 | 4,499,963 |
| **Total Revenues** | $ 106,520,126 | $ 110,315,437 | $ 107,368,305 |
| **Expenses (Schedule B)** | | | |
| Total Board Governance | $ 336,561 | $ 349,163 | $ 317,639 |
| Total Regional Management | 2,853,217 | 2,922,772 | 3,252,089 |
| Total School Management | 11,536,812 | 11,046,448 | 9,429,339 |
| Total Instruction | 56,188,515 | 58,426,472 | 57,701,466 |
| Total Student Support | 14,251,852 | 14,166,824 | 13,151,754 |
| Total Adult Education | 965,074 | 1,016,447 | 1,081,628 |
| Total Property Services | 10,344,557 | 10,208,588 | 9,730,614 |
| Total Student Transportation | 7,272,112 | 7,311,876 | 7,019,301 |
| Other Programs | 2,746,426 | 2,714,469 | 2,775,416 |
| Interest Expense | - | 253,100 | 253,700 |
| Amortization Expense | 25,000 | 10,791 | |
| **Total Expenses** | $ 106,520,126 | $ 108,426,950 | $ 104,712,946 |
| Annual Surplus/(deficit) before unusual items | | 1,888,487 | 2,655,359 |
| **School Board surplus/(deficit) on an expense basis** | | $ 1,888,487 | $ 2,655,359 |
| **Accumulated surplus/(deficit) beginning of year:** | | | |
| Previously Reported | | 910,998 | 991,695 |
| Transfers to Trust | | - | 13,846 |
| Transfers to Operating | | - | 977,849 |
| | | 910,998 | - |
| **Accumulated surplus/(deficit) end of year** | | $ 2,799,485 | $ 2,655,359 |
| **Committed Surplus** | | | |
| School Budget Carry-over | | $ 363,409 | $ 362,266 |
| Major Maintenance Projects | | | 340,502 |
| School Based Funds | | 1,960,272 | 1,744,361 |
| **Uncommitted Surplus** | | $ 475,804 | $ 208,230 |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Statement of Change in Net (Debt)/Surplus
For the Year Ended March 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Net (debt)/surplus beginning of year | $ 2,651,833 | $ 997,285 |
| Changes in the Year | | |
| Surplus, on an Expense Basis | 1,888,487 | 2,655,359 |
| Acquisition of tangible capital assets | (148,988) | |
| Amortization of tangible capital asset | 10,791 | |
| Increase (decrease) in prepaid expenses | (208,095) | 25,931 |
| Previous year's surplus 2005 | (910,998) | (991,695) |
| Previous yrs. restricted cash included in current year surplus | (1,744,361) | (35,047) |
| Net (debt)/surplus end of year | $ 1,538,669 | $ 2,651,833 |

The accompanying notea are an integral part of these financial statements.

Annapolis Valley Regional School Board
Statement of Cash Flow
For the Year Ended March 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Operating Transactions** | | |
| Annual surplus | $ 2,799,485 | $ 2,655,359 |
| Change in prepaid expenses | (208,095) | 25,931 |
| Change in deferred revenue | 386,959 | (558,629) |
| Change in accounts receivable | (1,506,027) | 2,465,013 |
| Change in accounts payable | 2,885,946 | 49,699 |
| Change in long-term debt | (255,393) | (146,947) |
| Transfers | - | (991,695) |
| Previous yrs. restricted cash included in current year surplus | (1,744,361) | (35,047) |
| **Cash Provided by Operating Transactions** | **2,358,514** | **3,463,684** |
| Acquistion of Tangible Capital Assets | (138,197) | |
| **Increase(decrease) in cash and cash equivalents** | **2,220,317** | **3,463,684** |
| Previous Year's Surplus 2005 | (910,998) | |
| **Cash and cash equivalents at beginning of year** | 3,508,594 | 44,910 |
| **Cash and cash equivalents at end of year** | **$ 4,817,913** | **$ 3,508,594** |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule A - Supplementary Details of Revenues
For the Year Ended March 31, 2006

| | 2006 Budget | | 2006 Actual | | 2005 Actual | |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| **Province of Nova Scotia:** | | | | | | |
| Operating | -$ | 76,204,800 | -$ | 75,580,442 | -$ | 72,724,457 |
| Restricted | - | 6,826,639 | - | 7,996,110 | - | 7,061,813 |
| Capital | - | 227,000 | - | 227,000 | - | 454,260 |
| Other | - | 1,464,097 | - | 1,926,767 | - | 864,044 |
| Recoveries | - | 1,036,355 | - | 554,890 | - | 448,976 |
| Teachers Salary Accrual | | - | - | 1,752,609 | - | 2,647,499 |
| Property | | - | | - | - | 19,074 |
| **Total Province of Nova Scotia** | **-$** | **85,758,891** | **-$** | **88,037,818** | **-$** | **84,220,123** |
| **Government of Canada** | | | | | | |
| IA Northern Development | -$ | 350,000 | -$ | 305,905 | -$ | 368,844 |
| HRSDC | - | 372,773 | - | 530,406 | - | 831,394 |
| Secretary of State | - | 386,564 | - | 271,685 | - | 258,235 |
| Other | | - | | - | - | 13,605 |
| **Total Government of Canada** | **-$** | **1,109,337** | **-$** | **1,107,996** | **-$** | **1,472,078** |
| **Municipal contributions;** | | | | | | |
| Mandatory | -$ | 15,967,264 | -$ | 15,967,265 | -$ | 15,431,780 |
| **Total Municipal Contributions** | **-$** | **15,967,264** | **-$** | **15,967,265** | **-$** | **15,431,780** |
| **School Generated Funds** | | | | | | |
| School Generated (Note 2) | $ | - | -$ | 1,960,272 | - | 1,744,361 |
| **Total School Generated** | $ | - | **-$** | **1,960,272** | **-** | **1,744,361** |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule A - Supplementary Details of Revenues
For the Year Ended March 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Other Revenues:** | | | |
| Board Generated - Other | -$ 1,859,647 | -$ 1,726,429 | -$ 1,709,768 |
| Other Revenue - Schools | - | - 410,111 | - 704,889 |
| Tuition - Students | - 100,800 | - 365,175 | - 373,197 |
| Registration | - 683,190 | - 495,194 | - 508,538 |
| Rentals | - 10,000 | - 27,532 | - 34,621 |
| Interest/Investments | - 120,000 | - 154,215 | - 105,603 |
| Recoveries - Non-governmental | - | - 61,835 | - 84,859 |
| Sale of Assets | - | - 1,595 | - 970 |
| Transfer from Unrestricted | - 910,997 | - | - 380,580 |
| Transfer from Reserves | - | - | - 596,938 |
| **Total Other Revenues** | **-$ 3,684,634** | **-$ 3,242,086** | **-$ 4,499,963** |
| **Total Revenues** | **-$ 106,520,126** | **-$ 110,315,437** | **-$ 107,368,305** |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School
Schedule B - Supplementary Details of Expenses
For the Year Ended March 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Expenses:** | | | |
| **Board Governance:** | | | |
| Board Members | $ 223,615 | $ 237,058 | $ 200,752 |
| Board Secretary | 36,586 | 35,745 | 41,387 |
| NSSBA & Other | 76,360 | 76,360 | 75,500 |
| **Total Board Governance** | **$ 336,561** | **$ 349,163** | **$ 317,639** |
| **Regional Management:** | | | |
| Management Services | $ 1,439,791 | $ 1,633,748 | $ 1,849,571 |
| Financial Services | 380,234 | 373,334 | 348,551 |
| Human Resources Services | 892,713 | 797,980 | 923,177 |
| Communication Services | 55,935 | 34,001 | 42,230 |
| ITS - Regional | 84,544 | 83,709 | 88,560 |
| **Total Regional Management** | **$ 2,853,217** | **$ 2,922,772** | **$ 3,252,089** |
| **School Management & Support:** | | | |
| School Management | $ 6,473,777 | $ 6,421,475 | $ 5,910,684 |
| Program & Curriculum Support | 3,746,736 | 3,335,032 | 2,237,899 |
| ITS - Site Specific | 1,316,299 | 1,289,941 | 1,280,756 |
| **Total School Management** | **$ 11,536,812** | **$ 11,046,448** | **$ 9,429,339** |
| **Instructional & School Services:** | | | |
| Instruction | $ 54,102,397 | $ 56,400,811 | $ 55,698,433 |
| Guidance Services | 1,016,156 | 1,016,156 | 991,772 |
| Library Services | 1,069,962 | 1,009,505 | 1,011,261 |
| **Total Instruction** | **$ 56,188,515** | **$ 58,426,472** | **$ 57,701,466** |
| **Student Support:** | | | |
| Program Management | $ 103,365 | $ 98,460 | $ 95,384 |
| Instruction | 12,514,825 | 12,482,814 | 11,857,955 |
| Program & Curriculum Support | 1,633,662 | 1,585,550 | 1,198,415 |
| **Total Student Support** | **$ 14,251,852** | **$ 14,166,824** | **$ 13,151,754** |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School
Schedule B - Supplementary Details of Expenses
For the Year Ended March 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Adult & Community Education:** | | | |
| Program Management | $ 196,091 | $ 194,966 | $ 189,013 |
| Instruction | 768,983 | 820,852 | 857,166 |
| Program & Curriculum Support | - | 629 | 35,449 |
| **Total Adult Education** | **$ 965,074** | **$ 1,016,447** | **$ 1,081,628** |
| **Property Services:** | | | |
| Management Services | $ 590,935 | $ 594,055 | $ 605,187 |
| Custodial Services | 3,177,247 | 3,250,040 | 3,137,807 |
| Maintenance Services | 6,241,375 | 5,965,564 | 5,637,059 |
| Grounds Services | 335,000 | 398,929 | 350,561 |
| **Total Property Services** | **$ 10,344,557** | **$ 10,208,588** | **$ 9,730,614** |
| **Student Transportation:** | | | |
| Management Services | $ 285,170 | $ 309,716 | $ 332,567 |
| Transportation (Board) | 2,210,659 | 2,216,249 | 2,115,078 |
| Maintenance (Board) | 812,229 | 751,947 | 770,911 |
| Transportation (Contract) | 3,964,054 | 4,032,472 | 3,800,745 |
| Site Maintenance | - | 1,492 | - |
| **Total Student Transportation** | **$ 7,272,112** | **$ 7,311,876** | **$ 7,019,301** |
| Other Programs | $ 2,746,426 | $ 2,714,469 | $ 2,775,416 |
| Interest Expense | - | 253,100 | 253,700 |
| Amortization Expense | 25,000 | 10,791 | - |
| **Total Expenses** | **$ 2,771,426** | **$ 2,978,360** | **$ 3,029,116** |
| **Total** | **$ 106,520,126** | **$ 108,426,950** | **$ 104,712,946** |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2006

**Trusts**

| | March 31, 2005 | Additions | Interest | Disbursements | March 31, 2006 |
|---|---|---|---|---|---|
| ARRA Library Trust | $ 5,502 | $ 1,054 | $ 173 | | $ 6,729 |
| Atkinson Trust | 829 | | 13 | 500 | 342 |
| Raymond Banks Memorial | 10,191 | | 286 | 172 | 10,305 |
| Barteau Trust | 3,224 | | 84 | 500 | 2,808 |
| Bateman Trust | 3,455 | 100 | 100 | 46 | 3,609 |
| Beals Trust | 395,971 | | 11,176 | 4,400 | 402,747 |
| Beattie Trust | 10,670 | | 302 | 179 | 10,793 |
| Blackburn Trust | 12 | 350 | 8 | 350 | 20 |
| Borden Trust | 3,390 | | 96 | | 3,486 |
| Brannon Trust | 799 | | 22 | 50 | 771 |
| Carter Trust | 5,847 | | 155 | 500 | 5,502 |
| Clarke | 6,500 | | 185 | | 6,685 |
| Coldwell Trust | 5,061 | | 143 | 94 | 5,110 |
| Cummings Trust | 13,448 | 322 | 381 | 499 | 13,652 |
| Dakin Trust | 7,201 | | 198 | 300 | 7,099 |
| Dalton Trust | 15,414 | | 433 | 261 | 15,586 |
| DeEll Trust | 53,565 | | 1,511 | 505 | 54,571 |
| Evans Trust | 644 | 280 | 24 | 151 | 797 |
| Grassroots | 28 | | 0 | 28 | 0 |
| Harvey | 4,067 | | 113 | 99 | 4,081 |
| Haskell Trust | 24,866 | | 706 | | 25,572 |
| Hibbard Trust | 10,544 | | 296 | 168 | 10,672 |
| Horton Alumni | 2,123 | | 55 | 250 | 1,928 |
| Hudgins Trust | 409 | | 11 | 10 | 410 |
| Inglis Trust | 20,995 | | 589 | 396 | 21,188 |
| Jones - BRES | 5,531 | | 157 | | 5,688 |
| Jones - BRHS | 13,795 | | 392 | | 14,187 |
| Johnson Trust | 11,136 | 311 | 317 | 500 | 11,264 |
| KCDSB Trust (Warner) | 5,554 | | 158 | | 5,712 |
| Lightfoot Trust | 236 | 455 | 8 | 200 | 499 |
| Lockhart Trust | 167 | | 1 | 149 | 19 |
| Lyons Trust | 4,639 | | 130 | 100 | 4,669 |
| Margeson | 6 | | 0 | 6 | 0 |
| MacFarlane | 8,811 | | 246 | 233 | 8,824 |
| MacNutt Trust | 36,773 | 750 | 1,030 | 1,500 | 37,053 |
| Mitchell Trust | 1,407 | | 40 | 10 | 1,437 |
| MRHS 40th Ann. Trust | 16,226 | | 455 | 300 | 16,381 |
| Neily Trust | 441 | | 12 | 8 | 445 |
| Nixon Trust | 6,357 | 250 | 183 | 250 | 6,540 |
| Candice Parker Trust | 5,338 | | 141 | 500 | 4,979 |
| Harry E. Parker Trust | 5,004 | 250 | 144 | 201 | 5,197 |
| Rena B. Parker Trust | 36,748 | | 1,031 | 689 | 37,090 |
| Frank Pecora Mem Bursary | | 2,222 | 28 | | 2,250 |
| Quartermain Trust | 749 | | 22 | | 771 |
| Rainforth Trust | 484 | | 13 | | 497 |
| Leah Rhoddy Trust | 5,148 | | 145 | | 5,293 |
| Sasa Kovac Trust | 3,389 | 50 | 87 | 500 | 3,026 |
| Sinnott Trust | 10,616 | | 301 | | 10,917 |
| Earle Spicer Trust | 21,939 | | 613 | 488 | 22,064 |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2006

| | March 31, 2005 | Additions | Interest | Disbursements | March 31, 2006 |
|---|---|---|---|---|---|
| Bill Wade Memorial | | 4,500 | 15 | | 4,515 |
| Worthylake Trust | 16,875 | | 455 | 1,500 | 15,830 |
| Champlain Refresh | 22,441 | 33,900 | 1,217 | 18,275 | 39,283 |
| Horton Refresh | 10,585 | 300,000 | 3,217 | 289,766 | 24,036 |
| Northeast Kings Refresh | 42,775 | 105,114 | 2,323 | 102,133 | 48,079 |
| Pine Ridge Refresh | 110,258 | 68,107 | 4,148 | 45,724 | 136,789 |
| Champlain Capital Fund | 4,813 | 1,595 | 129 | 1,899 | 4,638 |
| Northeast Kings Capital Fund | (7,873) | 4,946 | (35) | 1,057 | (4,019) |
| Pine Ridge Capital Fund | 7,856 | 3,205 | 233 | 1,168 | 10,126 |
| Horton Capital Fund | 23,319 | 23,892 | 862 | 3,413 | 44,660 |
| Avon View Technology Ed | 2,230 | 222 | | 2,452 | - |
| Central Kings Technology Ed | 12,675 | | | 130 | 12,545 |
| West Kings Technology Ed | 5,052 | | | 10,309 | (5,257) |
| **Total Trusts** | $ 1,056,255 | $ 551,875 | $ 35,278 | $ 492,918 | $ 1,150,490 |
| **Foundation Total** | 180,486 | 74,166 | 5,414 | 80,850 | 179,216 |
| **Total Trusts & Foundation** | **$ 1,236,741** | **$ 626,041** | **$ 40,692** | **$ 573,768** | **$ 1,329,706** |

**School Generated Funds**

| | March 31, 2005 | Additions | Interest | Disbursements | March 31, 2006 |
|---|---|---|---|---|---|
| Aldershot | $ 30,192 | $ 83,695 | $ 258 | $ 88,745 | $ 25,400 |
| Annapolis East | 89,327 | 83,860 | 11,217 | 121,741 | 62,663 |
| ARRA Special | 26,389 | 55,371 | 183 | 43,107 | 38,836 |
| AWEC Office | 21,811 | 80,018 | - | 73,270 | 28,559 |
| Avon View | 41,437 | 214,749 | - | 172,567 | 83,619 |
| Berwick | 30,624 | 108,262 | - | 110,006 | 28,880 |
| BRES | 9,074 | 16,486 | - | 10,506 | 15,054 |
| BRHS | 61,656 | 107,029 | 241 | 94,801 | 74,125 |
| Brooklyn | 14,296 | 44,195 | - | 33,107 | 25,384 |
| Cambridge | 13,823 | 36,510 | - | 39,078 | 11,255 |
| Central Kings | 90,595 | 186,439 | 507 | 197,833 | 79,708 |
| Champlain | 15,264 | 41,146 | 23 | 47,700 | 8,733 |
| Clark Rutherford | 15,234 | 39,261 | - | 44,409 | 10,086 |
| Coldbrook | 58,540 | 130,866 | - | 131,628 | 57,778 |
| Dr Arthur Hines | 10,672 | 44,838 | 515 | 34,738 | 21,287 |
| Dwight Ross | 18,448 | 55,764 | 195 | 53,266 | 21,141 |
| EMS | 32,181 | 112,026 | - | 87,407 | 56,800 |
| Falmouth | 20,109 | 38,164 | - | 40,772 | 17,501 |
| Gaspereau | 14,984 | 64,337 | - | 47,886 | 31,435 |
| Glooscap | 32,821 | 90,824 | - | 96,957 | 26,688 |
| Hantsport | 8,364 | 47,125 | - | 49,179 | 6,310 |
| Highbury Education | - | 12,595 | 1 | 4,950 | 7,646 |
| Horton | 205,825 | 308,457 | 2,599 | 317,848 | 199,033 |
| KCA | 32,349 | 109,034 | - | 115,985 | 25,398 |
| Kingston Dist | 28,951 | 76,037 | - | 76,924 | 28,064 |
| LE Shaw | 13,703 | 26,565 | - | 24,332 | 15,936 |
| Lawrencetown | 17,515 | 40,184 | - | 34,263 | 23,436 |
| Lawrencetown Ed. Ctr. | - | 1,185 | - | 295 | 890 |

The accompanying notes are an integral part of these financial statements.

| | | | | | |
|---|---|---|---|---|---|
| MRHS | 45,817 | 304,998 | 1,884 | 217,462 | 135,237 |
| New Minas | 15,467 | 44,072 | - | 42,314 | 17,225 |
| Newport Stn | 7,048 | 32,128 | - | 27,513 | 11,663 |
| Northeast Kings | 103,854 | 282,034 | - | 225,394 | 160,494 |

Annapolis Valley Regional School Board
Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2006

| | March 31, 2005 | Additions | Interest | Disbursements | March 31, 2006 |
|---|---|---|---|---|---|
| Pine Ridge | 60,795 | 95,973 | - | 95,775 | 60,993 |
| Port Williams | 18,717 | 58,799 | 15 | 69,903 | 7,628 |
| Somerset | 17,800 | 66,939 | 46 | 68,531 | 16,254 |
| St Mary's | 28,785 | 70,015 | 196 | 66,032 | 32,964 |
| Three Mile Plns | 30,342 | 15,581 | - | 14,842 | 31,081 |
| West Hants | 53,774 | 119,797 | 841 | 124,892 | 49,520 |
| West Kings | 68,332 | 115,363 | - | 128,682 | 55,013 |
| Windsor El | 23,181 | 68,784 | 861 | 69,350 | 23,476 |
| Windsor Forks | 18,308 | 49,711 | - | 48,621 | 19,398 |
| Wolfville School | 42,940 | 113,685 | - | 101,900 | 54,725 |
| **Total School Generated Funds** | $ 1,489,344 | **$ 3,692,901** | **$ 19,582** | **$ 3,494,511** | **$ 1,707,316** |

**Cafeterias**

| | March 31, 2005 | Additions | Interest | Disbursements | March 31, 2006 |
|---|---|---|---|---|---|
| Annapolis East | $ 5,361 | $ 97,170 | $ 32 | $ 101,237 | $ 1,326 |
| Annapolis West/Annapolis Royal | 8,886 | 100,738 | 41 | 109,507 | 158 |
| Berwick | 53,295 | 57,918 | 482 | 49,038 | 62,657 |
| Brigetown Reg. Elem.Sch. | 1,586 | 29,268 | 13 | 28,685 | 2,182 |
| Brigetown Reg. High Sch. | 25,566 | 79,109 | 148 | 82,106 | 22,717 |
| Brooklyn | 4,585 | 48,017 | - | 52,147 | 455 |
| Central Kings | 21,263 | 221,450 | 386 | 180,766 | 62,333 |
| Coldbrook | 68,245 | 123,484 | 648 | 122,105 | 70,272 |
| Evangeline Middle Sch. | 4,425 | 77,343 | 1 | 72,627 | 9,142 |
| Falmouth | 5,748 | 26,000 | - | 29,579 | 2,169 |
| Kingston | 36,942 | 76,738 | 175 | 88,627 | 25,228 |
| Lawrencetown | 1,901 | 22,137 | 10 | 23,781 | 267 |
| Middleton Reg. High | 3,446 | 111,633 | 24 | 114,181 | 922 |
| Three Mile Plains | 711 | 21,795 | 7 | 21,790 | 723 |
| West Hants Middle Sch. | 13,057 | 143,669 | 265 | 164,586 | (7,595) |
| **Total Cafeterias** | **$ 255,017** | **$ 1,236,469** | **$ 2,232** | **$ 1,240,762** | **$ 252,956** |
| | | | | | |
| **Total School Based Funds** | **$ 1,744,361** | **$ 4,929,370** | **$ 21,814** | **$ 4,735,273** | **$ 1,960,272** |

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule E - Supplementary Details of Tangible Capital Assets
As at March 31, 2006

**Costs of Tangible Asset(s)**

| | Vehicles | 2006 | 2005 |
|---|---|---|---|
| **Opening Costs** | | | |
| Additions | 148,988 | 148,988 | - |
| Disposals | | | |
| **Closing Costs** | $ 148,988 | $ 148,988 | - |

**Accumlated Amortization(s)**

| | Vehicles | 2006 | 2005 |
|---|---|---|---|
| **Opening Balance** | | | |
| Disposals | | | |
| Amortization Expense | 10,791 | 10,791 | - |
| **Closing Balance** | $ 10,791 | $ 10,791 | - |
| | | | |
| Note Book Value (NBV) | $ 138,197 | $ 138,197 | - |
| | | | |
| Opening Balance, April 1, 2005 | - | | |
| Closing Balance, March 31, 2006 | $ 138,197 | $ 138,197 | - |

The accompanying notes are an integral part of these financial statements.

## 1. Summary of significant accounting policies

These financial statements have been prepared to confirm in all material respects to the accounting principles prescribed by the Public Sector Accounting and Auditing Handbook for Federal, Provincial and Territorial Governments, of the Public Sector Accounting Board.

These financial statements have been prepared using the following significant accounting policies:

**Revenues**
Revenues are recorded on an accrual basis. The main components of revenue are funding from the Province of NS, Government of Canada and Municipal Contributions.

**Expenses**
Expenses are recorded on the accrual basis. Provisions are made for probable losses on accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonable determined.

**Liabilities**
The Board contributes to Registered Retirement Savings Plans and Registered Pension Plans on behalf of the non-teaching employees. The Boards teachers are covered by a pension plan established by the Province pursuant to the Teacher's Pension Act.

During the 2000-2001 fiscal year the Province of Nova Scotia assumed full responsibility for accumulated liability associated with employee retirement allowances. School boards are responsible only for the current service cost of this benefit.

**Net Debt**
Net Debt represents the direct liabilities of the Board less financial assets.

**Non Financial Assets**
With the move to Tangible Capital Asset accounting for capital assets the Board has made a one time adjustment to the values of existing capital assets recorded in the accounts of the Board.

Only school property to which the Board holds legal title is recorded at the cost provided when it was received at amalgamation and will be removed as it is disposed of.

All major capital renovations or additions carried out on buildings either owned or not owned by the board have been paid for by the Province and do not represent an asset of the Board and have therefore been removed from the balance sheet.

Past capital equipment acquisitions have not been depreciated and would not meet current Tangible Capital Asset guidelines and have been removed from the balance sheet.

School buses are now acquired by the Province and other vehicles under Tangible Capital Asset accounting. Previously acquired vehicles are not depreciated but are held at cost until disposed of.

All capital acquisitions are now recorded using Tangible Capital Asset accounting.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the goods or service is used or consumed.

**Accumulated Deficit/Surplus**
Accumulated Deficit/Surplus represents the liabilities of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

**Financial statement presentation**

The financial statements of the Board have been prepared in accordance with the School Board Financial Handbook as issued by the Minister of Education March 31, 2005 pursuant to Article 62 of the Ministerial Education Act Regulations of the Province of Nova Scotia.

## 2. School Based Funds

The Board is required to include in its financial statements the financial activities of its school sites. To meet this requirement, the Board has instituted a new school based funds policy to promote appropriate internal controls, provided each site with a standard computer based accounting system and established common reporting standards for school based funds. The following is a summary of these financial activities, a site by site listing is provided in Schedule D.

| | March 31 2005 | Additions | Interest | Disbursements | March 31 2006 |
|---|---|---|---|---|---|
| Student Council Funds | $ 71,084 | $ 591,182 | $ 294 | $ 413,913 | $ 248,647 |
| Cafeteria Funds | 255,017 | 1,236,469 | 2,232 | 1,240,762 | 252,956 |
| Other Funds | 1,418,260 | 3,101,719 | 19,288 | 3,080,598 | l,458,669 |
| Subtotal | $1,744,361 | $4,929,370 | $21,814 | $4,735,273 | $1,960,272 |

## 3. Trust funds

The Annapolis Valley Regional School Board manages a number of trust funds primarily for the generation of scholarships and awards. A summary of the trusts and their activity is found in Schedule D of these financial statements. Effective April 1, 1997, the Board incorporated the activities of the former Kings County District School Board Foundation. These are now carried as a separate Trust Account.

## 4. Commitments

Facility Rental

The Annapolis Valley Regional School Board currently leases 21,408 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007. Rental charges for 2006/2007 will be $198,567.

Financial Statements

# ART GALLERY OF NOVA SCOTIA

March 31, 2006

# ART GALLERY OF NOVA SCOTIA

## INDEX TO FINANCIAL STATEMENTS

## MARCH 31, 2006

# AUDITORS' REPORT

To the Governors and Members of the
**Art Gallery of Nova Scotia**

We have audited the financial statements of the **Art Gallery of Nova Scotia** consisting of the following:

| | | |
|---|---|---|
| Art Gallery of Nova Scotia | - | Combined Balance Sheet as at March 31, 2006 |
| Gallery Fund | - | Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2006 |
| Endowment Fund | - | Balance Sheet as at March 31, 2006 |
| | - | Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2006 |
| Acquisition Fund | - | Balance Sheet as at March 31, 2006 |
| | - | Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2006 |

These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Halifax, Canada
April 28, 2006

Chartered Accountants

**Art Gallery of Nova Scotia**

# COMBINED BALANCE SHEET

As at March 31

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash *[note 4]* | **55,237** | 84,080 |
| Accounts receivable | **259,419** | 210,808 |
| Inventory | **167,052** | 145,387 |
| Prepaids | **60,919** | 20,697 |
| | **542,627** | 460,972 |
| Investments *[note 5]* | **1,815,144** | 2,010,572 |
| | **2,357,771** | 2,471,544 |
| **LIABILITIES AND SURPLUS** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **385,612** | 342,270 |
| Deferred revenue | **109,882** | 56,566 |
| | **495,494** | 398,836 |
| **Surplus** | | |
| Surplus – Gallery Fund | **61,501** | 134,076 |
| Surplus - Endowment Fund *[note 4]* | **1,907,012** | 1,960,328 |
| Deficit - Acquisition Fund | **(106,236)** | (21,696) |
| | **1,862,277** | 2,072,708 |
| | **2,357,771** | 2,471,544 |

*See accompanying notes*

On behalf of the Board:

Governor Governor

**Art Gallery of Nova Scotia**
**Gallery Fund**

# STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

Year ended March 31

| | 2006 $ | 2005 $ |
|---|---|---|
| **Revenue** | | |
| Province of Nova Scotia *[note 3]* | **1,181,504** | 1,187,848 |
| Sponsorships | **160,625** | 162,488 |
| Grants | **493,787** | 549,361 |
| Admission | **284,231** | 162,632 |
| Other income | **94,218** | 79,769 |
| Memberships | **88,486** | 78,491 |
| Donations - AGNS appeal | **47,100** | 49,381 |
| Public Education Programs | **77,306** | 79,478 |
| Special events | **13,577** | 19,814 |
| Friends of the Gallery | **12,521** | — |
| Corporate Campaign | **1,850** | 1,360 |
| Interest | **2,511** | 2,589 |
| | **2,456,814** | 2,373,211 |
| **Expenditures** *[Schedule 1]* | | |
| Salaries and benefits | **969,964** | 930,844 |
| Exhibitions and programming | **745,122** | 837,148 |
| Building operations | **697,916** | 736,058 |
| Development/public relations | **160,363** | 172,952 |
| Administration | **151,493** | 131,395 |
| Technology | **23,566** | 14,379 |
| Miscellaneous | **9,017** | 6,315 |
| Printing and publication | **7,554** | 17,572 |
| | **2,764,995** | 2,846,663 |
| **Excess of expenditures over revenue before debt forgiveness** | **(308,181)** | (473,452) |
| Inter-governmental assistance *[note 6]* | — | 298,778 |
| | **(308,181)** | (174,674) |
| Excess of gross profit over expenditures Gallery Shop *[Schedule 2]* | **425** | 2,777 |
| Excess of gross profit over expenditures Product Development *[Schedule 3]* | **26,181** | 17,548 |
| **Excess of expenditures over revenue for the year** | **(281,575)** | (154,349) |
| Surplus, beginning of year | **134,076** | 95,925 |
| Contribution from Endowment Fund | **209,000** | 215,000 |
| Contribution to Acquisition Fund | — | (22,500) |
| **Surplus, end of year** | **61,501** | 134,076 |

*See accompanying notes*

## Art Gallery of Nova Scotia
**Endowment Fund**

# BALANCE SHEET

As at March 31

| | **2006** | **2005** |
|---|---|---|
| | $ | $ |
| **ASSETS** *[note 4]* | | |
| **Current** | | |
| Cash | **9,226** | 20,660 |
| Accounts receivable | **716** | 15 |
| Due from Acquisition Fund | **3,750** | — |
| | **13,692** | 20,675 |
| Investments *[note 5]* | **1,815,144** | 2,010,572 |
| Loan to Gallery Fund | **152,738** | 152,738 |
| | **1,981,574** | 2,183,985 |
| **LIABILITIES AND SURPLUS** | | |
| **Current** | | |
| Accounts payable | **1,500** | 3,795 |
| Due to Gallery Fund | **73,062** | 219,862 |
| | **74,562** | 223,657 |
| **Surplus** | | |
| Restricted | **380,000** | 380,000 |
| Unrestricted | **1,527,012** | 1,580,328 |
| | **1,907,012** | 1,960,328 |
| | **1,981,574** | 2,183,985 |

*See accompanying notes*

**Art Gallery of Nova Scotia**
**Endowment Fund**

# STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

Year ended March 31

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Revenue** *[note 4]* | | |
| Investment income | **151,458** | 155,800 |
| Gallery endowments | **23,500** | 20,000 |
| Life memberships | **18,750** | 7,860 |
| Restricted donations | **6,328** | 450 |
| Planned giving | — | 5,098 |
| | **200,036** | 189,208 |
| **Expenditures** *[note 4]* | | |
| Trustee fees | **21,975** | 27,115 |
| Donor restricted projects | **4,580** | 4,000 |
| Administration | **1,500** | 1,500 |
| Promotion and public relations | **1,297** | 3,411 |
| Miscellaneous | — | — |
| | **29,352** | 36,026 |
| **Excess of revenue over expenditures for the year** | **170,684** | 153,182 |
| Surplus, beginning of year | **1,960,328** | 2,037,146 |
| Contribution to Gallery Fund | **(209,000)** | (215,000) |
| Contribution to Acquisition Fund | **(15,000)** | (15,000) |
| **Surplus, end of year** | **1,907,012** | 1,960,328 |
| Less: restricted surplus | **(380,000)** | (380,000) |
| **Unrestricted surplus, end of year** | **1,527,012** | 1,580,328 |

*See accompanying notes*

**Art Gallery of Nova Scotia**
**Acquisition Fund**

# BALANCE SHEET

As at March 31

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **219** | 20 |
| Accounts receivable | **54,442** | 3,373 |
| Due from Product Development | **7,500** | 7,500 |
| | **62,161** | 10,893 |
| **LIABILITIES AND DEFICIT** | | |
| **Current** | | |
| Accounts payable | **122,191** | 31,132 |
| Deferred Revenue | **1,000** | — |
| Due to Endowment | **3,750** | — |
| Due to Gallery Fund | **41,456** | 1,457 |
| | **168,397** | 32,589 |
| **Deficit** | **(106,236)** | (21,696) |
| | **62,161** | 10,893 |

*See accompanying notes*

**Art Gallery of Nova Scotia**
**Acquisition Fund**

# STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT

Year ended March 31

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Revenue** | | |
| Donations: | | |
| Art Sales and Rental Society | **51,850** | — |
| Other | **117,995** | 223,260 |
| Friends of the Gallery | **2,000** | 1,625 |
| Grants *[note 3]* | **118,576** | 51,579 |
| AGNS Appeal | **100** | 1,011 |
| | **290,521** | 277,475 |
| **Expenditures** | | |
| Acquisitions | **289,699** | 149,523 |
| Appraisal and professional fees | **76,377** | 75,998 |
| Shipping | **23,700** | 18,029 |
| Bank charges | **252** | 80 |
| Miscellaneous | **33** | 2,225 |
| | **390,061** | 245,855 |
| **Excess of (expenditures over revenue) revenue over expenditures for the year** | **(99,540)** | 31,620 |
| Deficit, beginning of year | **(21,696)** | (90,816) |
| Contribution from Endowment Fund | **15,000** | 15,000 |
| Contribution from Product Development | — | 22,500 |
| **Deficit, end of year** | **(106,236)** | (21,696) |

*See accompanying notes*

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conservation and display of art, and the provision of art education to learners of all ages.

The Art Gallery of Nova Scotia is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the AGNS must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Art Gallery of Nova Scotia received program and education funding during the year from the following sources: Exxon Mobil, McConnell Foundation, Province of Nova Scotia, Center for Entrepreneurship Education and Development and Sobeys Art Foundation.

## 2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

**Fund accounting**
In order to ensure observance of the limitations and restrictions placed on the use of resources available to the AGNS, the accounts of the AGNS are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Governors or various funding authorities.

For financial reporting purposes, the accounts have been classified into the following three groupings:

The *AGNS Gallery Fund* supports the day to day operations of the Provincial Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the *AGNS Acquisition Fund* is to purchase works of art for the Provincial Gallery and cover costs associated with acquiring these works.

The *AGNS Endowment Fund* exists to support and manage all of the investments for the long term survival of the Provincial Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 2. Significant Accounting Policies (cont'd)

**Deferral method**
The deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Endowment contributions are reported as direct increases in net assets. All other contributions are reported as revenue of the current period.

**Inventory**
Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

**Investments**
Investments are recorded at the lower of cost and market. Income is recognized on the settlement date.

**Financial instruments**
The differences between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and, or credit terms of those instruments.

**Measurement uncertainty**
The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

**Revenue recognition**
Revenue from pledges, donations and life memberships is recognized when the cash is received. All investment income and other revenue is recognized on the accrual basis of accounting.

**Acquisitions**
Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to $289,699 (2005 - $149,523).

**Other income**
Other income includes revenue from rent, rental spaces and advertising.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 2. Significant Accounting Policies (cont'd)

**Contributed goods and services**
Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Also, the Province of Nova Scotia provides the AGNS with use of its premises at no cost. Because of the difficulty in determining the fair value, contributed goods and services are not recognized in the financial statements.

**Statement of cash flows**
A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

## 3. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded in the statement of revenue and expenditures as revenue from the Province, sponsorships or grants as applicable:

| | **2006**<br>$ | **2005**<br>$ |
|---|---|---|
| **Gallery Fund:** | | |
| Nova Scotia Department of Tourism, Culture and Heritage | **1,181,504** | 1,187,848 |
| Canada Council for the Arts | **150,000** | 121,000 |
| Federal Department of Canadian Heritage | **16,996** | 240,410 |
| Halifax Regional Municipality | **25,000** | 25,000 |
| Canadian Museum Association | **6,750** | — |
| Cultural Human Resources Council | **1,432** | 4,000 |
| Department of Education | **1,453** | — |
| Province of Nova Scotia | **30,409** | — |
| Federation Acadienne | **—** | 2,500 |
| | **1,413,544** | 1,580,758 |
| **Acquisition Fund:** | | |
| Canada Council for the Arts | **30,000** | 49,800 |
| Federal Department of Canadian Heritage | **88,576** | 1,779 |
| | **118,576** | 51,579 |
| | **1,532,120** | 1,632,337 |

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 4. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of $500,000 has been accumulated shall be available for the purpose of:

a) the acquisition of artworks for the permanent collection;
b) the expansion of exhibition and art education programs; and
c) other special projects.

The funds which will be placed in the Endowment Fund will be:

a) donations designated as such by the donor;
b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

## 5. Investments

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

| | **2006** | | **2005** | |
|---|---|---|---|---|
| | **Cost $** | **Market Value $** | **Cost $** | **Market Value $** |
| **Endowment Fund** | | | | |
| **Equity** | **1,815,144** | **2,296,654** | 2,010,572 | 2,378,162 |

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 6. Inter-governmental Assistance

During the year, the AGNS received nil in inter-governmental assistance from the Department of Transportation and Public Works relating to building repairs and maintenance.

In the prior year, the AGNS received $298,778 of similar assistance from the Department of Transportation and Public Works relating to building repairs and maintenance.

## 7. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

**Art Gallery of Nova Scotia** **Schedule 1**
**Gallery Fund**

# SCHEDULE OF EXPENDITURES

Year ended March 31

| | 2006 $ | 2005 $ |
|---|---|---|
| **Salaries and Benefits** | | |
| Salaries and employee benefits | **969,964** | 930,844 |
| | **969,964** | 930,844 |
| **Building Operations** | | |
| Utilities | **208,251** | 215,436 |
| Security | **199,178** | 190,758 |
| Building maintenance and cleaning | **117,395** | 126,668 |
| Climate control | **99,536** | 126,117 |
| Insurance | **63,740** | 70,065 |
| Elevator maintenance | **9,816** | 3,807 |
| Building repairs and renovations | — | 3,207 |
| | **697,916** | 736,058 |
| **Exhibitions and Programming** | | |
| Programs | **729,760** | 819,540 |
| Workshop supplies | **5,227** | 6,523 |
| Conservation lab | **4,340** | 4,707 |
| Vehicle | **3,907** | 4,176 |
| Collections management | **1,888** | 2,202 |
| | **745,122** | 837,148 |
| **Administration** | | |
| Stationery and postage | **39,981** | 35,762 |
| Travel | **35,227** | 35,568 |
| Telephone | **29,930** | 24,183 |
| Equipment rental | **14,677** | 15,814 |
| Professional fees | **24,500** | 12,519 |
| Memberships | **5,113** | 5,985 |
| Delivery administration | **1,572** | 794 |
| Equipment maintenance | **493** | 770 |
| | **151,493** | 131,395 |
| **Development/Public Relations** | | |
| Development/public relations | **160,363** | 172,952 |
| | **160,363** | 172,952 |
| **Printing and Publication** | | |
| Printing and publication | **7,554** | 17,572 |
| Photography | — | — |
| | **7,554** | 17,572 |
| **Technology** | | |
| Technology | **21,288** | 10,717 |
| Training and development | **2,278** | 3,662 |
| | **23,566** | 14,379 |
| **Miscellaneous** | | |
| Bank charges | **8,874** | 5,387 |
| Miscellaneous | **143** | 928 |
| | **9,017** | 6,315 |
| **Total expenditures** | **2,764,995** | 2,846,663 |

*See accompanying notes*

**Art Gallery of Nova Scotia** **Schedule 2**
**Gallery Shop**

# SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

| | 2006 | 2005 |
|---|---|---|
| | $ | $ |
| **Revenue** | | |
| Art and craft sales | **222,003** | 206,206 |
| Art and craft sales on consignment | **70,404** | 63,630 |
| Books, notes and posters | **52,648** | 40,276 |
| | **345,055** | 310,112 |
| Cost of sales | **195,847** | 171,583 |
| **Gross profit** | **149,208** | 138,529 |
| **Expenditures** | | |
| Salaries and employee benefits | **106,644** | 98,666 |
| Office and administration | **42,139** | 37,086 |
| | **148,783** | 135,752 |
| **Excess of gross profit over expenditures for the year** | **425** | 2,777 |

*See accompanying notes*

**Art Gallery of Nova Scotia** **Schedule 3**
**Product Development**

# SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Revenue** | **53,259** | 80,439 |
| Cost of sales | **18,015** | 34,273 |
| **Gross profit** | **35,244** | 46,166 |
| **Expenditures** | | |
| Salaries and employee benefits | **4,768** | 5,537 |
| Promotional | **2,932** | 3,896 |
| Office and administration | **1,106** | 4,169 |
| Royalties | **257** | 15,016 |
| | **9,063** | 28,618 |
| **Excess of gross profit over expenditures for the year** | **26,181** | 17,548 |

*See accompanying notes*

# BioScience Enterprise Centre Incorporated
# Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

To the Shareholder of
**BioScience Enterprise Centre Incorporated**

We have audited the balance sheet of **BioScience Enterprise Centre Incorporated** as at March 31, 2006 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Dartmouth, Nova Scotia
June 21, 2006

Grant Thornton LLP
Chartered Accountants

Suite 301
238A Brownlow Avenue
Dartmouth, Nova Scotia
B3B 2B4
**T** (902) 463-4900
**F** (902) 469-2860
**E** Dartmouth@GrantThornton.ca
**W** www.GrantThornton.ca

# BioScience Enterprise Centre Incorporated
## Statements of Loss and Deficit

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Rent and amortization of deferred leasehold contribution | $ **287,524** | $ 394,239 |
| Amortization of government assistance | **285,922** | 266,043 |
| Business services | **178,431** | 190,359 |
| Government assistance (Note 5) | **41,923** | 24,462 |
| Other | **7,458** | 3,696 |
| | **801,258** | 878,799 |
| **Expenses** | | |
| Advertising and promotion | **1,776** | 4,376 |
| Communications | **38,013** | 48,617 |
| Depreciation | **286,178** | 256,433 |
| Information resources | **604** | 804 |
| Interest and bank charges | **748** | 702 |
| Materials | **11,919** | 14,077 |
| Miscellaneous | **7,146** | 10,903 |
| Outside services | **57,840** | 20,715 |
| Professional development | **9,785** | 7,164 |
| Rent | **43,088** | 43,088 |
| Repairs and maintenance | **35,965** | 58,652 |
| Salaries and benefits | **246,047** | 299,105 |
| Travel | **4,446** | 12,523 |
| Utilities | **117,719** | 130,925 |
| | **861,274** | 908,084 |
| Net loss | $ **(60,016)** | $ (29,285) |

| | | |
|---|---|---|
| Retained earnings, beginning of the year | $ **5,273** | $ 34,558 |
| Net loss | **(60,016)** | (29,285) |
| (Deficit) retained earnings, end of year | $ **(54,743)** | $ 5,273 |

See accompanying notes to the financial statements.

## BioScience Enterprise Centre Incorporated
## Balance Sheet

| March 31 | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 63,874** | $ 52,205 |
| Government assistance receivable | **131,439** | 117,150 |
| Inventory | **9,126** | - |
| Other receivables | **33,539** | 142,218 |
| Capital assets (Note 3) | **803,975** | 937,297 |
| | **$ 1,041,953** | $ 1,248,870 |
| **Liabilities** | | |
| Payables and accruals | **$ 278,481** | $ 296,882 |
| Deferred leasehold contributions | **6,392** | 9,417 |
| Deferred government contributions | **811,822** | 937,297 |
| | **1,096,695** | 1,243,596 |
| **Shareholder's Deficit** | | |
| Capital stock (Note 6) | **1** | 1 |
| (Deficit) retained earnings | **(54,743)** | 5,273 |
| | **(54,742)** | 5,274 |
| | **$ 1,041,953** | $ 1,248,870 |

Commitments (Note 7)

On behalf of the Board

_______________________________ Director _______________________________ Director

See accompanying notes to the financial statements.

## BioScience Enterprise Centre Incorporated
## Statement of Cash Flows

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operating** | | |
| Net loss | **$ (60,016)** | $ (29,285) |
| Depreciation | **286,178** | 256,433 |
| Amortization of government contributions | **(285,922)** | (266,043) |
| | **(59,760)** | (38,895) |
| Change in non-cash operating working capital | | |
| Receivables | **97,759** | (175,831) |
| Payables and accruals | **(21,769)** | 155,366 |
| | **16,230** | (59,360) |
| **Financing** | | |
| Deferred leasehold contribution | **(3,025)** | 9,417 |
| Government assistance to finance capital assets | **160,446** | 92,688 |
| | **157,421** | 102,105 |
| **Investing** | | |
| Purchase of capital assets | **(161,982)** | (92,688) |
| Proceeds on sale of capital assets | **-** | 9,609 |
| | **(161,982)** | (83,079) |
| Net increase (decrease) in cash and cash equivalents | **11,669** | (40,334) |
| Cash and cash equivalents | | |
| Beginning of year | **52,205** | 92,539 |
| End of year | **$ 63,874** | $ 52,205 |

See accompanying notes to the financial statements.

## BioScience Enterprise Centre Incorporated
## Notes to the Financial Statements
March 31, 2006

### 1. Nature of operations

The Company developed and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Act.

### 2. Summary of significant accounting policies

#### (a) Capital assets

Capital assets are recorded at cost and depreciated as follows:

| | |
|---|---|
| Computer equipment | 30%, declining balance; |
| Equipment and furniture | 20%, declining balance; |
| Building and leasehold improvements | Term of lease, 3.5 yrs remaining at beginning of year |

#### (b) Government assistance

The portion of government assistance used for the acquisition of capital assets is recorded as deferred government assistance and recognized as income on the same basis as the related assets are amortized. The operating portion of government assistance is recognized as income in the year received.

#### (c) Revenue recognition

Rent revenue is recorded as earned and includes monthly rent from tenants. Business services revenue includes recoveries from tenants for utilities, photocopies, and other administrative services which are recorded as earned. Recoveries from tenants for improvements made to their premises are recorded as deferred leasehold contributions and amortized over the life of the lease.

#### (d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits. Bank borrowings are considered to be financing activities.

#### (e) Use of estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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

### (f) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

## 3. Capital assets

| | | | **2006** | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | **Net Book Value** | Net Book Value |
| Building improvements | $ 631,751 | $ 450,856 | **$ 180,895** | $ 229,222 |
| Equipment | 65,877 | 48,550 | **17,327** | 21,658 |
| Computer equipment | 38,772 | 34,396 | **4,376** | 6,251 |
| Furniture | 99,218 | 56,878 | **42,340** | 50,998 |
| Leaseholds | 1,597,285 | 1,038,248 | **559,037** | 629,168 |
| | $ 2,432,903 | $ 1,628,928 | **$ 803,975** | $ 937,297 |

## 4. Related party transactions

| Entity | Relationship | Sales To | Purchases From | Year End Payable |
|---|---|---|---|---|
| InNOVAcorp (1) | Sister | $ - | $ 5,252 | $113,834 (2) |
| Waterfront Development Corporation Limited (1) | Sister | $ - | $ 43,088 | $ - |

(1) These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(2) The balances payable to related parties are non-interest bearing and have arisen from cash advances to fund Company operations.

**5. Government assistance**

The Company received funding from the Economic Diversification Agreement for its operating activities and acquisition of capital assets. Details are as follows:

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Funding from Economic Diversification Agreement | $ | 202,369 | $ | 117,150 |
| Less: Funding used to finance capital assets | | 160,446 | | 92,688 |
| | $ | 41,923 | $ | 24,462 |

**6. Capital stock**

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Authorized: | | | | |
| 100,000 common shares with no par value | | | | |
| Issued and outstanding: | | | | |
| 1 common shares | $ | 1 | $ | 1 |

**7. Commitments**

The Company is committed to lease land and buildings from the Waterfront Development Corporation Limited. The lease requires annual minimum rent of $43,088 to October 2008.

**8. Comparative figures**

Certain of the comparative figures for 2005 have been reclassified to conform to the financial statement presentation adopted for the current year.

Financial Statements of

# CAPE BRETON DISTRICT HEALTH AUTHORITY

Year ended March 31, 2006

# CAPE BRETON DISTRICT HEALTH AUTHORITY

Financial Statements

Year ended March 31, 2006

Page

# AUDITORS' REPORT

To the Chairperson and Members of the Board of
Cape Breton District Health Authority

We have audited the statement of financial position of Cape Breton District Health Authority as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Sydney, Canada

June 23, 2006

# CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Financial Position

March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 7,031,079 | $ 4,294,346 |
| Accounts receivable (note 2) | 15,431,701 | 24,752,295 |
| Inventories (note 4) | 2,954,164 | 2,714,187 |
| Prepaid expenses | 657,830 | 399,546 |
| | 26,074,774 | 32,160,374 |
| Capital assets (note 5): | | |
| Cost | 281,295,069 | 275,774,185 |
| Less accumulated amortization | 129,418,571 | 120,370,194 |
| | 151,876,498 | 155,403,991 |
| Other receivable: | | |
| Employee future benefits (note 7) | 15,534,700 | 12,737,831 |
| | $ 193,485,972 | $ 200,302,196 |
| **Liabilities, Deferred Contributions and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 6) | $ 21,488,527 | $ 29,227,368 |
| Deferred revenue | 5,050,746 | 3,341,399 |
| | 26,539,273 | 32,568,767 |
| Deferred contributions for capital assets (note 8) | 151,176,329 | 154,868,405 |
| Other liabilities: | | |
| Employee future benefits (note 7) | 15,534,700 | 12,737,831 |
| Net assets: | | |
| Unrestricted (deficiency) | (464,499) | (408,393) |
| Investment in capital assets (note 9) | 700,169 | 535,586 |
| | 235,670 | 127,193 |
| Contingencies (note 11) | | |
| Commitments (note 12) | | |
| | $ 193,485,972 | $ 200,302,196 |

See accompanying notes to financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

# CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Operations

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Revenue: | | |
| Net patient income: | | |
| Provincial Plan | $ 177,811,633 | $ 170,994,556 |
| Other | 15,531,252 | 11,879,070 |
| Medical service insurance | 5,203,439 | 5,945,798 |
| Net differential | 2,012,142 | 2,072,858 |
| Dietary recoveries | 1,509,415 | 1,475,340 |
| Miscellaneous | 521,150 | 612,456 |
| Interest income | 249,070 | 117,523 |
| Referred in work | 109,521 | 101,120 |
| | 202,947,622 | 193,198,721 |
| Expenditures: | | |
| Nursing inpatient services | 71,674,689 | 68,687,621 |
| Support services | 52,044,121 | 49,907,155 |
| Diagnostic and therapeutic services | 35,463,246 | 33,995,001 |
| Ambulatory care services | 35,502,248 | 33,521,603 |
| Addiction services | 4,241,244 | 3,704,888 |
| Public health | 3,332,093 | 3,234,887 |
| Education | 581,504 | 521,970 |
| | 202,839,145 | 193,573,125 |
| Excess of revenue over expenditure (expenditure over revenue) before below noted items | 108,477 | (374,404) |
| Amortization of deferred contributions related to capital assets (note 9 (b)) | 9,048,377 | 9,875,840 |
| Amortization of capital assets (note 9 (b)) | (9,048,377) | (9,875,840) |
| Excess of revenue over expenditure (expenditure over revenue) | $ 108,477 | $ (374,404) |

See accompanying notes to financial statements.

# CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

| | Unrestricted | Investment in capital assets | Total 2006 | Total 2005 |
|---|---|---|---|---|
| Balance, beginning of year | $ (408,393) | $ 535,586 | $ 127,193 | $ 501,597 |
| Excess of revenue over expenditure (expenditure over revenue) | 108,477 | – | 108,477 | (374,404) |
| Net change in investment in capital assets (note 9) | (164,583) | 164,583 | – | – |
| Balance, end of year | $ (464,499) | $ 700,169 | $ 235,670 | $ 127,193 |

See accompanying notes to financial statements.

# CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for the 2005

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Excess of revenue over expenditure (expenditure over revenue) | $ | 108,477 | $ | (374,404) |
| Items not involving cash: | | | | |
| Amortization of capital assets | | 9,048,377 | | 9,875,840 |
| Amortization of deferred contributions related to capital assets | | (9,048,377) | | (9,875,840) |
| Non-cash portion of repairs and maintenance | | – | | 21,000 |
| Change in non-cash operating working capital: | | | | |
| Decrease in accounts receivable | | 9,320,594 | | 1,719,474 |
| Increase in inventories | | (239,977) | | (106,050) |
| Increase in prepaid expenses | | (258,284) | | (233,240) |
| Increase (decrease) in accounts payable and accrued liabilities | | (7,738,841) | | 3,183,230 |
| Increase in deferred revenue | | 1,709,347 | | 1,575,671 |
| | | 2,901,316 | | 5,785,681 |
| Financing and investing activities: | | | | |
| Purchases of capital assets | | (5,520,884) | | (11,656,334) |
| Additions to deferred contributions for capital assets | | 5,356,301 | | 12,138,673 |
| Proceeds on disposal of capital assets | | – | | 37,271 |
| | | (164,583) | | 519,610 |
| Increase in cash position | | 2,736,733 | | 6,305,291 |
| Cash position, beginning of year | | 4,294,346 | | (2,010,945) |
| Cash, end of year | $ | 7,031,079 | $ | 4,294,346 |

| | | | | |
|---|---|---|---|---|
| Supplemental cash flow information: | | | | |
| Cash paid during the year for: | | | | |
| Interest | $ | 450 | $ | 5,536 |
| Interest received | | 258,208 | | 122,609 |

See accompanying notes to financial statements.

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

## 1. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

(a) Revenue recognition:

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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

(b) Inventories:

Inventories are valued at the lower of cost and replacement cost.

(c) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

| Asset | Rates |
|---|---|
| Land improvements | 5% |
| Buildings and service equipment | 2% - 5% |
| Major equipment | 5% - 20% |

## 1. Significant accounting policies (continued):

(d) Employee future benefits/due from Department of Finance:

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective Agreements, employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of $15,534,700 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability and therefore a corresponding receivable has been recorded from the Department of Finance. The current year's net expense incurred for employee future benefits is $3,956,869.

## 2. Accounts receivable:

| | 2006 | 2005 |
|---|---|---|
| Patients, medical service insurance, Level II Care, veterans | $ 3,607,897 | $ 3,028,430 |
| Harmonized sales tax | 1,232,696 | 2,147,993 |
| Hospital Foundations (note 10) | 970,373 | 811,273 |
| Sundry | 1,726,168 | 5,248,510 |
| Department of Health (note 3): | | |
| Nova Scotia Hospital Information System | 569,107 | 1,375,109 |
| Vacation accrual | 2,202,063 | 2,125,121 |
| Capital funding | 1,500,000 | 1,713,000 |
| Other | 1,922,789 | 719,517 |
| Contract settlement | 1,464,994 | 7,015,540 |
| Retirement payouts | 184,352 | 386,504 |
| Addiction Services and Public Health | 51,262 | 181,298 |
| | $ 15,431,701 | $ 24,752,295 |

## 3. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

| | 2006 | 2005 |
|---|---|---|
| Accounts receivable (payable): | | |
| Employee future benefits (note 7) | $ 15,534,700 | $ 12,737,831 |
| Nova Scotia Hospital Information System | 569,107 | 1,375,109 |
| Vacation accrual | 2,202,063 | 2,125,121 |
| Capital funding | 1,500,000 | 1,713,000 |
| Other | 1,922,789 | 719,517 |
| Contract settlement | 1,464,994 | 7,015,540 |
| Retirement allowance payouts | 184,352 | 386,504 |
| Addiction Services and Public Health | 51,262 | 181,298 |
| Advances by Provincial Plan – current | – | (6,841,638) |
| New hospital construction | (645,240) | (671,406) |
| | $ 22,784,027 | $ 18,740,876 |

## 4. Inventories:

| | 2006 | 2005 |
|---|---|---|
| Drugs | $ 1,217,293 | $ 1,118,499 |
| Medical and surgical | 531,610 | 515,710 |
| Food | 85,206 | 91,580 |
| General | 1,120,055 | 988,398 |
| | $ 2,954,164 | $ 2,714,187 |

## 5. Capital assets:

| | | | 2006 | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net book value | Net book value |
| Land | $ 532,959 | $ – | $ 532,959 | $ 532,959 |
| Land improvements | 3,867,062 | 2,041,645 | 1,825,417 | 1,991,542 |
| Buildings and service equipment | 197,837,262 | 61,968,360 | 135,868,902 | 138,504,195 |
| Equipment | 79,057,786 | 65,408,566 | 13,649,220 | 14,375,295 |
| | $ 281,295,069 | $ 129,418,571 | $ 151,876,498 | $ 155,403,991 |

## 6. Accounts payable and accrued liabilities:

| | 2006 | 2005 |
|---|---|---|
| Accounts payable | $ 12,479,322 | $ 13,379,628 |
| Due to Department of Health: | | |
| Advances by Provincial Plan - current | – | 6,841,638 |
| Accrued salaries: | | |
| Salaries | 6,229,984 | 6,181,724 |
| Vacation pay accrual | 2,095,919 | 2,084,679 |
| Department of Health new hospital construction | 645,240 | 671,406 |
| Guysborough Antigonish Strait Health Authority | 38,062 | 68,293 |
| | $21,488,527 | $ 29,227,368 |

## 7. Employee future benefits:

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB handbook. 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 is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Cape Breton District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2005. Actuarial liabilities as at March 31, 2006 were extrapolated from the results of the December 31, 2005 actuarial valuation.

Cape Breton District Health Authority has provided for retirement allowances as follows:

| | 2006 | 2005 |
|---|---|---|
| ***Accrued benefit liability*** | | |
| Balance, beginning of year | $ 12,737,831 | $ 11,564,919 |
| Current service cost for the year | 965,800 | 800,600 |
| Interest cost during the year | 1,059,300 | 925,400 |
| Plan amendment | 1,942,700 | – |
| Amortization of experience loss | 337,801 | 346,912 |
| Estimated fiscal payments for employees | (1,160,000) | (900,000) |
| Other adjustments (benefits paid differential) | (348,732) | – |
| Balance, end of year | $ 15,534,700 | $ 12,737,831 |

## 7. Employee future benefits (continued):

| | 2006 | 2005 |
|---|---|---|
| ***Reconciliation to funding status*** | | |
| Funding status – plan deficit | $ 18,766,000 | $ 16,171,500 |
| Unamortized net actuarial loss | (3,231,300) | (3,433,669) |
| | $ 15,534,700 | $ 12,737,831 |
| ***Employee future benefits expense*** | | |
| Current service costs | $ 965,800 | $ 800,600 |
| Interest on accrued benefits | 1,059,300 | 925,400 |
| Plan amendment | 1,942,700 | – |
| Amortization of experience loss | 337,801 | 346,912 |
| Other adjustments (benefits paid differential) | (348,732) | – |
| | $ 3,956,869 | $ 2,072,912 |

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2006:

| | Retirement allowance |
|---|---|
| Discount rate | 5.95% |
| Retirement % at age 65 | 50.0% |
| Average age of employees | 45.2 |
| Average age of services | 15.7 |
| Future mortality rate | (GAM 94, projected to 2000) |
| Rate of compensation increase | 3.40% - 5.90% |

All accumulated liabilities from the retiring allowance program of the Cape Breton District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2006.

## 8. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | $ 154,868,405 | $ 152,605,572 |
| Additional contributions received in 2005 | 5,356,301 | 12,138,673 |
| Less amounts amortized to revenue | (9,048,377) | (9,875,840) |
| | $ 151,176,329 | $ 154,868,405 |

## 9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

| | 2006 | 2005 |
|---|---|---|
| Capital assets | $ 151,876,498 | $ 155,403,991 |
| Amounts financed by: | | |
| Deferred contributions | 151,176,329 | 154,868,405 |
| | $ 700,169 | $ 535,586 |

b) Change in net assets invested in capital assets is calculated as follows:

| | 2006 | 2005 |
|---|---|---|
| Excess of expenses over revenue: | | |
| Amortization of deferred contributions related to capital assets | $ 9,048,377 | $ 9,875,840 |
| Amortization of capital assets | (9,048,377) | (9,875,840) |
| | $ – | $ – |

## 9. Investment in capital assets (cont'd):

| | 2006 | 2005 |
|---|---|---|
| Net change in investment in capital assets: | | |
| Capital assets acquired | $ 5,520,884 | $ 11,656,334 |
| Capital asset disposition | – | (58,271) |
| Amounts funded by deferred contributions | (5,356,301) | (12,138,673) |
| | $ 164,583 | $ (540,610) |

## 10. Due to/from Foundations:

The Health Authority receives donations from the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

As at March 31, 2006 the following amounts were due from the Foundations with comparative figures:

| | 2006 | 2005 |
|---|---|---|
| Cape Breton Regional Hospital Foundation | $ 265,625 | $ 85,604 |
| Northside Hospital Charitable Foundation | 13,932 | 14,237 |
| Inverness Consolidated Memorial Hospital Foundation | 9,000 | 40,027 |
| Buchanan Memorial Hospital Foundation | 645,241 | 671,405 |
| Sacred Heart Hospital Foundation | 4,051 | – |
| New Waterford Hospital Foundation | 18,001 | – |
| Victoria County Memorial Hospital Foundation | 3,282 | – |
| Glace Bay Healthcare Corporation Charitable Foundation | 11,241 | – |
| | $ 970,373 | $ 811,273 |

## 11. Contingencies:

The Health Authority has been named a defendant in several lawsuits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

## 12. Commitments:

The Authority leases premises under operating leases which expire from 2007 to 2013 with minimum annual lease payments and aggregate lease payments as follows:

| | Minimum annual lease payments | Aggregate lease payments |
|---|---|---|
| Board of Trustees of St. Andrews United Church | $ 28,030 | $ 154,165 |
| Nova Scotia Power Inc. | 296,647 | 222,485 |
| Aneal Virick and Ajay Virick | 38,605 | 102,959 |
| Pembroke Realties | 45,500 | 231,277 |
| Pembroke Realties | 73,440 | 269,282 |
| Sydney Medical Holdings | 77,500 | 258,307 |
| Sydney Medical Holdings | 29,271 | 104,887 |
| Sydney Airport Authority | 90,000 | 45,000 |
| Sydney Airport Authority | 13,500 | 55,125 |
| Senator's Corner Development Ltd. | 56,350 | 112,700 |
| Alexander Gillis | 16,800 | 2,800 |

In addition, the Authority leases various other smaller properties and storage facilities with annual lease payments of approximately $36,654. These lease agreements are renewed on a yearly basis.

## 13. Fair value of financial instruments:

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

## 14. Comparative figures:

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2006.

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## FINANCIAL STATEMENTS

## MARCH 31, 2006

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

CONTENTS
MARCH 31, 2006

## AUDITORS' REPORT

To the Chairperson and Board Members
Cape Breton-Victoria Regional School Board
George Street
Sydney, Nova Scotia

We have audited the statement of financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2006, and the related statements of operations, surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2006, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as described in Note 1.

Roach Perry Anderson
Chartered Accountants

Sydney, Nova Scotia
June 21, 2006

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## STATEMENT OF FINANCIAL POSITION
## MARCH 31, 2006

ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Financial Assets** | | |
| Cash | $ 5,858,846 | $ 2,540,015 |
| Accounts Receivable | | |
| Province of Nova Scotia (Note 2) | 5,046,720 | 4,929,368 |
| First Nation | 395,158 | 643,699 |
| Government of Canada (Note 3) | 499,574 | 527,589 |
| Other | 532,930 | 928,384 |
| | 6,474,382 | 7,029,040 |
| Prepaid expenses | 716,322 | 145,296 |
| Other Assets | | |
| Deferred Service Awards (Note 4 ) | 5,060,234 | 4,900,344 |
| Capital Assets (Note 5) | 76,399 | 117,537 |
| Restricted Assets | | |
| Cash and investments - Scholarships | 536,682 | 388,899 |
| | $ 18,722,865 | $ 15,121,131 |

LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Liabilities** | | |
| Payables and Accruals - Trade | $ 1,816,357 | $ 1,871,942 |
| Teachers Salary Payable | 3,860,821 | 3,154,000 |
| Non-Teaching Vacation Pay Payable | 848,292 | 767,767 |
| Other Salary Payable | 1,328,799 | 1,490,794 |
| | 6,037,912 | 5,412,561 |
| Payables and Accruals - Government | | |
| Province of Nova Scotia | 49,398 | 193,898 |
| Government of Canada | 4,327 | 1,214,602 |
| Municipalities | 14,494 | 27,423 |
| | 68,219 | 1,435,923 |
| Deferred Revenues | 2,766,939 | 1,310,016 |
| Other | | |
| Teachers' Training Fund | 50,000 | 50,000 |
| Service Awards | 5,060,234 | 4,900,344 |
| Scholarship Trust Funds | 536,682 | 388,899 |
| | 5,646,916 | 5,339,243 |
| **Total Liabilities** | 16,336,343 | 15,369,385 |
| SURPLUS (DEFICIT) | 2,386,522 | ( 248,554) |
| | $ 18,722,865 | $ 15,121,131 |

ON BEHALF OF THE BOARD

___________________________________ Chairperson

___________________________________ Board Member

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## STATEMENT OF OPERATIONS
## YEAR ENDED MARCH 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Revenue (Schedule A) | | | |
| Province of Nova Scotia | $111,508,638 | $111,732,392 | $112,090,873 |
| Government of Canada | 1,184,000 | 1,293,115 | 1,231,436 |
| Municipal Contributions | 11,831,600 | 11,831,592 | 11,655,900 |
| Other Revenues | 2,881,860 | 4,011,741 | 4,070,749 |
| Surplus - Prior Year | - | - | 196,569 |
| | 127,406,098 | 128,868,840 | 129,245,527 |
| Expenses (Schedule B) | | | |
| Board Governance | 313,342 | 316,897 | 271,577 |
| Regional Management | 2,726,244 | 2,746,666 | 3,002,157 |
| School Management & Support | 12,519,443 | 12,649,386 | 13,235,741 |
| Instructional & School Services | 68,579,762 | 67,143,519 | 71,850,019 |
| Student Support | 17,771,648 | 17,422,559 | 16,478,073 |
| Adult & Community Education | 769,023 | 776,139 | 657,325 |
| Property Services | 15,810,800 | 15,672,524 | 15,788,242 |
| Student Transportation | 5,874,734 | 5,905,237 | 5,940,450 |
| Other Programs | 2,751,958 | 3,559,699 | 2,207,208 |
| Prior Year Deficit | 248,554 | 248,554 | - |
| Tangible capital asset amortization | 40,590 | 41,138 | 63,289 |
| | 127,406,098 | 126,482,318 | 129,494,081 |
| Annual Operating Surplus (Deficit) | $ - | $ 2,386,522 | $( 248,554) |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## STATEMENT OF SURPLUS
## YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Surplus, Beginning of Year | $( 248,554) | $ 196,569 |
| Surplus Transferred to Current Operations | 248,554 | ( 196,569) |
| | - | - |
| Excess (Deficiency) of Revenue over Expenditure | 2,386,522 | ( 248,554) |
| Surplus (Deficit), End of Year | $2,386,522 | $( 248,554) |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## STATEMENT OF CASH FLOWS
## YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual operating surplus (deficit) | 2,386,522 | ( 248,554) |
| Non-cash items | | |
| Tangible capital asset amortization | 41,138 | 63,289 |
| Prior year's surplus (deficit) | 248,554 | ( 196,569) |
| Cash from (used in) operating activities | 2,676,214 | ( 381,834) |
| Change in non-cash operating working capital | | |
| (Increase) decrease in accounts receivable | 554,658 | (4,271,896) |
| Increase in prepaid expenses | ( 571,026) | ( 79,200) |
| Increase (decrease) in accounts payable trade | ( 55,585) | 827,680 |
| Increase in salaries payable | 625,351 | 5,412,561 |
| Increase (decrease) in payables and accruals - Government | (1,367,704) | 1,333,429 |
| Increase (decrease) in deferred revenue | 1,456,923 | ( 290,570) |
| | 3,318,831 | 2,550,170 |
| Investing activities | | |
| Purchase of tangible capital assets | - | ( 180,826) |
| Increase in cash | 3,318,831 | 2,369,344 |
| Cash position, beginning of year | 2,540,015 | 170,671 |
| Cash position, end of year | $5,858,846 | $2,540,015 |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## SCHOLARSHIP FUND BALANCE SHEET
## MARCH 31, 2006

ASSETS

| | 2006 | 2005 |
|---|---|---|
| Cash and investments | $536,682 | $388,899 |

EQUITY

| | 2006 | 2005 |
|---|---|---|
| Rossetti Scholarship | $161,266 | $159,707 |
| Townsend Scholarship | 1,040 | 1,014 |
| McDonagh Scholarship | 5,354 | 5,294 |
| Panagiotakos Scholarship | 9,175 | 9,142 |
| McQuarrie Scholarship | 3,144 | 3,130 |
| Annie Hall Scholarship | 1,965 | 1,990 |
| C.J.C.B. Scholarship | 4,494 | 4,494 |
| Daniel Munroe Scholarship | 3,071 | 3,044 |
| John D. MacLeod Scholarship | 1,027 | 1,016 |
| Annie Bell Grady Memorial | 19,883 | 20,364 |
| T.L. Sullivan Memorial | 2,065 | 2,038 |
| Mary Elizabeth Brennan Scholarship | 2,367 | 2,342 |
| William Hillchie Memorial | 3,079 | 3,051 |
| Isabel MacDermid Memorial | 3,527 | 3,485 |
| Wendell Coldwell Memorial | 3,042 | 2,035 |
| Jon David Corbett | 3,089 | 3,056 |
| Leonard Matheson | 1,417 | 1,397 |
| Ellen Dunn Balah | 4,238 | 4,133 |
| George MacKay Bursary | 143,068 | 141,970 |
| Minor Hockey | 11,635 | 12,321 |
| Fine Arts | 3,434 | 3,032 |
| Adult High Scholarship | 244 | 844 |
| O=Connell | 145,058 | - |
| | $536,682 | $388,899 |

ON BEHALF OF THE BOARD

_________________________ Chairperson

_________________________ Board Member

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## STATEMENT OF CONTINUITY OF SCHOLARSHIP FUND
## YEAR ENDED MARCH 31, 2006

| | Rossetti | Townsend | McDonagh | Panagiotakos | McQuarrie | Annie Hall | CJCB | Munro | MacLeod | Grady | Sullivan | Adult High School | O'Connell |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $159,707 | $1,014 | $5,294 | $9,142 | $3,130 | $1,990 | $4,494 | $3,044 | $1,016 | $20,364 | $2,038 | $ 844 | $ - |
| Deposit | - | - | - | - | - | - | - | - | | - | - | 1,000 | 143,509 |
| Interest earned | 3,284 | 26 | 135 | 233 | 134 | 50 | - | 77 | 26 | 519 | 52 | - | 1,549 |
| | 162,991 | 1,040 | 5,429 | 9,375 | 3,264 | 2,040 | 4,494 | 3,121 | 1,042 | 20,883 | 2,090 | 1,844 | 145,058 |
| Scholarship awarded | 1,725 | - | 75 | 200 | 120 | 75 | - | 50 | 15 | 1,000 | 25 | 1,600 | - |
| Balance, end of year | $161,266 | $1,040 | $5,354 | $9,175 | $3,144 | $1,965 | $4,494 | $3,071 | $1,027 | $19,883 | $2,065 | $ 244 | $145,058 |

| | Brennan | Hillchie | MacDermid | Coldwell | Corbett | Matheson | Dunn Balah | MacKay | Minor Hockey | Fine Arts | 2006 Total | 2005 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 2,342 | $3,051 | $3,485 | $2,035 | $3,056 | $1,397 | $4,133 | $141,970 | $12,321 | $3,032 | $388,899 | $372,590 |
| Deposit | - | - | - | 969 | - | - | - | - | - | 400 | 145,878 | 16,965 |
| Interest | 60 | 78 | 142 | 68 | 78 | 35 | 105 | 2,198 | 314 | 2 | 9,165 | 6,468 |
| | 2,402 | 3,129 | 3,627 | 3,072 | 3,134 | 1,432 | 4,238 | 144,168 | 12,635 | 3,434 | 543,942 | 396,023 |
| Scholarship awarded | 35 | 50 | 100 | 30 | 45 | 15 | - | 1,100 | 1,000 | - | 7,260 | 7,124 |
| Balance, end of year | $ 2,367 | $3,079 | $3,527 | $3,042 | $3,089 | $1,417 | $4,238 | $143,068 | $11,635 | $3,434 | $536,682 | $388,899 |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## NOTES TO FINANCIAL STATEMENTS
## MARCH 31, 2006

The Cape Breton-Victoria Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria.

### 1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector which, for purposes of the Cape Breton-Victoria Regional School Board's financial statements, are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

### 2. ACCOUNTS RECEIVABLE, PROVINCE OF NOVA SCOTIA

| | 2006 | 2005 |
|---|---|---|
| TCA Capital | $ 990,433 | $ 127,908 |
| Teachers' Salary Accrual | 2,352,000 | 3,154,000 |
| Non-Teaching Vac. Pay Accrual | 848,291 | 767,767 |
| Information Economy Initiative | 229,486 | 121,663 |
| Sabbaticals | 36,096 | 36,096 |
| Special Maintenance Project | - | 301,356 |
| Gas Tax Rebate | 57,651 | 23,154 |
| P - 3 Technology Refresh | 204,378 | - |
| Other | 328,385 | 397,424 |
| | $5,046,720 | $4,929,368 |

### 3. ACCOUNTS RECEIVABLE, GOVERNMENT OF CANADA

| | 2006 | 2005 |
|---|---|---|
| Harmonized sales tax | $ 499,574 | $ 527,589 |

### 4. DEFERRED SERVICE AWARDS

Beginning April 1, 2002, the Province of Nova Scotia assumed responsibility for the payment of Service Awards pursuant to the two Cape Breton Victoria Local NSTU collective agreements. The Province has determined the actuarial liability for future service award payment to be recorded on the books of school boards.

## 5. CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write off the assets over their estimated useful lives as follows:

Service vehicles - 35% diminishing balance

| | Cost | Accumulated Amortization | Net 2006 | Net 2005 |
|---|---|---|---|---|
| Service vehicles | $180,826 | $104,427 | $ 76,399 | $117,537 |

## 6. DEFERRED TEACHERS' SALARIES

Under the terms of the teachers' contract, the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 2006, the Board had $559,291 ($723,879 at March 31, 2005) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

## 7. PENSION PLANS

The Board's teachers are covered by a pension plan established and administered by the Province pursuant to the Teachers' Pension Act.

The Board's non-teaching staff are covered by a money-purchase pension plan.

## 8. INSURANCE

The Board is a member of the School Insurance Exchange, which provides all insurance coverage, except for fleet insurance, which is contracted to a private carrier.

## 9. RELATED PARTY TRANSACTIONS

These financial statements do not include certain expenditures paid on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- P-3 schools and facilities leases and operating costs, and
- Payments for the teachers' pension plans and medical premiums.

### 10. SCHOOL BASED FUNDS

The Education Act conveys authority to schools to raise funds - Section 38 (2) (0). These funds are used to enhance services to students. Schools report annually to the School Board on their school accounts, as required by statute. School accounts are the property of individual schools that have exclusive access to and decision-making authority over individual accounts. Consequently, these funds are not consolidated with School Board funds. At March 31, 2006, $1,348,673 ($1,348,550 at March 31, 2005) was on deposit in various school accounts.

### 11. COMMITTMENTS

The Board is obligated under various operating lease agreements for facilities and equipment which total $296,904 on an annual basis for varying terms.

### 12. COMPARATIVE FIGURES

The presentation of certain accounts of the previous year, presented for comparative purposes, has been changed to conform with the presentation adopted for the current year.

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## SCHEDULE A
## SUPPLEMENTARY DETAILS OF REVENUE
## YEAR ENDED MARCH 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Province of Nova Scotia | | | |
| Operating | 99,023,741 | 99,959,130 | 96,694,801 |
| Restricted | 9,741,700 | 9,264,091 | 8,552,721 |
| Capital | 1,152,600 | 910,560 | 1,438,537 |
| Wage & Vacation Pay Accrual | - | - | 3,921,767 |
| Other | 88,150 | 88,082 | 215,742 |
| Special Programs & Projects | 1,002,447 | 1,205,349 | 649,995 |
| Grants | 500,000 | 305,180 | 617,310 |
| Total Province of Nova Scotia | $111,508,638 | $111,732,392 | $112,090,873 |
| Government of Canada | | | |
| IA Northern Development | 1,020,000 | 1,161,922 | 1,085,551 |
| Secretary of State | 164,000 | 131,193 | 145,885 |
| Total Government of Canada | $ 1,184,000 | $ 1,293,115 | $ 1,231,436 |
| Other Revenues | | | |
| Board Generated - Other | 2,439,860 | 3,461,248 | 3,574,818 |
| Tuition - Students | 307,000 | 292,181 | 308,922 |
| Rentals | 10,000 | 28,057 | 45,523 |
| Investment Interest | 125,000 | 230,255 | 115,419 |
| Recoveries - Non-Government | - | - | 26,067 |
| Total Other Revenue | $ 2,881,860 | $ 4,011,741 | $ 4,070,749 |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## SCHEDULE B
## SUPPLEMENTARY DETAILS OF EXPENDITURES
## YEAR ENDED MARCH 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Board Governance | | | |
| Board Members | 121,900 | 126,130 | 137,309 |
| Board Secretary | 40,492 | 55,199 | 43,305 |
| NSSBA Dues | 150,950 | 135,568 | 90,963 |
| Total Board Governance | $ 313,342 | $ 316,897 | $ 271,577 |
| Regional Management | | | |
| Management Services | 1,370,123 | 1,422,298 | 1,356,070 |
| Financial Services | 929,228 | 881,169 | 1,097,854 |
| Human Resource Services | 337,893 | 359,280 | 478,565 |
| Communication Services | 64,000 | 64,911 | 47,740 |
| ITS Regional | 25,000 | 19,008 | 21,928 |
| Total Regional Management | $ 2,726,244 | $ 2,746,666 | $ 3,002,157 |
| School Management & Support | | | |
| School Management | 10,431,073 | 10,593,837 | 10,797,322 |
| Program & Curriculum Support | 2,027,570 | 1,990,438 | 2,109,509 |
| ITS Site Specific | 60,800 | 65,111 | 328,910 |
| Total School Management | $ 12,519,443 | $ 12,649,386 | $ 13,235,741 |
| Instructional & School Services | | | |
| Instruction | 65,605,339 | 64,176,574 | 68,898,800 |
| Guidance Services | 2,436,500 | 2,456,765 | 2,392,798 |
| Library Services | 487,923 | 458,674 | 535,235 |
| ITS Instructional | 50,000 | 51,506 | 23,186 |
| Total Instructional & School Services | $ 68,579,762 | $ 67,143,519 | $ 71,850,019 |
| Student Support | | | |
| Program Management | 231,048 | 221,398 | 183,543 |
| Instruction | 13,939,869 | 13,788,678 | 12,474,703 |
| Program & Curriculum Support | 3,600,731 | 3,412,483 | 3,819,827 |
| Total Student Support | $ 17,771,648 | $ 17,422,559 | $ 16,478,073 |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## SCHEDULE B (CONT=D)
## SUPPLEMENTARY DETAILS OF EXPENDITURES
## YEAR ENDED MARCH 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Adult & Community Education | | | |
| Program Management | 71,485 | 73,028 | 64,763 |
| Instruction | 575,049 | 586,267 | 502,940 |
| Program & Curriculum Support | 122,489 | 116,844 | 89,622 |
| Total Adult & Community Education | $ 769,023 | $ 776,139 | $ 657,325 |
| | | | |
| Property Services | | | |
| Management Services | 375,293 | 411,196 | 347,804 |
| Custodial Services | 4,355,727 | 4,285,405 | 4,958,121 |
| Maintenance Services | 9,988,846 | 9,963,905 | 9,928,965 |
| Grounds Services | 1,090,934 | 1,012,018 | 553,352 |
| Total Property Services | $ 15,810,800 | $ 15,672,524 | $ 15,788,242 |
| | | | |
| Student Transportation | | | |
| Management Services | 401,000 | 355,820 | 440,881 |
| Transportation (Board) | 3,024,088 | 2,992,833 | 3,103,946 |
| Maintenance (Board) | 2,201,446 | 2,289,380 | 2,141,808 |
| Transportation (Contract) | 248,200 | 267,204 | 253,815 |
| Total Student Transportation | $ 5,874,734 | $ 5,905,237 | $ 5,940,450 |

# CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

## SCHEDULE C
## SUPPLEMENTARY DETAILS OF GRANT REVENUE AND EXPENDITURE
## YEAR ENDED MARCH 31, 2006

From time to time, the Board receives funding for specific expenditure purposes. The Board accounts for such funding on a net expenditure basis so as not to distort the comparison of its actual expenditures within the context of their budgetary framework. A summary of the total funding and related expenditures for the year is presented below.

| Program | Revenue | Expenditure | Net Cost |
|---|---|---|---|
| Race Relations | 603 | 603 | - |
| Get in the Game | 1,733 | 1,733 | - |
| Heritage Grant | 4,978 | 4,978 | - |
| Breakfast Program | 134,470 | 154,470 | 20,000 |
| Active Readers - Brenda MacIsaac | 26,766 | 26,766 | - |
| Special Needs - Behaviour | 9,367 | 9,367 | - |
| Cornwallis/Cusack Grant | 8,663 | 8,663 | - |
| Gaelic Language & JH Network Literacy | 4,027 | 4,027 | - |
| Reading Recovery | 14,513 | 21,436 | 6,923 |
| Cupe Essential Skills | 5,166 | 5,166 | - |
| Sport Animator | 49,322 | 49,322 | - |
| Cabot Library | 5,000 | 5,000 | - |
| P-9 Physical Education | 9,316 | 9,316 | - |
| Phys. Ed. - BEC | 5,883 | 5,883 | - |
| Math | 6,425 | 6,425 | - |
| Bridgeport Jr. High Networking | 746 | 746 | - |
| Ranking Jr. High Networking | 2,002 | 2,002 | - |
| Thompson Jr. High Networking | 1,505 | 1,505 | - |
| T.L. Sullivan Jr. High Networking | 2,431 | 2,431 | - |
| Cabot Jr. High Networking | 3,800 | 3,800 | - |
| Sydney Mines Jr. High Networking | 286 | 286 | - |
| Whitney Pier Memorial Jr. High Networking | 4,276 | 4,276 | - |
| Morrison Jr. High Networking | 2,702 | 2,702 | - |
| MacLennan Jr. High Networking | 1,200 | 1,200 | - |
| | $305,180 | $332,103 | $ 26,923 |

Financial Statements

# Capital District Health Authority

(operating as Capital Health)
March 31, 2006

# AUDITORS' REPORT

To the Board of Directors of
**Capital District Health Authority**

We have audited the statement of financial position - operating and capital funds of the **Capital District Health Authority** ("Capital Health") as at March 31, 2006 and the statements of fund balances, revenues and expenditures, and cash flow for the year then ended. These financial statements are the responsibility of Capital Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Capital Health as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 18, 2006

Chartered Accountants

**Capital District Health Authority**
**(operating as Capital Health)**

# STATEMENT OF FINANCIAL POSITION
# OPERATING AND CAPITAL FUNDS

As at March 31
*(in thousands)*

| | Operating Fund $ | Capital Fund $ | Total 2006 $ | Total 2005 $ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash & short term investments | **43,370** | **—** | **43,370** | 30,948 |
| Accounts receivable | **21,967** | **—** | **21,967** | 27,343 |
| Due from Department of Health | **21,525** | **—** | **21,525** | 20,682 |
| Due from Provincial Drug Distribution Program | **178** | **—** | **178** | — |
| Due from Department of Finance | **370** | **—** | **370** | 828 |
| Due from Foundations | **1,620** | **—** | **1,620** | 4,738 |
| Due (to) from other fund | **(13,355)** | **13,355** | **—** | — |
| Restricted cash and investments *[notes 2 & 6]* | **1,404** | | **1,404** | 2,096 |
| Inventories *[note 3]* | **5,701** | **—** | **5,701** | 6,155 |
| Prepaid expenses | **1,929** | **—** | **1,929** | 2,223 |
| | **84,709** | **13,355** | **98,064** | 95,013 |
| Due from Department of Health | **5,477** | **—** | **5,477** | 5,477 |
| Due from Foundations | **3,167** | **—** | **3,167** | 3,069 |
| Accounts receivable other | **1,981** | **—** | **1,981** | 2,281 |
| Due from Department of Finance *[notes 2 & 7]* | **92,221** | **—** | **92,221** | 84,907 |
| Restricted cash and investments *[notes 2 & 6]* | **20,793** | **—** | **20,793** | 20,190 |
| Capital assets *[note 4]* | **—** | **245,786** | **245,786** | 238,379 |
| Parking garage *[notes 4 & 11]* | **—** | **10,313** | **10,313** | 10,587 |
| | **208,348** | **269,454** | **477,802** | 459,903 |
| **LIABILITIES AND FUND BALANCE** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **68,679** | **—** | **68,679** | 71,513 |
| Due to Provincial Drug Distribution Program | **—** | **—** | **—** | 609 |
| Restricted liabilities *[notes 2 & 6]* | **1,404** | | **1,404** | 2,096 |
| Deferred revenue *[note 5]* | **25,200** | **13,484** | **38,684** | 31,659 |
| Current portion of long-term debt *[note 11]* | **—** | **361** | **361** | 341 |
| | **95,283** | **13,845** | **109,128** | 106,218 |
| Restricted liabilities *[notes 2 & 6]* | **20,793** | **—** | **20,793** | 20,190 |
| Long-term debt *[note 11]* | **—** | **9,823** | **9,823** | 10,184 |
| Employee future benefits *[notes 2 & 7]* | **92,221** | **—** | **92,221** | 84,907 |
| | **208,297** | **23,668** | **231,965** | 221,499 |
| **Fund Balance** | | | | |
| Operating surplus | **51** | **—** | **51** | 25 |
| Investment in capital assets | **—** | **245,786** | **245,786** | 238,379 |
| | **51** | **245,786** | **245,837** | 238,404 |
| | **208,348** | **269,454** | **477,802** | 459,903 |

Commitments and contingencies *[notes 8, 9, 10]*
*See accompanying notes*

**Capital District Health Authority**
**(operating as Capital Health)**

# STATEMENT OF FUND BALANCES

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **OPERATING FUND** | | |
| **Balance, beginning of year** | **25** | 13 |
| Net revenues over expenditures before amortization | **301** | 300 |
| Net amortization deficit | **(275)** | (275) |
| | **51** | 38 |
| Transfer of equity to capital fund | **—** | (13) |
| **Balance, end of year** | **51** | 25 |
| **INVESTMENT IN CAPITAL ASSETS** | | |
| **Capital funding, beginning of year** | **518,947** | 479,968 |
| Capital funding for the year *[Schedule C]* | **33,396** | 38,979 |
| | **552,343** | 518,947 |
| Accumulated amortization of capital fund, beginning of year | **(280,568)** | (256,623) |
| Amortization of capital fund | **(25,989)** | (23,945) |
| Accumulated amortization of capital fund, end of year | **(306,557)** | (280,568) |
| **Balance, end of year** | **245,786** | 238,379 |

*See accompanying notes*

**Capital District Health Authority**
**(operating as Capital Health)**

# STATEMENT OF REVENUES AND EXPENDITURES

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Operating** | | |
| Revenues *[Schedule A]* | **643,135** | 598,237 |
| Expenditures *[Schedule B]* | **642,834** | 597,937 |
| Results from operating activities | **301** | 300 |
| **Capital** | | |
| Amortization of capital fund | **25,989** | 23,945 |
| Depreciation | **(26,264)** | (24,220) |
| Results from capital activities | **(275)** | (275) |
| Results from operating and capital activities | **26** | 25 |
| **Research** | | |
| Revenues | **16,904** | 17,550 |
| Expenditures | **16,993** | 13,316 |
| | **(89)** | 4,234 |
| Opening balance | **22,286** | 18,052 |
| Ending funds available for research | **22,197** | 22,286 |
| Funds committed to future periods | **22,197** | 22,286 |
| **Results from research activities** | **—** | — |
| **Net revenues over expenditures** | **26** | 25 |

*See accompanying notes*

**Capital District Health Authority**
**(operating as Capital Health)**

# STATEMENT OF CASH FLOW

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net revenues over expenditures - operating fund | **301** | 300 |
| Items not requiring cash | | |
| Results from capital activities | **(275)** | (275) |
| Depreciation | **26,264** | 24,220 |
| Amortization of capital fund | **(25,989)** | (23,945) |
| Changes in non-cash working capital items | **5,148** | (18,405) |
| **Cash provided (used in) by operating activities** | **5,449** | (18,105) |
| **FINANCING ACTIVITIES** | | |
| Transfer of equity to operating fund | **—** | (13) |
| Capital funding *[Schedule C]* | **33,396** | 38,979 |
| Employee future benefits | **7,314** | 7,745 |
| Parking garage – long-term debt | **(341)** | (321) |
| Restricted funding | **(89)** | 4,234 |
| **Cash provided by financing activities** | **40,280** | 50,624 |
| **INVESTING ACTIVITIES** | | |
| Capital assets acquired *[Schedule C]* | **(33,396)** | (38,979) |
| **Cash used in investing activities** | **(33,396)** | (38,979) |
| **Net increase (decrease) in cash during the year** | **12,333** | (6,460) |
| Cash position, beginning of year | **53,234** | 59,694 |
| **Cash position, end of year** | **65,567** | 53,234 |
| **Cash position, end of year is comprised as follows**: | | |
| Cash and short-term investments | **43,370** | 30,948 |
| Restricted cash and investments | **22,197** | 22,286 |
| | **65,567** | 53,234 |

*See accompanying notes*

**Capital District Health Authority**
**(operating as Capital Health)**

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 1. Nature of the Organization

Effective January 1, 2001 Bill 34 of the Province of Nova Scotia created the Capital District Health Authority "Capital Health". Capital Health includes the QEII Health Sciences Centre, Nova Scotia Hospital and the former Central Regional Health Board. Collectively, these organizations provide core health services to 40% of the population of Nova Scotia, and tertiary and quaternary acute services to residents of Atlantic Canada.

Capital Health is a non-profit entity and, as such, is exempt from income tax.

## 2. Significant Accounting Policies

**Fund accounting**
Capital Health maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health related to the provision of hospital services.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Fund transfers represent deferred capital contributions for use in future periods.

**Inventories**
Inventories are stated at cost, being the lower of cost and replacement cost.

**Capital assets**
Capital assets are recorded at cost and depreciated at the following annual rates:

| | |
|---|---|
| Halifax Infirmary building | 50 years straight-line |
| Dartmouth General Hospital and Hants building | 40 years declining balance |
| Parking Garage | 40 years straight-line |
| Other buildings | 20-50 years straight-line |
| Equipment | 10 years straight-line |
| Leasehold improvements | 10 years straight-line |
| Parking equipment | 10 years straight-line |
| Information technology | 5 years straight-line |
| Paving | 5 years straight-line |

## 2. Significant Accounting Policies (cont'd)

**Restricted cash and investments and restricted liabilities**
Restricted cash and investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. Investments are stated at the lower of cost and market. The corresponding restricted liability represents the unexpended fund balance.

**Revenue recognition**
Capital health uses the deferral method of accounting for contributions and revenue recognition. Restricted contributions related to expenses of future periods are deferred, revenue is recognized in the period in which the related expenses are incurred.

**Short-term investments**
Short-term investments are recorded at market value at the balance sheet date.

**Capital contributions**
Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

**Employee future benefits/Due from Department of Finance**
Employee future benefits include retirement allowances/public service awards paid to employees upon retirement, health and life insurance, as well as three separate pension funds. A liability for employee future benefits has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. [notes 7 and 8]

**Financial instruments**
The organization's primary financial instruments consist of receivables, payables and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 3. Inventories

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| Drugs | **4,112** | 4,178 |
| General supplies | **853** | 1,038 |
| Medical and surgical | **736** | 939 |
| | **5,701** | 6,155 |

## 4. Capital Assets

| | **2006** | | 2005 | |
|---|---|---|---|---|
| *(in thousands)* | **Cost** $ | **Accumulated Depreciation** $ | Cost $ | Accumulated Depreciation $ |
| Land | **324** | **—** | 324 | — |
| Land improvements | **846** | **156** | 846 | 151 |
| Halifax Infirmary building | **110,023** | **20,868** | 110,023 | 18,668 |
| Other Buildings | **74,640** | **38,093** | 74,640 | 36,893 |
| Equipment | **217,910** | **157,299** | 200,115 | 146,092 |
| Leasehold improvements | **103,545** | **50,052** | 90,605 | 40,967 |
| Information technology | **43,440** | **38,479** | 40,778 | 36,188 |
| Parking equipment | **20** | **15** | 20 | 13 |
| Paving | **312** | **312** | 312 | 312 |
| | **551,060** | **305,274** | 517,663 | 279,284 |
| Less: accumulated depreciation | **305,274** | | 279,284 | |
| | **245,786** | | 238,379 | |

| | **2006** | | 2005 | |
|---|---|---|---|---|
| *(in thousands)* | **Cost** $ | **Accumulated Depreciation** $ | Cost $ | Accumulated Depreciation $ |
| Parking Garage | **11,000** | **687** | 11,000 | 413 |
| Less: accumulated depreciation | **687** | | 413 | |
| | **10,313** | | 10,587 | |

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 5. Deferred Revenue

Deferred revenue in the operating fund of $25,200,300 (2005 - $22,621,014) represents advance funding received from the Department of Health for the 2005/06 fiscal year and other program deferred funding. Deferred revenue in the capital fund of $13,482,577 (2005 - $9,038,109) represents advance funding for capital equipment to be purchased subsequent to March 31, 2006.

## 6. Restricted Cash and Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the fiscal year 2005/2006, research revenue totaled $16,904,000 and research expenses totaled $16,993,000 resulting in a net decrease of $90,000.

| *(in thousands)* | **2006**<br>$ | **2005**<br>$ |
|---|---|---|
| Centre for Clinical Research | **16,169** | 16,874 |
| Other | **6,028** | 5,412 |
| | **22,197** | 22,286 |

## 7. Employee Future Benefits

**Retirement allowance**

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life of twelve 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 accounts receivable balance is recorded.

Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service (max. 26 weeks) that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards.

## 7. Employee Future Benefits (cont'd)

Capital Health has provided for retirement allowances as follows:

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| **Accrued benefit liability** | | |
| **Beginning balance, retiring allowances** | **38,425** | 35,069 |
| Current service cost for the year | **2,519** | 2,420 |
| Interest cost during the year | **2,375** | 2,287 |
| Plan amendment and adjustments | **(1,167)** | — |
| Amortization of experience gain (loss) | **270** | 250 |
| Estimated fiscal payments for employees | **(2,000)** | (1,601) |
| **Ending balance, retiring allowances** | **40,422** | 38,425 |

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| **Employee future benefits retirement expense** | | |
| Current service costs | **2,519** | 2,670 |
| Interest on accrued benefits | **2,375** | 2,287 |
| Plan Amendment | **(1,167)** | — |
| Amortization of experience loss | **270** | — |
| | **3,997** | 4,957 |

The significant actuarial assumptions adopted in measuring the company's retirements allowance are as follows (weighted-average assumptions) as at March 31, 2006:

| | **Retirement Allowance** |
|---|---|
| Discount rate | 5.95% |
| Retirement % at age 65 | 50.0% |
| Average age of employees | 43.6 |
| Average age of services | 13.3 |
| Future mortality rate | (GAM 94, Proj. to 2000) |
| Rate of compensation increase | 3.40% |

## 7. Employee Future Benefits (cont'd)

**Health and Life Insurance**
Capital Health provides health and life insurance benefits to employees upon retirement. Per Union Collective agreements employees are entitled to receive this benefit upon retirement. The benefit is an optional choice for employees at retirement. Capital Health contributes to the cost of these premiums. The health and life insurance value is calculated by the Provincial Department of Finance for Capital Health. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of fifteen 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 accounts receivable balance is recorded.

Capital Health has provided for health and life insurance as follows:

| *(in thousands)* | **2006**<br>$ | **2005**<br>$ |
|---|---|---|
| **Accrued benefit liability** | | |
| **Beginning balance, health and life** | **46,482** | 41,658 |
| Current service cost for the year | **2,698** | 2,485 |
| Interest cost during the year | **2,952** | 2,647 |
| Amortization of experience gain (loss) | **67** | — |
| Estimated fiscal payments for employees | **(400)** | (308) |
| **Ending balance, health and life** | **51,799** | 46,482 |

## 7. Employee Future Benefits (cont'd)

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| **Employee future benefits health and life expense** | | |
| Current service costs | **2,698** | 2,485 |
| Interest on accrued benefits | **2,952** | 2,647 |
| Amortization of experience loss | **67** | — |
| | **5,717** | 5,132 |

The significant actuarial assumptions adopted in measuring the company's health and life insurance are as follows (weighted-average assumptions) as at March 31, 2006:

| | **Health/Life** |
|---|---|
| Discount rate | 5.95% |
| Retirement % at age 65 | 50% |
| Participation Rate – Health | 95% |
| Participation Rate – Life | 75% |
| Future mortality rate | (GAM 94, Proj. 2000) |
| Rate of compensation increase | 2.9% Plus Prom. Increase |

## 8. Pension Funds

**Public Service Superannuation Fund**
Most former employees of the Victoria General Hospital (“VGH”), Cancer Treatment and Research Foundation (“CTRF”), Nova Scotia Hospital (“NSH”), Public Health and Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund (“the Plan”). The Plan is funded equally by employee and employer contributions. The employer’s contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

**Nova Scotia Association of Health Organizations**
Employees of the former Nova Scotia Rehabilitation Centre (“NSRC”), Camp Hill Medical Centre (“CHMC”) and the Central Regional Health Board (“CRHB”) participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2003 and showed funding excess for the entire plan of over $104,831,000. Capital Health is not responsible for any unfunded liability in this plan.

## 8. Pension Funds (cont'd)

**Federal Superannuation Fund**
A small group of employees of the former Camp Hill Medical Centre (“CHMC”) who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer’s contributions are included in Capital Health's operating expenses. The Public Works and Government Services Canada administer the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans are as follows:

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| Employer contributions | **20,757** | 18,989 |

## 9. Long-Term Disability Plan

**Public Service Long Term Disability Plan Trust Fund**
Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer’s contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at December 31, 2003 and disclosed an unfunded liability of approximately $35,274,000. Capital Health is not responsible for any unfunded liability in this plan.

**Nova Scotia Association of Health Organizations**
Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer’s contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2005, this valuation indicates a funding excess of $8,139,000. Capital Health is not responsible for any unfunded liability in this plan.

**Canada Life Plan**
Employees of the former NS Rehabilitation Centre are members of this plan, which is funded equally by employee and employer contributions. The employer’s contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life. Capital Health is not responsible for any unfunded liability in this plan.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 10. Operating Lease Commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ended March 31 *(in thousands)*:

| | |
|---|---|
| 2007 | $6,061 |
| 2008 | 6,050 |
| 2009 | 6,071 |
| 2010 | 6,075 |
| 2011 | 6,075 |

## 11. Long-Term Debt/Parking Garage

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| Term loan | **10,184** | 10,525 |
| Less: current portion | **361** | 341 |
| | **9,823** | 10,184 |

In 2003/2004 Capital Health received approval from its Board of Directors and the Department of Health to construct a new multi-level parking garage at its Halifax Infirmary site. The parking garage became fully operational in the 2004/2005 fiscal year, the final project cost amounted to $11,000,000.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this Capital Project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan bears interest at 5.913%, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling $478,961.

Principal repayments for each of the next five years are as follows:

| **Fiscal** | *(in thousands)* |
|---|---|
| 2007 | $ 361 |
| 2008 | 383 |
| 2009 | 406 |
| 2010 | 430 |
| 2011 | 456 |
| Thereafter in aggregate | 8,148 |

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 12. Related Parties

Within Capital Health there are seven foundations and one auxiliary. These organizations provide funding contributions for specific resources of Capital Health, through fundraising activities. The balances due to and due from related parties are non-interest bearing.

The following commitments were recognized from each foundation and auxiliary for the year ended March 31:

| | **2006** $ | **2005** $ |
|---|---|---|
| **Related Parties** | | |
| Partners For Care | **4,300,000** | 3,600,000 |
| QEII Health Sciences Centre Foundation | **3,404,153** | 2,675,821 |
| Dartmouth General Hospital Foundation | **2,262,084** | 1,158,513 |
| Cobequid Multi-purpose Centre Foundation | **2,111,289** | 3,689,112 |
| Hants Hospital Foundation | **130,368** | 117,467 |
| Mental Health Foundation Of Nova Scotia | **29,500** | 29,500 |
| Eastern Shore Hospital Fund | **—** | 27,124 |

## 13. Contingencies

Legal advice and representation has been sought in regards to two disciplinary matters. Currently no damage claims are outstanding and the outcome is not determinable.

A claim has been brought against the Nova Scotia Hospital (the Attorney General of Nova Scotia). This claim by a former patient involves allegations against unidentified former employee(s) and damages sought are approximately $500,000. The outcome of this matter is not determinable at this time.

Two related claims have been commenced by a member of the Medical Staff of the QEII Sciences Centre. Currently no specific damage claims have been made and the outcome is not determinable.

## 14. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

**Capital District Health Authority** **Schedule A**
**(operating as Capital Health)**

# SCHEDULE OF REVENUES OPERATING FUND

Year ended March 31

| *(in thousands)* | **Operating** $ | **Provincial Funded Programs** $ | **Total 2006** $ | **Total 2005** $ |
|---|---|---|---|---|
| Department of Health | **483,796** | **84,494** | **568,290** | 527,592 |
| Federal government | **10,641** | **11,658** | **22,299** | 21,326 |
| Other | **9,680** | — | **9,680** | 7,892 |
| Preferred accommodation | **6,613** | — | **6,613** | 6,259 |
| Non-resident billings | **10,260** | — | **10,260** | 9,374 |
| Dietary | **6,122** | — | **6,122** | 5,832 |
| Lab and support services | **6,337** | — | **6,337** | 5,969 |
| Provincial grants | **9,714** | — | **9,714** | 10,089 |
| Workers Compensation Board | **3,820** | — | **3,820** | 3,904 |
| Revenues | **546,983** | **96,152** | **643,135** | 598,237 |

# SCHEDULE OF EXPENDITURES OPERATING FUND

Year ended March 31

| *(in thousands)* | **Operating** $ | **Provincial Funded Programs** $ | **Total 2006** $ | **Total 2005** $ |
|---|---|---|---|---|
| Compensation | **367,432** | **82,848** | **450,280** | 413,379 |
| Medical/surgical supplies | **58,849** | **599** | **59,448** | 55,602 |
| Plant maintenance/utilities | **39,950** | **3,079** | **43,029** | 38,529 |
| Drugs | **24,780** | **2,262** | **27,042** | 24,921 |
| Other | **21,018** | **4,653** | **25,671** | 25,315 |
| Purchased services | **11,274** | **2,429** | **13,703** | 16,099 |
| Lab/diagnostic supplies | **13,003** | **332** | **13,335** | 13,366 |
| Retirement allowance expense | **9,714** | **—** | **9,714** | 10,089 |
| Interest expense | **612** | **—** | **612** | 637 |
| Expenditures | **546,632** | **96,202** | **642,834** | 597,937 |

**Capital District Health Authority** **Schedule C**
**(operating as Capital Health)**

# SCHEDULE OF CHANGES IN CAPITAL

Year ended March 31

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| **Capital Funding** | | |
| Department of Health (Capital Grant) | **4,365** | 3,813 |
| Department of Health (Other) | **13,195** | 16,716 |
| Foundations | **8,301** | 6,226 |
| Clinical Research | **905** | 338 |
| Other | **2,516** | 2,799 |
| Federal government | **4,114** | 9,087 |
| | **33,396** | 38,979 |
| **Capital Expenditures** | | |
| Equipment | **17,794** | 14,930 |
| Leasehold improvements | **12,939** | 19,616 |
| Information technology | **2,663** | 4,433 |
| | **33,396** | 38,979 |
| Capital deficit funding from Department of Health | **—** | — |

Unaudited

**CHECK INNS LIMITED**
**Balance Sheet**
**Year Ended March 31, 2006**

| | **2006** | **2005** (as restated) |
|---|---|---|
| **Assets** | | |
| **Assets** | **-** | **-** |
| **Liabilities** | | |
| Liabilities | - | - |
| **Shareholders' Equity** | | |
| Capital Stock | | |
| Authorized: 5,000 Common Shares with par value of $1 each | | |
| Issued: 3 Common Shares | 3 | 3 |
| Accumulated Deficits | (3) | (3) |
| | - | - |
| **Liabilities and Shareholders' Equity** | **-** | **-** |

Unaudited

**CHECK INNS LIMITED**
**Statement of Income and Accumulated Deficits**
**Year Ended March 31, 2006**

| | **2006** | **2005** |
|---|---|---|
| Revenue | - | - |
| Expenses | - | - |
| **Net Income** | - | - |
| Opening accumulated deficit, as previously reported | (89,910) | (89,910) |
| Prior year adjustment | 89,907 | 89,907 |
| Adjusted accumulated deficit, beginning of year | (3) | (3) |
| Changes in the year | - | - |
| **Accumulated Deficits, end of year** | (3) | (3) |

Financial Statements of the

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Year Ended March 31, 2006

KPMG LLP
**Chartered Accountants**
Suite 1500 Purdy's Wharf Tower I
1959 Upper Water Street
Halifax NS B3J 3N2
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# AUDITORS' REPORT TO THE CHAIRPERSON AND MEMBERS OF THE BOARD

We have audited the statement of financial position of the Chignecto-Central Regional School Board as at March 31, 2006 and the statements of accumulated surplus, operations and accumulated surplus, change in net financial resources and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations, changes in net financial resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Halifax, Canada

June 13, 2006

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD
Financial Statements

March 31, 2006

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Financial Position
As At March 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | | |
| General | $ 7,076,204 | $ 4,680,430 |
| School generated funds | 2,361,150 | 2,310,609 |
| | 9,437,354 | 6,991,039 |
| Accounts receivable: | | |
| Government of Canada (note 3) | 694,730 | 722,320 |
| Province of Nova Scotia (note 4) | 3,995,435 | 4,797,221 |
| First Nations | 3,074,885 | 2,586,432 |
| Municipalities | 34,500 | 86 |
| Other | 839,559 | 1,107,047 |
| Province of Nova Scotia - Service Awards (note 5) | 16,680,580 | 17,018,779 |
| Restricted cash and investments | 14,544 | 14,260 |
| **Total Financial Assets** | 34,771,587 | 33,237,184 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 10,550,119 | 8,710,451 |
| Deferred revenue | 1,689,599 | 910,587 |
| Service awards (note 5) | 16,680,580 | 17,018,779 |
| **Total Liabilities** | 28,920,298 | 26,639,817 |
| **Net Financial Resources** | 5,851,289 | 6,597,367 |
| **Non-Financial Assets** | | |
| Prepaid expenses | 660,140 | 643,470 |
| Inventories of supplies | 435,747 | 613,551 |
| Tangible capital assets (Schedule C) | 2,589,575 | 2,629,710 |
| Deferred contributions - capital assets, net of accumulated amortization of $149,769 (2005 - $105,020) | (850,231) | (894,980) |
| **Total Non-Financial Assets** | 2,835,231 | 2,991,751 |
| **Accumulated Surplus** | $ 8,686,520 | $ 9,589,118 |

Commitments (note 10)

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________Chairperson

_______________________________Board Member

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Accumulated Surplus
As At March 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Accumulated Surplus** | | |
| Unrestricted | $ 5,895,782 | $ 6,995,456 |
| Internally restricted funds | | |
| School generated funds | 2,576,644 | 2,405,315 |
| Instructional program enhancement at school level | 199,550 | 174,087 |
| | 2,776,194 | 2,579,402 |
| Special capital reserve | 14,544 | 14,260 |
| | $ 8,686,520 | $ 9,589,118 |

See accompanying notes to financial statements.

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenue (Schedule A)** | | | |
| Province of Nova Scotia | $ 132,287,793 | $ 135,094,956 | $ 131,907,771 |
| Appropriation from Councils | 21,892,835 | 21,892,607 | 20,860,976 |
| School generated funds | - | 6,074,309 | 6,225,204 |
| Board operations | 2,358,715 | 3,215,503 | 2,849,893 |
| First Nations | 2,800,000 | 3,241,573 | 2,927,178 |
| Government of Canada | 258,285 | 326,802 | 668,328 |
| | 159,597,628 | 169,845,750 | 165,439,350 |
| **Expenditures (Schedule B)** | | | |
| Board governance | 409,226 | 406,429 | 349,791 |
| Regional management | 4,181,610 | 4,291,168 | 3,985,524 |
| School management and support | 16,513,749 | 17,559,355 | 15,165,887 |
| Instruction and school services | 86,957,584 | 87,397,240 | 89,092,241 |
| Student support | 18,974,064 | 19,892,556 | 16,973,985 |
| Adult and community education | 1,155,071 | 1,179,252 | 1,058,697 |
| Property services | 22,584,320 | 23,255,235 | 20,349,863 |
| Pupil transportation | 9,740,319 | 9,539,978 | 9,034,468 |
| Other programs | 1,005,185 | 1,092,290 | 1,314,880 |
| School generated funds | - | 5,902,980 | 6,018,244 |
| Capital asset amortization | 206,500 | 231,865 | 187,458 |
| Interest expense | 70,000 | - | - |
| | 161,797,628 | 170,748,348 | 163,531,038 |
| **Surplus (Deficit)** | **$ (2,200,000)** | **$ (902,598)** | **$ 1,908,312** |
| **Accumulated surplus, beginning of year** | | 9,589,118 | 7,680,806 |
| **Accumulated surplus, end of year** | | **$ 8,686,520** | **$ 9,589,118** |

See accompanying notes to financial statements.

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Change in Net Financial Resources

| For The Year Ended March 31, 2006 | 2006 Actual | 2005 Actual |
|---|---|---|
| **Net Financial Resources, beginning of year** | $ 6,597,367 | $ 6,020,239 |
| Changes during the year: | | |
| Annual surplus (deficit) | (902,598) | 1,908,312 |
| Acquisition of tangible capital assets | (191,730) | (311,611) |
| Amortization of tangible capital assets | 231,865 | 187,458 |
| Amortization of deferred contributions | (44,749) | (47,104) |
| Decrease (increase) in inventories of supplies | 177,804 | (613,551) |
| Increase in prepaid expenses | (16,670) | (546,376) |
| Increase (decrease) in net financial resources | (746,078) | 577,128 |
| Net Financial Resources, end of year | $ 5,851,289 | $ 6,597,367 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Cash Flows

| For The Year Ended March 31, 2006 | 2006 | 2005 |
|---|---|---|
| **Operating activities** | | |
| Cash received from: | | |
| Annual surplus (deficit) | $ (902,598) | $ 1,908,312 |
| Items not affecting cash: | | |
| Capital asset amortization | 231,865 | 187,458 |
| Deferred contributions amortization | (44,749) | (47,104) |
| | 187,116 | 140,354 |
| Changes in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | 573,997 | (4,869,474) |
| Decrease (increase) in inventories of supplies | 177,804 | (613,551) |
| Increase in prepaid expenses | (16,670) | (546,376) |
| Decrease in due from trust funds | - | 1,000 |
| Increase in restricted cash and investments | (284) | (184) |
| Increase in accounts payable and accruals | 1,839,668 | 4,352,767 |
| Increase in deferred revenue | 779,012 | 61,892 |
| | 3,353,527 | (1,613,926) |
| Cash provided by operating activities | 2,638,045 | 434,740 |
| **Capital activities** | | |
| Cash used to acquire tangible capital assets | (191,730) | (311,611) |
| Cash applied to capital activities | (191,730) | (311,611) |
| Increase in cash | 2,446,315 | 123,129 |
| Cash at beginning of year | 6,991,039 | 6,867,910 |
| Cash at end of year | $ 9,437,354 | $ 6,991,039 |

Pursuant to an Act passed by the Province of Nova Scotia, the Colchester-East Hants District School Board, Cumberland District School Board, and the Pictou District School Board were amalgamated to form the Chignecto-Central Regional School Board. The Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system.

## 1. Financial Reporting and Accounting Policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

### (a) Significant accounting policies

**Revenues**
Revenues are recorded on the accrual basis. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

**Expenses**
Expenses are recorded on the accrual basis. Provisions are made for probable losses on certain loans, investments, accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

**Financial Assets**
Cash and cash equivalents are recorded at cost which approximates market value.
Accounts receivable are recorded at the principal amount less valuation allowances.

**Liabilities**
Pension, retirement and other obligations include various employee benefits.

**Net Financial Resources**
Net Financial Resources represents the financial assets less direct liabilities of the Board.

**Non Financial Assets**
Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at historical cost (or estimated cost when the actual is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures.

## 1. Financial Reporting and Accounting Policies (continued):

Amortization of tangible capital assets is provided using the following methods and annual rates:

| Asset | Basis | Rate |
|---|---|---|
| Building | Declining balance | 5% |
| Vehicles | Declining balance | 35% |

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Inventories represent amounts expended on supplies and other consumables which will be used or consumed in a future period. They are recorded at the lower of cost and net realizable value. Once items have been shipped to the schools they are expensed and are not considered inventory.

**Accumulated Surplus**
Accumulated Surplus represents the financial assets and non-financial assets of the School Board less the liabilities. This represents the accumulated balance of net surplus arising from the operations of Board.

**Use of Estimates**
The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment; valuation allowances for receivables and inventories; and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

## 2. Adoption of Public Sector Accounting Board Recommendations:

Effective April 1, 2004 the Regional School Board adopted the Public Sector Accounting Board recommendations with the result that a number of accounting policies were changed to conform with the recommendations. Certain of the changes were made retroactively with restatement of prior years' surpluses. For certain of the changes the prior years' effect was not determinable and these changes were applied prospectively in the 2005 fiscal year.

## 3. Accounts Receivable, Government of Canada:

| | 2006 | 2005 |
|---|---|---|
| Harmonized Sales Tax | $ 694,730 | $ 682,686 |
| Other | - | 39,634 |
| | $ 694,730 | $ 722,320 |

## 4. Accounts Receivable, Province of Nova Scotia:

| | 2006 | 2005 |
|---|---|---|
| Teacher's salary accrual | $ 2,690,000 | $ 3,607,000 |
| Vacation pay accrual | 248,388 | 181,613 |
| Technology grants | - | 160,000 |
| Special capital projects | 612,681 | 136,836 |
| Information Economy Initiative | 182,630 | 144,326 |
| Technology Refresh | 29,512 | 251,235 |
| Other | 232,224 | 316,211 |
| | $ 3,995,435 | $ 4,797,221 |

## 5. Service Award Program:

Teachers receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between the Nova Scotia Teachers Union locals and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards were required to make certain entries on their financial statements beginning with the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance in relation to an independent actuarial evaluation performed for them. This evaluation calculated the present value of the service awards payable for past services for the School Board to be $16,680,580 as of March 31, 2006 ($17,018,779 - 2005). Beginning April 1, 2002, school boards are required to expense 1% of payroll to the Province towards these costs.

## 6. Capital Assets:

In 1982, on creation of the former District School Boards, an agreement was made with respect to capital assets which stated that all land and school buildings on hand at December 31, 1981 remain assets of the municipal units but will be under the operational control of the District School Boards until such time as the School Boards no longer require the assets for school purposes. At that time, control will revert back to the municipalities. In addition, one of the former District School Boards also had an agreement to offer back to the municipalities, at no cost, certain land and buildings acquired in 1970 if they are ever declared surplus by the Board. These agreements have been carried forward to the Regional School Board.

As a result of improvements made to school buildings, the Chignecto-Central Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a building returned by the Regional School Board under the circumstances noted above, be sold by the Municipal unit or destroyed, a portion of any proceeds will be payable to the Regional School Board.

## 7. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

## 8. Pension plans:

The Regional School Board's Canadian Union of Public Employees (CUPE) staff participate in a multi-employer defined benefit pension plan held on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 2003 and indicated accrued pension benefits of $15,537,800 and pension fund assets with market values of $15,653,300.

The Regional School Board's Nova Scotia Government Employees Union (NSGEU) and non-union staff are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Public Service Superannuation Act.

The Regional School Board's teachers are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

As all of the above arrangements are multi-employer plans the Regional School Board accounts for them as defined contribution plans and as such no accrued liability is recorded and only the contributions paid or payable are expensed in the year.

## 9. Fair Value of Financial Assets and Financial Liabilities:

The fair value of the Board's accounts receivable and accounts payable approximate their carrying amounts due to the immediate short-term maturity of these financial instruments.

**10. Commitments:**

The Regional School Board is committed to rent premises under operating leases through to 2009 with minimum annual lease payments as follows:

| | | |
|---|---|---|
| 2007 | $ | 51,990 |
| 2008 | | 51,990 |
| 2009 | | 20,062 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue

| Year Ended March 31, 2006 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Province of Nova Scotia:** | | | |
| General formula | $ 120,966,499 | $ 119,837,954 | $ 112,806,997 |
| Special education | 8,673,100 | 9,037,559 | 8,264,100 |
| Textbook credit allocation | 1,417,700 | 1,606,169 | 1,263,400 |
| Teacher salary accrual | - | (917,000) | 3,607,000 |
| Vacation pay accrual | - | 66,775 | 181,613 |
| Special capital grants | 336,301 | 336,301 | 674,312 |
| French special projects | 83,714 | 86,979 | 95,075 |
| Service awards funding (Note 5) | - | 2,814,001 | 2,443,699 |
| Information Economy Initiative | 443,479 | 579,692 | 376,916 |
| Cobetec Grant | 100,000 | 100,000 | 100,000 |
| Adult High grant | 220,000 | 231,144 | 235,743 |
| Early Identification Intervention Services | - | - | 45,166 |
| Capital revenue | 47,000 | 44,749 | 47,104 |
| Other | - | 1,270,633 | 1,766,646 |
| | $ 132,287,793 | $ 135,094,956 | $ 131,907,771 |
| **Appropriation From Councils:** | | | |
| Municipality of Colchester | $ 5,242,529 | $ 5,242,524 | $ 4,990,728 |
| Municipality of Cumberland | 2,833,498 | 2,833,500 | 2,643,893 |
| Municipality of East Hants | 2,905,851 | 2,905,848 | 2,699,688 |
| Municipality of Pictou | 3,578,170 | 3,578,172 | 3,492,324 |
| Town of Amherst | 1,301,726 | 1,301,724 | 1,182,432 |
| Town of New Glasgow | 1,393,761 | 1,393,764 | 1,353,456 |
| Town of Oxford | 240,223 | 240,228 | 228,792 |
| Town of Parrsboro | 145,499 | 145,500 | 144,348 |
| Town of Pictou | 385,814 | 385,812 | 366,516 |
| Town of Springhill | 390,813 | 390,816 | 388,980 |
| Town of Stellarton | 600,535 | 600,297 | 586,011 |
| Town of Stewiacke | 164,367 | 164,367 | 154,176 |
| Town of Trenton | 302,735 | 302,735 | 294,312 |
| Town of Truro | 2,121,488 | 2,121,492 | 2,063,280 |
| Town of Westville | 285,826 | 285,828 | 272,040 |
| | $ 21,892,835 | $ 21,892,607 | $ 20,860,976 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue (Continued)

| Year Ended March 31, 2006 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Board Operations:** | | | |
| Public Private Partnership | $ 609,000 | $ 668,298 | $ 647,782 |
| Investment interest | 175,000 | 276,253 | 217,259 |
| Adult education fees | 105,000 | 122,588 | 99,401 |
| Rentals | 429,646 | 450,514 | 490,475 |
| Summer School | 38,000 | 41,573 | 38,682 |
| International Student Program | 922,359 | 1,347,941 | 1,281,897 |
| Other | 79,710 | 308,336 | 74,397 |
| | $ 2,358,715 | $ 3,215,503 | $ 2,849,893 |

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Government of Canada:** | | | |
| Secretary of State: | | | |
| Minority language | $ 49,000 | $ 76,351 | $ 61,264 |
| French special projects | 209,285 | 230,820 | 249,093 |
| Employment and Immigration Canada | - | 2,323 | 307,044 |
| Other | - | 17,308 | 50,927 |
| | $ 258,285 | $ 326,802 | $ 668,328 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD
Schedule B - Supplementary Details of Expenditures

| Year Ended March 31, 2006 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Board Governance:** | | | |
| Member honorarium | $ 146,500 | $ 146,501 | $ 136,892 |
| Secretarial wages | 46,658 | 45,423 | 47,489 |
| Benefits | 19,404 | 15,720 | 14,096 |
| Travel | 31,100 | 41,733 | 38,838 |
| Telecommunications | 10,000 | 7,279 | 8,451 |
| Supplies and materials | 15,360 | 7,644 | 8,287 |
| Professional development | 37,200 | 39,907 | (34,557) |
| Dues and fees | 103,004 | 102,222 | 100,492 |
| School board elections | - | - | 29,803 |
| | $ 409,226 | $ 406,429 | $ 349,791 |
| **Regional Management:** | | | |
| Salaries and wages | $ 2,746,106 | $ 2,751,736 | $ 2,587,757 |
| Employee benefits | 350,336 | 350,887 | 308,324 |
| Travel | 100,480 | 128,108 | 110,740 |
| Professional fees | 139,000 | 160,460 | 92,746 |
| Consulting and contracted services | 92,000 | 160,082 | 109,770 |
| Equipment | 60,000 | 81,628 | 126,724 |
| Telecommunications | 91,200 | 76,528 | 74,979 |
| Advertising | 51,500 | 48,413 | 40,426 |
| Supplies and materials | 309,898 | 314,492 | 326,906 |
| Professional development | 88,690 | 64,817 | 68,480 |
| Administrative services | 152,400 | 154,017 | 138,672 |
| | $ 4,181,610 | $ 4,291,168 | $ 3,985,524 |
| **School Management and Support:** | | | |
| Salaries and wages | $ 11,790,349 | $ 12,530,469 | $ 11,328,430 |
| Employee benefits | 981,024 | 1,004,507 | 870,075 |
| Travel | 113,650 | 136,535 | 83,952 |
| Equipment | - | 458,948 | 414,311 |
| Telecommunications | 120,250 | 52,762 | 47,981 |
| Curriculum development | 1,630,673 | 1,608,618 | 984,428 |
| Supplies and materials | 836,443 | 985,928 | 470,742 |
| Professional development | 1,041,360 | 781,588 | 965,968 |
| | $ 16,513,749 | $ 17,559,355 | $ 15,165,887 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD
Schedule B - Supplementary Details of Expenditures (Continued)

| Year Ended March 31, 2006 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Instruction and School Services:** | | | |
| Salaries and wages | $ 77,376,517 | $ 75,212,810 | $ 77,907,408 |
| Employee benefits | 4,348,031 | 4,511,999 | 4,228,736 |
| Service awards (Note 5) | 1,034,000 | 1,588,901 | 1,175,699 |
| Service award interest expense (Note 5) | - | 1,225,100 | 1,268,000 |
| Travel | 100,000 | 124,381 | 126,912 |
| Equipment | 114,054 | 308,681 | 524,592 |
| Telecommunications | 539,770 | 557,474 | 553,491 |
| Textbook credit allocation | 1,417,700 | 1,606,041 | 1,263,400 |
| Curriculum development | 60,698 | 109,930 | 97,444 |
| Supplies and materials | 1,901,814 | 2,119,255 | 1,932,260 |
| Professional development | 65,000 | 32,668 | 14,299 |
| | $ 86,957,584 | $ 87,397,240 | $ 89,092,241 |
| **Student Support:** | | | |
| Salaries and wages | $ 17,026,320 | $ 17,596,080 | $ 15,017,520 |
| Employee benefits | 1,495,444 | 1,625,349 | 1,330,018 |
| Travel | 84,950 | 116,836 | 103,534 |
| Equipment | - | 17,128 | 65,745 |
| Telecommunications | 27,250 | 32,668 | 25,818 |
| Supplies and materials | 340,100 | 443,097 | 415,407 |
| Professional development | - | 61,398 | 15,943 |
| | $ 18,974,064 | $ 19,892,556 | $ 16,973,985 |
| **Adult and Community Education:** | | | |
| Salaries and wages | $ 818,749 | $ 819,012 | $ 763,632 |
| Employee benefits | 140,322 | 135,648 | 109,243 |
| Travel | 13,000 | 23,095 | 15,723 |
| Facilities rental | 2,500 | 77 | - |
| Equipment | 30,000 | 63,100 | 63,474 |
| Telecommunications | 18,000 | 19,042 | 20,965 |
| Advertising | 29,000 | 26,488 | 24,208 |
| Supplies and materials | 97,000 | 75,797 | 56,432 |
| Professional development | 6,500 | 16,993 | 5,020 |
| | $ 1,155,071 | $ 1,179,252 | $ 1,058,697 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD
Schedule B - Supplementary Details of Expenditures (Continued)

| Year Ended March 31, 2006 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Property Services:** | | | |
| Salaries and wages | $ 8,350,282 | $ 8,838,373 | $ 8,361,811 |
| Employee benefits | 1,482,439 | 1,578,977 | 1,427,548 |
| Travel | 30,000 | 21,990 | 20,838 |
| Contract services | 378,300 | 496,145 | 527,794 |
| Repairs and maintenance | 4,716,299 | 4,496,963 | 2,638,811 |
| Vehicles | - | 168,024 | 181,134 |
| Telecommunications | 48,000 | 90,394 | 69,685 |
| Supplies and materials | 506,000 | 649,171 | 504,779 |
| Utilities | 6,488,000 | 6,286,317 | 5,996,313 |
| Professional development | 15,000 | 27,660 | 24,296 |
| Insurance | 570,000 | 601,221 | 596,854 |
| | $ 22,584,320 | $ 23,255,235 | $ 20,349,863 |
| **Pupil Transportation:** | | | |
| Salaries and wages | $ 4,458,158 | $ 4,465,551 | $ 4,477,485 |
| Employee benefits | 895,741 | 808,512 | 739,417 |
| Travel | 6,000 | 1,498 | 7,684 |
| Equipment | 15,008 | 33,757 | 68,144 |
| Vehicle | 1,739,000 | 1,855,410 | 1,132,198 |
| Contract conveyance | 2,220,000 | 1,883,108 | 2,112,372 |
| Telecommunications | 45,000 | 44,524 | 36,543 |
| Supplies and materials | 66,000 | 141,100 | 119,472 |
| Utilities | 59,000 | 51,445 | 58,652 |
| Professional development | 15,000 | 20,439 | 11,064 |
| Insurance | 221,412 | 234,634 | 271,437 |
| | $ 9,740,319 | $ 9,539,978 | $ 9,034,468 |
| **Other Programs:** | | | |
| Salaries and wages | $ 344,642 | $ 329,079 | $ 453,345 |
| Employee benefits | 25,743 | 22,357 | 33,092 |
| Travel | 17,000 | 18,400 | 27,399 |
| Homestays | 360,000 | 461,019 | 385,645 |
| Equipment | - | - | 70,385 |
| Contracted services | - | - | 72,248 |
| Telecommunications | 2,000 | 6,044 | 4,669 |
| Supplies and materials | 253,500 | 255,391 | 268,097 |
| Dues and fees | 2,300 | - | - |
| | $ 1,005,185 | $ 1,092,290 | $ 1,314,880 |

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Tangible Capital Assets

Year Ended March 31, 2006

| | Land | Building | Vehicles | 2006 Total | 2005 Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Opening Balance | $ 117,892 | $ 2,451,769 | $ 411,129 | $ 2,980,790 | $ 2,669,179 |
| Additions | - | - | 191,730 | 191,730 | 311,611 |
| Disposals | - | - | - | - | - |
| Closing Balance | 117,892 | 2,451,769 | 602,859 | 3,172,520 | 2,980,790 |
| **Accumulated Amortization:** | | | | | |
| Opening Balance | - | 256,922 | 94,158 | 351,080 | 163,622 |
| Disposals | - | - | - | - | - |
| Amortization Expense | - | 109,743 | 122,122 | 231,865 | 187,458 |
| Closing Balance | - | 366,665 | 216,280 | 582,945 | 351,080 |
| Net Book Value | $ 117,892 | $ 2,085,104 | $ 386,579 | $ 2,589,575 | $ 2,629,710 |
| **Net Book Value:** | | | | | |
| Opening Balance | $ 117,892 | $ 2,194,847 | $ 316,971 | $ 2,629,710 | $ 2,505,557 |
| Closing Balance | 117,892 | 2,085,104 | 386,579 | 2,589,575 | 2,629,710 |
| Increase (decrease) In Net Book Value | $ - | $ (109,743) | $ 69,608 | $ (40,135) | $ 124,153 |

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**
Schedule D - Trust Fund Balance Sheet

| March 31, 2006 | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | $ 108,478 | $ 29,345 |
| Investments | 320,558 | 397,481 |
| | $ 429,036 | $ 426,826 |
| **Equity** | | |
| Trust Funds (Schedule E) | 429,036 | 426,826 |
| | $ 429,036 | $ 426,826 |

See accompanying notes to financial statements.

On behalf of the Board:

______________________________Chairperson

______________________________Board Member

# CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD
Schedule E - Supplementary Details of Trust Funds

Year Ended March 31, 2006

| | 2005 | Addition | Interest | Disbursement | 2006 |
|---|---|---|---|---|---|
| ARHS Prize | $ 1,929 | $ - | $ 67 | $ 75 | $ 1,921 |
| Biggs | 21,535 | - | 615 | 500 | 21,650 |
| Blaikie | 985 | - | 13 | 500 | 498 |
| Brine | 1,169 | - | 70 | 40 | 1,199 |
| Campbell | 1,204 | - | 26 | 25 | 1,205 |
| Chignecto Family | 8,953 | 7,300 | 75 | 8,300 | 8,028 |
| Christie | 16,388 | 1,100 | 376 | 1,000 | 16,864 |
| Cole | 2,064 | - | 31 | 50 | 2,045 |
| Coleman | 231 | 269 | - | 500 | - |
| Decker | 5,915 | - | 67 | 200 | 5,782 |
| Dempsey | 41 | 110 | - | 40 | 111 |
| Devenne | 4,847 | - | 279 | - | 5,126 |
| Dowe | 711 | - | 16 | 20 | 707 |
| Dunbar | 2,915 | - | 175 | 90 | 3,000 |
| Eaton | 1,472 | - | 36 | - | 1,508 |
| Edwards | 4,996 | 1,365 | 82 | 500 | 5,943 |
| Fields | 1,724 | - | 100 | 100 | 1,724 |
| Fife | 875 | - | 1,000 | 1,850 | 25 |
| Fulmer | 26,164 | - | 1,055 | 1,000 | 26,219 |
| Gosse | 3,169 | - | 76 | 100 | 3,145 |
| Harrison | 5,190 | 100 | 297 | 250 | 5,337 |
| Hewson | 22,711 | - | 1,291 | 700 | 23,302 |
| Hunter | 45,405 | - | 1,188 | 1,000 | 45,593 |
| Kirkpatrick | 1,587 | 20 | 6 | 500 | 1,113 |
| LaFarge | 8,619 | - | 223 | 1,500 | 7,342 |
| Loggie | 14,209 | - | 227 | 337 | 14,099 |
| MacInnis | 2,000 | - | 95 | 95 | 2,000 |
| MacKenzie | 12,028 | - | 336 | 350 | 12,014 |
| McBrien | 4,730 | - | 148 | 250 | 4,628 |
| MacIver | 1,549 | - | 88 | 100 | 1,537 |
| McIver | 6,011 | - | 66 | 75 | 6,002 |
| Milner | 1,707 | - | 22 | 100 | 1,629 |
| Parrsboro Prize | 1,010 | - | 25 | 25 | 1,010 |
| Pugsley | 81,597 | - | 2,186 | 1,675 | 82,108 |
| Red Cross | 2,953 | - | 88 | 40 | 3,001 |
| Roach | 1,255 | - | 31 | - | 1,286 |
| Smith | 1,487 | - | 89 | 45 | 1,531 |
| Sorge | 5,302 | - | 319 | 150 | 5,471 |
| Stay-In-School | 13,965 | - | 391 | - | 14,356 |
| Taylor | 7,494 | - | 218 | 1,000 | 6,712 |
| Thompson | 13,036 | - | 175 | 175 | 13,036 |
| Tingley | 13,530 | - | 375 | 500 | 13,405 |
| Tye | 45,888 | 3,480 | 1,053 | 1,000 | 49,421 |
| Wilkes | 6,276 | 200 | 77 | 150 | 6,403 |
| | $ 426,826 | $ 13,944 | $ 13,173 | $ 24,907 | $ 429,036 |

# Colchester East Hants Health Authority

# Financial Statements

March 31, 2006

Grant Thornton

# Contents

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

To the Board of Directors of
**Colchester East Hants Health Authority**

We have audited the statement of financial position of **Colchester East Hants Health Authority** as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Colchester East Hants Health Authority** as at March 31, 2006, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia
May 30, 2006 Chartered Accountants

Suite 400
35 Commercial Street
Truro, Nova Scotia
B2N 5E8
**T** (902) 893-1150
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# Colchester East Hants Health Authority
## Statement of Financial Position
March 31, 2006

| | Operating Fund | Capital Fund | New Hospital Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current | | | | | |
| Cash and cash equivalents (Note 3) | $ 2,168,130 | $ - | $ 734,422 | **$ 2,902,552** | $ 3,506,645 |
| Receivables (Note 4) | 4,206,246 | 990,597 | 9,466 | **5,206,309** | 8,597,832 |
| Due from Other Funds | 322,060 | 114 | - | **322,174** | 328,568 |
| Inventories | 432,085 | - | - | **432,085** | 387,880 |
| Prepaids | 261,347 | - | - | **261,347** | 182,176 |
| | 7,389,868 | 990,711 | 743,888 | **9,124,467** | 13,003,101 |
| Other receivables (Note 5) | 3,314,530 | - | - | **3,314,530** | 2,859,386 |
| Capital assets (Note 6) | - | 11,563,651 | 1,467,773 | **13,031,424** | 13,949,444 |
| | $ 10,704,398 | $ 12,554,362 | $ 2,211,661 | **$ 25,470,421** | $ 29,811,931 |
| **Liabilities** | | | | | |
| Current | | | | | |
| Payables and accruals (Note 7) | $ 6,082,136 | $ 629,012 | $ 3,350 | **$ 6,714,498** | $ 7,802,381 |
| Due to Other Funds | - | 294,581 | 27,593 | **322,174** | 328,568 |
| Deferred revenue | 1,586,781 | 85,725 | 692,387 | **2,364,893** | 5,038,201 |
| | 7,668,917 | 1,009,318 | 723,330 | **9,401,565** | 13,169,150 |
| Retirement allowances (Note 8) | 3,314,530 | - | - | **3,314,530** | 2,859,386 |
| | 10,983,447 | 1,009,318 | 723,330 | **12,716,095** | 16,028,536 |
| **Fund balances (Page 4)** | | | | | |
| Restricted | - | - | 1,488,331 | **1,488,331** | - |
| Unrestricted deficit | (279,049) | - | - | **(279,049)** | (148,903) |
| Unrestricted – investment in capital assets | - | 11,545,044 | - | **11,545,044** | 13,932,298 |
| | (279,049) | 11,545,044 | 1,488,331 | **12,754,326** | 13,783,395 |
| | $ 10,704,398 | $ 12,554,362 | $ 2,211,661 | **$ 25,470,421** | $ 29,811,931 |

Commitments (Note 11)

On Behalf of the Board

_____________________________ Chair      _____________________________ Chief Executive Officer

See accompanying notes to the financial statements

# Colchester East Hants Health Authority
## Statement of Operations – Operating Fund

| Year Ended March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| Revenues | | | | |
| Nova Scotia Department of Health | **$** | **50,820,757** | $ | 47,050,353 |
| Charges to M.S.I. | | **3,298,938** | | 3,247,901 |
| Department of Veterans Affairs | | **422,561** | | 441,631 |
| In-patients | | **666,698** | | 799,804 |
| Out-patients | | **375,738** | | 323,510 |
| Rental income | | **269,394** | | 270,148 |
| Addiction services | | **81,454** | | 69,167 |
| Operating room services | | **107,200** | | 86,180 |
| Investment income | | **77,383** | | 59,390 |
| Food services | | **142,326** | | 136,956 |
| Foundation | | **342,962** | | - |
| Laboratory | | **165,350** | | 87,687 |
| Other income | | **86,208** | | 73,291 |
| | | **56,856,969** | | 52,646,018 |
| Expenses | | | | |
| In-patient services | | **19,183,469** | | 18,415,750 |
| Ambulatory services | | **11,724,049** | | 10,956,465 |
| Diagnostic and therapeutic services | | **9,015,509** | | 8,156,352 |
| Support services | | **12,933,317** | | 11,742,942 |
| Community health board initiatives | | **110,560** | | 67,199 |
| Community services | | **2,890,040** | | 2,443,252 |
| Rental expenses | | **199,858** | | 184,963 |
| Education and library | | **105,865** | | 91,971 |
| Increase in vacation pay accrual | | **71,204** | | 141,428 |
| Retirement allowance benefits | | **753,244** | | 594,530 |
| | | **56,987,115** | | 52,794,852 |
| Excess of expenses over revenues | **$** | **(130,146)** | $ | (148,834) |

See accompanying notes to the financial statements

# Colchester East Hants Health Authority
## Statement of Changes in Fund Balances
Year Ended March 31, 2006

| | Operating Fund | Capital Fund | New Hospital Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|---|
| **Restricted** | | | | | |
| Balance, beginning of year | $ - | $ - | $ - | **$ -** | $ 19,048 |
| Investment income | - | - | 20,558 | **20,558** | - |
| Transfer to unrestricted | - | - | - | **-** | (19,048) |
| Transfer from unrestricted | - | - | 217,434 | **217,434** | - |
| Capital asset funding | | | | | |
| Department of Health | - | - | 937,754 | **937,754** | - |
| Foundation | - | - | 312,585 | **312,585** | - |
| Balance, end of year | $ - | $ - | $ 1,488,331 | **$ 1,488,331** | $ - |

| | Operating Fund | Capital Fund | New Hospital Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|---|
| **Unrestricted** | | | | | |
| Balance, beginning of year | $ (148,903) | $ 13,932,298 | $ - | **$ 13,783,395** | $ 15,635,435 |
| Transfer from restricted | - | - | - | **-** | 19,048 |
| Transfer to restricted | - | (217,434) | - | **(217,434)** | - |
| Nova Scotia Department of Health | - | - | - | **-** | 763,000 |
| Excess of expenses over revenues | (130,146) | - | - | **(130,146)** | (147,914) |
| Capital asset funding | | | | | |
| Department of Health | - | 478,061 | - | **478,061** | 676,579 |
| Department of Health – Federally funded medical equipment | - | 471,604 | - | **471,604** | 425,596 |
| Foundations | - | 417,396 | - | **417,396** | 629,337 |
| Auxiliaries | - | 8,479 | - | **8,479** | 117,413 |
| Amortization | - | (3,545,360) | - | **(3,545,360)** | (4,334,620) |
| Capital debt charges | - | - | - | **-** | (479) |
| Balance, end of year | $ (279,049) | $ 11,545,044 | $ - | **$ 11,265,995** | $ 13,783,395 |

See accompanying notes to the financial statements

# Colchester East Hants Health Authority
## Statement of Cash Flows

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operations** | | |
| Excess of expenses over revenues – Operating Fund | **$ (130,146)** | $ (148,834) |
| Investment income – New Hospital Fund | **20,558** | - |
| Excess of revenues over expenses – Capital Fund | **-** | 920 |
| | **(109,588)** | (147,914) |
| Change in non-cash working capital | | |
| Receivables | **2,936,379** | (2,958,084) |
| Inventories | **(44,205)** | (50,842) |
| Prepaids | **(79,171)** | (12,363) |
| Payables and accruals | **(632,739)** | 473,488 |
| Deferred revenue | **(2,673,308)** | 1,964,785 |
| | **(602,632)** | (730,930) |
| **Financing and investing** | | |
| Nova Scotia Department Health | **-** | 763,000 |
| Capital asset funding | **2,625,879** | 1,848,925 |
| Capital debt charges | **-** | (479) |
| Purchase of capital assets | **(2,627,340)** | (1,852,292) |
| Repayment of capital lease | **-** | (19,048) |
| | **(1,461)** | 740,106 |
| Net (decrease) increase in cash and cash equivalents | **(604,093)** | 9,176 |
| Cash and cash equivalents, beginning of year | **3,506,645** | 3,497,469 |
| Cash and cash equivalents, end of year | **$ 2,902,552** | $ 3,506,645 |

See accompanying notes to the financial statements

### 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 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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

**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**

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.

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

### Revenue recognition

Colchester East Hants Health Authority follows the deferral method of accounting for contributions.

i) Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.
ii) Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.
iii) Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

### Inventories

Inventories are recorded at the lower of average cost or replacement value.

### Capital assets

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

| | |
|---|---|
| Buildings and land improvements – Colchester Regional Hospital | 7 years |
| Buildings – Lillian Fraser Memorial Hospital | 50 years |
| Land improvements – Lillian Fraser Memorial Hospital | 20 years |
| Equipment | 5-20 years |
| Equipment under capital lease | 5-20 years |

Amortization on construction in progress is not recorded until the projects are completed.

During the year, the health authority changed its estimate of the remaining useful life of the Colchester Regional Hospital building and land improvements to 7 years. As a result, the amortization period changed from 6 years to 7 years. This change has been applied prospectively and the impact on current year's amortization is a decrease of $403,613.

### 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

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

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

**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, and deferred revenue. 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.

### 3. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $61,052 (2005 - $62,132) held in trust on behalf of employees' deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

### 4. Receivables

| | Operating Fund | Capital Fund | New Hospital Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|---|
| Charges to M.S.I. | $ 242,788 | $ - | $ - | **$ 242,788** | $ 145,726 |
| Foundations and auxiliaries | 411,688 | 400,557 | 8,658 | **820,903** | 516,889 |
| Harmonized sales tax | 245,954 | 83,756 | 808 | **330,518** | 426,203 |
| Patients | 388,993 | - | - | **388,993** | 351,986 |
| Veterans Affairs Canada | 82,967 | - | - | **82,967** | 6,492 |
| Other District Health Authorities | 196,430 | - | - | **196,430** | 472,594 |
| Other | 258,793 | - | - | **258,793** | 364,221 |
| | 1,827,613 | 484,313 | 9,466 | **2,321,392** | 2,284,111 |
| Nova Scotia Department of Health | | | | | |
| Construction and equipment | - | 506,284 | - | **506,284** | 2,439,787 |
| Contracts, NShIS and other | 1,186,464 | - | - | **1,186,464** | 2,681,765 |
| Vacation pay | 1,192,169 | - | - | **1,192,169** | 1,192,169 |
| | 2,378,633 | 506,284 | - | **2,884,917** | 6,313,721 |
| | $ 4,206,246 | $ 990,597 | $ 9,466 | **$ 5,206,309** | $ 8,597,832 |

## 5. Other receivables

| | Total 2006 | Total 2005 |
|---|---|---|
| Nova Scotia Department of Health | | |
| Retirement allowances | **$ 3,314,530** | $ 2,859,386 |

## 6. Capital assets

| | | | 2006 | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| **Capital Fund** | | | | |
| Land | $ 155,349 | $ - | **$ 155,349** | $ 155,349 |
| Land improvements | 272,415 | 138,523 | **133,892** | 187,914 |
| Buildings | 18,102,771 | 11,073,859 | **7,028,912** | 8,907,099 |
| Equipment | 7,981,388 | 4,225,644 | **3,755,744** | 4,369,444 |
| Equipment under capital lease | 174,693 | 154,160 | **20,533** | 38,002 |
| Construction in progress | 469,221 | - | **469,221** | 74,202 |
| | 27,155,837 | 15,592,186 | **11,563,651** | 13,732,010 |
| **New Hospital Fund** | | | | |
| Land and site costs | 1,301,415 | - | **1,301,415** | 88,075 |
| Construction in progress | 166,358 | - | **166,358** | 129,359 |
| | 1,467,773 | - | **1,467,773** | 217,434 |
| | $ 28,623,610 | $ 15,592,186 | **$ 13,031,424** | $ 13,949,444 |

## 7. Payables and accruals

| | Operating Fund | Capital Fund | New Hospital Fund | Total 2006 | Total 2005 |
|---|---|---|---|---|---|
| Trade | $ 4,110,103 | $ 629,012 | $ 3,350 | **$ 4,742,465** | $ 5,901,551 |
| Vacation pay | 1,972,033 | - | - | **1,972,033** | 1,900,830 |
| | $ 6,082,136 | $ 629,012 | $ 3,350 | **$ 6,714,498** | $ 7,802,381 |

## 8. Retirement allowances

Retirement allowances paid to employees upon retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments' agencies and boards. The last actuarial valuation was conducted as at December 31, 2003.

**8. Retirement allowances (continued)**

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 13 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 about the health authority's retirement benefit plan is as follows:

| | | **2006** | | 2005 |
|---|---|---|---|---|
| **Accrued benefit obligation** | | | | |
| Balance, beginning of year | **$** | **2,859,386** | $ | 2,664,856 |
| Current service cost | | **255,200** | | 238,100 |
| Plan amendment | | **-** | | 125,000 |
| Interest cost | | **206,900** | | 189,000 |
| Amortization of experience gains/losses | | **291,144** | | 42,430 |
| Estimated benefits paid | | **(298,100)** | | (400,000) |
| Balance, end of year | **$** | **3,314,530** | $ | 2,859,386 |
| | | | | |
| Funded status – plan deficit | **$** | **(3,662,200)** | $ | (3,232,600) |
| Unamortized net actuarial loss | | **347,670** | | 373,214 |
| Accrued benefit liability recognized | **$** | **(3,314,530)** | $ | (2,859,386) |

The health authority's net expense for the retirement allowance is as follows:

| | | | | |
|---|---|---|---|---|
| Retirement allowance | **$** | **753,244** | $ | 594,530 |

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2006:

| | |
|---|---|
| Discount rate | 5.95% |
| Rate of compensation increase | 3.40 – 5.90% |
| Termination rates | 1.2 – 20% |

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

## 9. 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 Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2003 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, 2003. 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 $1,823,538 (2005 - $1,679,284).

## 10. 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, 2006.

## 11. Commitments

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:

| | | |
|---|---|---|
| 2007 | $ | 443,434 |
| 2008 | $ | 344,259 |
| 2009 | $ | 317,433 |
| 2010 | $ | 285,152 |
| 2011 | $ | 267,332 |

## 12. Other matters

The health authority is committed to the replacement of the Colchester Regional Hospital facility with expected total costs of $104,000,000. The funding policy for this project is on a shared basis between the Province of Nova Scotia and the Colchester Regional Hospital Foundation. The Colchester Regional Hospital Foundation has committed to fundraise up to $25,000,000.

### 13. 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, 2006 are available from the individual financial statements of the related entities.

### 14. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

# Conseil scolaire acadien provincial

# Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton

# AUDITORS' REPORT

To the President and Members of the
**Conseil scolaire acadien provincial**

We have audited the statement of financial position of the **Conseil scolaire acadien provincial** as at March 31, 2006 and the related statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

On March 30, 2005, The Province of Nova Scotia implemented a new financial handbook for March 31, 2005 and for future years. The new handbook requires all school boards to include all revenues, expenses and the financial position of school based funds. The school board did not include any school based fund activity in the current year financial statements. In addition, the client could not provide us with the financial information for these funds (except for the information presented in note 4). Consequently, we were not able to audit any of the school based activities, and did not perform any audit procedures on any of the funds generated by the schools.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves by examining the accounting records for the school based funds at March 31, 2006 referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Conseil scolaire acadien provincial as at March 31, 2006 and the results of its operations, changes in net debts and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Grant Thornton LLP

Yarmouth, Nova Scotia
May 25, 2006

Chartered Accountants

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## Conseil scolaire acadien provincial
## Statement of Financial Position

| March 31 | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 474,367** | $ 459,449 |
| Accounts receivable | | |
| Province of Nova Scotia | **3,287,469** | 3,867,025 |
| Government of Canada | **1,620,470** | 994,558 |
| Other | **234,811** | 436,915 |
| | **$ 5,617,117** | $ 5,757,947 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities - trade | **$ 1,953,873** | $ 1,789,279 |
| Payables and Accruals - Government | | |
| Province of Nova Scotia | **35,334** | 668,616 |
| Government of Canada | **330,272** | 679,506 |
| Municipalities | **97,966** | 97,940 |
| Other | **31,206** | 26,915 |
| Future employee benefits (Note 2) | **606,953** | 771,242 |
| Deferred revenues | **422,725** | 56,401 |
| Province of Nova Scotia – Pension plan | **2,164,515** | 2,214,912 |
| | **5,642,844** | 6,304,811 |
| **Net debt** | **(25,727)** | (546,864) |
| **Non-financial assets** | | |
| Prepaid expenses | **48,744** | 31,722 |
| **Accumulated surplus (deficit)** | **$ 23,017** | $ (515,142) |

On behalf of the Board

_______________________ President _______________________ Board member

See accompanying notes to the financial statements.

## Conseil scolaire acadien provincial
## Statement of Operations and Accumulated Surplus

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenues** | | | |
| Province of Nova Scotia | **$ 32,817,000** | **$ 33,449,946** | $ 32,117,546 |
| Government of Canada | **1,301,300** | **1,759,818** | 1,124,605 |
| Municipal contributions | **-** | **-** | 400 |
| Other revenues | **150,000** | **463,162** | 462,417 |
| Program development project | **648,600** | **811,060** | 591,959 |
| | **34,916,900** | **36,483,986** | 34,296,927 |
| **Expenses** | | | |
| Board governance | **473,400** | **416,768** | 441,124 |
| Regional management | **1,731,900** | **1,805,035** | 1,623,319 |
| School management and support | **2,616,900** | **2,896,159** | 2,649,799 |
| Instructional and school services | **17,878,370** | **17,291,833** | 17,489,104 |
| Student support | **3,163,400** | **3,579,988** | 3,076,871 |
| Property services | **4,230,200** | **4,981,467** | 4,695,911 |
| Student transportation | **3,945,800** | **4,084,739** | 3,701,824 |
| Other programs | **125,300** | **78,778** | 119,924 |
| Program development project | **648,600** | **811,060** | 591,959 |
| | **34,813,870** | **35,945,827** | 34,389,835 |
| Annual surplus (deficit) | **103,030** | **538,159** | (92,908) |
| Accumulated deficit, beginning of year | | **(515,142)** | (422,234) |
| Accumulated surplus (deficit), end of year | | **$ 23,017** | $ (515,142) |

## Statement of Change in Net Debt

| | 2006 | 2005 |
|---|---|---|
| Net debt – as originally reported | **$ (546,864)** | $ (441,842) |
| Annual surplus (deficit) | **538,159** | (92,908) |
| | **(8,705)** | (534,750) |
| Increase in prepaid expenses | **(17,022)** | (12,114) |
| Net debt at end of year | **$ (25,727)** | $ (546,864) |

See accompanying notes to the financial statements.

## Conseil scolaire acadien provincial
## Statement of Cash Flow

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| **Operating transactions** | | |
| Annual surplus (deficit) | **$ 538,159** | $ (92,908) |
| Decrease (increase) in accounts receivable | **155,748** | (1,290,769) |
| Increase in prepaid expenses | **(17,022)** | (12,114) |
| (Decrease) increase in accounts payable and accrued liabilities | **(1,028,291)** | 1,738,049 |
| Increase in deferred revenues | **366,324** | 36,266 |
| **Net increase in cash and cash equivalents** | **14,918** | 378,524 |
| Cash and cash equivalents, beginning of year | **459,449** | 80,925 |
| Cash and cash equivalents, end of year | **$ 474,367** | $ 459,449 |

See accompanying notes to the financial statements.

## Conseil scolaire acadien provincial
## Schedule A – Supplementary Details of Revenues

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenues** | | | |
| **Province of Nova Scotia** | | | |
| Operating | **$ 29,770,000** | **$ 29,655,701** | $ 28,875,591 |
| Restricted | **2,182,600** | **2,116,057** | 1,739,297 |
| Property | **-** | **-** | 59,009 |
| Maintenance | **656,000** | **656,000** | 663,700 |
| Other | **208,400** | **1,022,188** | 779,949 |
| | **$ 32,817,000** | **$ 33,449,946** | $ 32,117,546 |
| **Government of Canada** | | | |
| Formula Funding | **$ 148,800** | **$ 147,444** | $ 187,501 |
| Special measures and projects, other | **1,152,500** | **1,612,374** | 937,104 |
| | **$ 1,301,300** | **$ 1,759,818** | $ 1,124,605 |
| **Municipal Contribution** | | | |
| Supplementary | **$ -** | **$ -** | $ 400 |
| **Other revenues** | | | |
| Board generated | **$ 75,000** | **$ 74,374** | $ 69,206 |
| Location | **-** | **7,000** | - |
| Interest | **25,000** | **31,268** | 21,617 |
| Recoveries – Non-government | **-** | **306,271** | 321,962 |
| Sale of vehicles/materials | **10,000** | **-** | 11,196 |
| Donations | **10,000** | **2,176** | 6 927 |
| Grants – Non-governmental | **30,000** | **25,773** | 31,509 |
| Other government services | **-** | **16,300** | - |
| | **$ 150,000** | **$ 463,162** | $ 462,417 |
| **Project – Program development** | **$ 648,600** | **$ 811,060** | $ 591,959 |
| | **$ 34,916,900** | **$ 36,483,986** | $ 34,296,927 |

# Conseil scolaire acadien provincial
# Schedule B – Supplementary Details of Expenses

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Expenses** | | | |
| **Board Governance** | | | |
| Board members | $ 336,500 | $ 311,573 | $ 338,511 |
| Board secretary | 52,100 | 52,531 | 50,639 |
| NSSBA and other | 84,800 | 52,664 | 51,974 |
| | $ 473,400 | $ 416,768 | $ 441,124 |
| **Regional Management** | | | |
| Management | $ 952,300 | $ 1,033,320 | $ 902,405 |
| Financial services | 357,900 | 342,334 | 307,870 |
| Human resource services | 228,300 | 223,526 | 222,720 |
| Communications | 84,100 | 95,614 | 82,725 |
| Information technology | 109,300 | 110,241 | 107,599 |
| | $ 1,731,900 | $ 1,805,035 | $ 1,623,319 |
| **School Management and Support** | | | |
| Management | $ 2,241,400 | $ 2,383,214 | $ 2,278,007 |
| Program and curriculum | 273,300 | 344,189 | 271,177 |
| Information technology | 102,200 | 168,756 | 100,615 |
| | $ 2,616,900 | $ 2,896,159 | $ 2,649,799 |
| **Instructional and School Services** | | | |
| Instruction | $16,850,770 | $16,312,229 | $16,481,676 |
| Guidance | 336,000 | 334,546 | 340,948 |
| Library | 258,800 | 258,861 | 239,306 |
| Information technology | 432,800 | 386,197 | 427,174 |
| | $17,878,370 | $17,291,833 | $17,489,104 |
| **Student Support** | | | |
| Program management | $ 108,700 | 117,850 | $ 106,673 |
| Instruction | 1,418,800 | 1,386,735 | 1,377,885 |
| Program and curriculum | 1,635,900 | 2,075,403 | 1,592,313 |
| | $ 3,163,400 | $ 3,579,988 | $ 3,076,871 |
| **Property Services** | | | |
| Management | $ 143,800 | $ 12,773 | $ 267,350 |
| Custodial Services | 1,417,600 | 1,386,219 | 1,383,325 |
| Maintenance | 2,524,700 | 3,389,876 | 2,903,595 |
| Grounds | 144,100 | 192,599 | 141,641 |
| | $ 4,230,200 | $ 4,981,467 | $ 4,695,911 |
| **Student Transportation** | | | |
| Management | $ 76,900 | $ 67,659 | $ 61,052 |
| Transport (Board) | 1,098,000 | 1,059,873 | 1,048,880 |
| Maintenance (Board) | 327,400 | 396,356 | 323,512 |
| Transportation (contractual) | 2,441,200 | 2,558,946 | 2,266,158 |
| Site maintenance | 2,300 | 1,905 | 2,222 |
| | $ 3,945,800 | $ 4,084,739 | $ 3,701,824 |

## 1. Financial Reporting and Accounting Policies

Except for the presentation of the school based funds, these financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

There financial statements have been prepared using the following significant accounting policies:

### Significant accounting policies

**Revenues**
Revenues are recorded on an accrual basis. The main components of revenue are funding from the Province of Nova Scotia and the Government of Canada.

**Expenses**
Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

**Financial Assets**
Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principal amount less valuation allowances.

**Financial liabilities**
The teachers are covered by a pension plan established by the Province pursuant to the *Teachers' Pension Act.* Non-unionized staff is covered by a pension plan established and administered by the *Nova Scotia School Boards Association.*

**Net Debt**
Net Debt represents the direct liabilities of the Board less financial assets.

**Accumulated Deficit/Surplus**
Accumulated Deficit/Surplus represents the liabilities of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

**Non Financial Assets**
Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown (and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right. The buildings and school buses financed by the Province of Nova Scotia and transferred to the school boards are not accounted for in the school board's financial statements, rather they are included in the Province of Nova Scotia's financial statements. The Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. At March 31, 2006, none of the capital assets purchased by the Board qualified as tangible capital assets. The thresholds as defined in the policy are as follows:

| | |
|---|---|
| Buildings | $250,000 |
| Leasehold improvements | $150,000 |
| Computer hardware | $ 25,000 |
| Motor vehicles | $ 15,000 |
| Equipment | $ 50,000 |
| Software | $250,000 |

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

## 2. Change in accounting policy

A change in accounting policy (an accrual of $771,242 in future employee benefits) was implemented at the end of the March 31, 2005 fiscal year to conform to the new accounting handbook as produced by the Department of Education. At the fiscal year end of 2006, the total amount is $606,953. Since the amount was entirely financed by the Province of Nova Scotia, the change in policy has no effect on the Board's surplus.

## 3. Comparative Figures

Certain of the 2005 comparative figures have been restated in order to conform to the presentation adopted in the current year.

## 4. Funds generated by schools

At March 31, 2006, the schools under the jurisdiction of the Conseil scolaire acadien provincial had total cash of $849,099 (2005: $757,238), which was accumulated through school based activities. The major school based activities would include student union events, school sports, cafeteria and canteen revenues and educational trips for the students. This cash amount was not subjected to an audit, as outlined in the audit report. The detail of the funds (unaudited) are presented as follows:

# Conseil scolaire acadien provincial
# Notes to the Financial Statements
**Year ended March 31**

### 4. School based funds (unaudited) (continued)

| | March 31 2005 | Adjustments | Receipts | Disbursements | March 31 2006 |
|---|---|---|---|---|---|
| Centre scolaire Étoile de l'Acadie | $ 25,054 | $ - | $ 55,454 | $ 71,646 | $ 8,862 |
| École acadienne de Pomquet | 25,792 | (3,425) | 49,661 | 54,656 | 17,372 |
| École acadienne de Truro | 5,832 | - | 60,690 | 57,337 | 9,185 |
| École Beaubassin | 3,952 | - | 107,789 | 86,299 | 25,442 |
| École Beau-Port | 33,708 | 33,756 | 167,319 | 174,736 | 60,047 |
| École Belleville | 7,803 | - | 71,607 | 61,189 | 18,221 |
| École Bois-Joli | 34,793 | (2,942) | 87,682 | 89,034 | 30,498 |
| École de la Rive-Sud | 2,787 | - | 23,878 | 24,755 | 1,910 |
| École du Carrefour | 20,278 | 359 | 115,696 | 86,739 | 49,594 |
| École Jean-Marie-Gay | 28,908 | - | 69,115 | 66,309 | 31,714 |
| École Joseph-Dugas | 24,386 | 260 | 142,633 | 138,341 | 28,938 |
| École NDA | 140,982 | 23,293 | 225,242 | 253,532 | 135,985 |
| École Pubnico-Ouest | 26,439 | 1,267 | 88,076 | 81,790 | 33,992 |
| École Rose-des-Vents | 26,553 | 2,588 | 69,985 | 75,620 | 23,507 |
| École Saint-Albert | 38,408 | (2,090) | 39,600 | 35,085 | 40,833 |
| École secondaire de Clare | 107,372 | 1,049 | 243,491 | 216,530 | 135,382 |
| École secondaire de Par-en-Bas | 157,879 | (7,340) | 300,821 | 297,435 | 153,925 |
| École Stella-Maris | 20,124 | 8,013 | 97,505 | 99,363 | 26,279 |
| École Wedgeport | 26,187 | 1,567 | 66,781 | 77,122 | 17,413 |
| | $ 757,237 | $ 56,355 | $ 2,083,025 | $ 2,047,518 | $ 849 099 |

# Cumberland Health Authority
# Financial Statements

March 31, 2006

## Contents

sj mcisaac

CHARTERED ACCOUNTANT

## AUDITOR'S REPORT

To the Board of Directors of Cumberland Health Authority

I have audited the statement of financial position of Cumberland Health Authority as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Cumberland Health Authority as at March 31, 2006 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SJ McIsaac

Chartered Accountant

Amherst, Nova Scotia
June 13, 2006

P.O. Box 217 · Amherst · Nova Scotia B4H 3Z2 Phone: (902) 661-1027 Fax: (902) 667-0884

## Cumberland Health Authority
## Statement of Financial Position
**March 31, 2006**

| | Operating Fund | Capital Fund | Special Funds | **2006 Total** | 2005 Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current | | | | | |
| Cash and cash equivalents | $ 545,266 | $ - | $ 60,423 | **$ 605,689** | $ 78,267 |
| Receivables (Note 4) | 3,834,353 | 659,661 | 14,500 | **4,508,514** | 4,643,228 |
| Due from Capital Fund | 695,782 | - | - | **695,782** | 1,108,034 |
| Due from Special Funds | - | 27,637 | - | **27,637** | - |
| Due from Operating Fund | - | - | 36,462 | **36,462** | 26,462 |
| Inventories | 314,137 | - | - | **314,137** | 259,872 |
| Prepaids | 179,757 | - | - | **179,757** | 216,851 |
| | 5,569,295 | 687,298 | 111,385 | **6,367,978** | 6,332,714 |
| Other receivables (Note 5) | 3,650,380 | | | **3,650,380** | 3,838,881 |
| Deferred charges | 53,926 | - | - | **53,926** | 146,372 |
| Land, buildings and equipment (Note 6) | - | 58,565,926 | - | **58,565,926** | 60,518,352 |
| | $ 9,273,601 | $ 59,253,224 | $ 111,385 | **$ 68,638,210** | $ 70,836,319 |
| **Liabilities** | | | | | |
| Current | | | | | |
| Bank overdraft | $ - | $ - | $ - | **$ -** | $ 638,898 |
| Payables and accruals (Note 7) | 5,199,066 | 1,060,045 | - | **6,259,111** | 4,573,817 |
| Due to Capital Fund | - | - | 27,637 | **27,637** | - |
| Due to Special Funds | 36,462 | - | | **36,462** | - |
| Due to Operating Fund | - | 695,782 | - | **695,782** | 1,134,496 |
| Deferred revenue (Note 10) | 1,222,097 | 396,178 | - | **1,618,275** | 3,747,561 |
| Current portion of advance from province (Note 11) | - | 299,398 | - | **299,398** | 240,840 |
| | 6,457,625 | 2,451,403 | 27,637 | **8,936,665** | 10,335,612 |
| Long term debt | | | | | |
| Employee future benefits (Note 8) | 2,733,502 | - | - | **2,733,502** | 2,824,660 |
| Advance from province (Note 11) | - | 74,849 | - | **74,849** | 160,560 |
| | 9,191,127 | 2,526,252 | 27,637 | **11,745,016** | 13,320,832 |
| **Fund balances (Page 4)** | | | | | |
| Restricted (Note 15) | - | - | 83,748 | **83,748** | 85,812 |
| Unrestricted | 82,474 | 56,726,972 | - | **56,809,446** | 57,429,675 |
| | 82,474 | 56,726,972 | 83,748 | **56,893,194** | 57,515,487 |
| | $ 9,273,601 | $ 59,253,224 | $ 111,385 | **$ 68,638,210** | $ 70,836,319 |

Commitments (Note 13)

On Behalf of the Board

________________ Chairman ________________ Chief Executive Officer

See accompanying notes to the financial statements

## Cumberland Health Authority
## Statement of Operations
**Year Ended March 31**

| | Operating Fund | Capital Fund | **2006 Total** | 2005 Total |
|---|---|---|---|---|
| Revenues | | | | |
| Nova Scotia Department of Health | $ 40,891,752 | $ 828,852 | $ **41,720,604** | $ 37,239,989 |
| Charges to M.S.I. | 1,788,995 | - | **1,788,995** | 1,611,592 |
| In-patients | 442,967 | - | **442,967** | 187,406 |
| Out-patients | 1,633,332 | - | **1,633,332** | 1,005,823 |
| Long-term care | 1,297,985 | - | **1,297,985** | 1,252,816 |
| Cafeteria income | 151,100 | - | **151,100** | 131,785 |
| Investment income | 20,827 | - | **20,827** | 14,288 |
| Mental Health joint projects | 3,548 | - | **3,548** | 10,328 |
| Other income | 83,528 | 295,035 | **378,563** | 825,488 |
| | 46,314,034 | 1,123,887 | **47,437,921** | 42,279,515 |
| Expenses | | | | |
| In-patient services | 14,752,884 | - | **14,752,884** | 12,997,053 |
| Ambulatory services | 7,843,666 | - | **7,843,666** | 6,998,940 |
| Diagnostic and therapeutic services | 6,518,768 | - | **6,518,768** | 6,046,378 |
| Support services | 13,538,479 | - | **13,538,479** | 12,654,300 |
| Community services | 3,178,796 | - | **3,178,796** | 2,665,572 |
| Increase in vacation pay accrual | 213,235 | - | **213,235** | 283,840 |
| Amortization | - | 2,953,205 | **2,953,205** | 3,035,509 |
| Employee future benefits (Note 8) | 127,442 | - | **127,442** | 362,622 |
| | 46,173,270 | 2,953,205 | **49,126,475** | 45,044,214 |
| Excess of revenues over expenses (expenses over revenues) before additional funding | 140,764 | (1,829,318) | **(1,688,554)** | (2,764,699) |
| Funding for 2004/2005 operating deficit | 1,068,325 | - | **1,068,325** | - |
| Excess of revenues over expenses (expenses over revenues) | $ 1,209,089 | $ (1,829,318) | $ **(620,229)** | $ (2,764,699) |

See accompanying notes to the financial statements

## Cumberland Health Authority
## Statement of Changes in Fund Balances
**Year Ended March 31**

| | Operating Fund | Capital Fund | Special Funds (Note 15) | **2006 Total** | 2005 Total |
|---|---|---|---|---|---|
| Balance, beginning of period | $ (1,126,615) | $ 58,556,290 | $ 85,812 | **$ 57,515,487** | $ 60,252,635 |
| Excess of revenues over expenses (expenses over revenues) | 1,209,089 | (1,829,318) | (2,064) | **(622,293)** | (2,737,148) |
| Balance, end of period | $ 82,474 | $ 56,726,972 | $ 83,748 | **$ 56,893,194** | $ 57,515,487 |

See accompanying notes to the financial statements

## Cumberland Health Authority
## Statement of Cash Flows
**Year Ended March 31**

| | 2006 | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operations** | | |
| Excess of revenues over expenses - Operating Fund | **$ 1,209,089** | $ (1,068,325) |
| Excess of revenues over expenses - Special Funds | **(2,064)** | 27,550 |
| | **1,207,025** | (1,040,775) |
| Change in non-cash working capital | | |
| Receivables | **323,215** | (2,092,602) |
| Inventories | **(54,265)** | (3,190) |
| Prepaids | **37,094** | (2,968) |
| Deferred charges | **92,446** | 92,446 |
| Payables and accruals | **1,594,136** | 143,193 |
| Deferred revenue | **(2,129,286)** | 164,609 |
| | **1,070,365** | (2,739,287) |
| **Financing and investing** | | |
| Capital asset funding | **1,123,887** | 1,339,135 |
| Interfund transfer - capital asset funding | **-** | 2,390 |
| Purchase of capital assets | **(1,000,779)** | (1,773,834) |
| Repayment of advance from province | **(27,153)** | (2,390) |
| | **95,955** | (434,699) |
| Decrease in restricted funds | **-** | (2,390) |
| | **95,955** | (437,089) |
| Net increase (decrease) in cash and cash equivalents | **1,166,320** | (3,176,376) |
| Cash and cash equivalents, beginning of period | **(560,631)** | 2,615,745 |
| Cash and cash equivalents, end of period | **$ 605,689** | $ (560,631) |

See accompanying notes to the financial statements

## 1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Cumberland Regional Health Care Centre, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services including Mental Health, Public Health and Addiction Services.

## 2. Health Authorities Act

Cumberland 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, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and other health care services referred to above.

## 3. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

### Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

### Fund accounting

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 Authority's capital assets. Endowment contributions are reported in the Endowment Fund, and included with Special Funds.

### Revenue recognition

Cumberland Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

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

**Inventories**

Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific identification for pharmaceuticals.

**Deferred Charges**

The cost of obtaining a maintenance contract for equipment is deferred and amortized on a straight-line basis over the four year life of the contract. Amortization of deferred charges expensed for the year ended March 31, 2006 amounted to $92,446 (2005 – $92,446).

**Land, buildings and equipment**

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is charged to the capital fund balance and is provided on a straight line basis at the following rates:

| | |
|---|---|
| Buildings | 2% |
| Land improvements | 5% |
| Equipment | 5-20% |
| Equipment under capital lease | 5-20% |

Amortization on construction in progress is not recorded until the projects are completed.

**Compensation accruals**

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

**Employee benefit plans**

The Cumberland Health Authority follows the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The Province of Nova Scotia is funding the liability and additional expenses incurred by the Authority in association with adoption of Section 3461. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for future benefits of $2,733,502 (2005 - $2,824,660) (Note 8) has been included in the financial statements in the current year. The Province of Nova Scotia has assumed the liability so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is $127,442 (2005 - $362,622) (Note 8).

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and various funds held in trust.

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

#### Financial instruments

The Health Authority's financial instruments consist of cash, investments, receivables, payables and accruals and deferred revenue. 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 approximates their fair value unless otherwise noted.

| 4. **Receivables** | Operating Fund | Capital Fund | Special Funds | **2006 Total** | 2005 Total |
|---|---|---|---|---|---|
| Charges to M.S.I. | $ 24,947 | $ - | $ - | **$ 24,947** | $ 24,697 |
| Foundations and Auxiliaries | 5,413 | 50,000 | 14,500 | **69,913** | 55,029 |
| Harmonized sales tax | 249,607 | 32,437 | - | **282,044** | 462,732 |
| Patients | 1,097,514 | - | - | **1,097,514** | 748,598 |
| Other | 25,948 | - | - | **25,948** | 297,690 |
| | 1,403,429 | 82,437 | 14,500 | **1,500,366** | 1,588,746 |
| Nova Scotia Department of Health | | | | | |
| Construction and equipment | - | 577,224 | - | **577,224** | 828,790 |
| Final settlement and other | 2,430,924 | - | - | **2,430,924** | 2,225,692 |
| | 2,430,924 | 577,224 | - | **3,008,148** | 3,054,482 |
| | $ 3,834,353 | $ 659,661 | $ 14,500 | **$ 4,508,514** | $ 4,643,228 |

The resolution of final settlement estimates is dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as revenue of the appropriate fund when received or receivable.

| 5. **Other receivables** | Operating Fund | Capital Fund | Special Funds | **2006 Total** | 2005 Total |
|---|---|---|---|---|---|
| Nova Scotia Department of Health | | | | | |
| Vacation pay | $ 819,314 | - | - | **$ 819,314** | $ 819,314 |
| Employee future benefit (Notes 3 and 8) | 2,831,066 | - | - | **2,831,066** | 3,005,567 |
| Other | - | - | - | - | 14,000 |
| | $ 3,650,380 | - | - | **$ 3,650,380** | $ 3,838,881 |

**6. Land, buildings and equipment**

| | Cost | Accumulated Amortization | **2006 Net Book Value** | 2005 Net Book Value |
|---|---|---|---|---|
| Land | $ 353,784 | $ - | **$ 353,784** | $ 353,784 |
| Land improvements | 1,323,536 | 287,119 | **1,036,417** | 1,059,977 |
| Buildings | 58,860,143 | 7,142,210 | **51,717,933** | 52,712,047 |
| Equipment | 11,936,910 | 7,193,962 | **4,742,948** | 6,205,412 |
| Equipment under capital lease | 22,127 | 14,087 | **8,040** | 9,617 |
| Construction in progress | 706,804 | - | **706,804** | 177,515 |
| | $ 73,203,304 | $ 14,637,378 | **$ 58,565,926** | $ 60,518,352 |

**7. Payables and accruals**

| | Operating Fund | Capital Fund | **2006 Total** | 2005 Total |
|---|---|---|---|---|
| Trade | $ 3,155,535 | $ 47,612 | **$ 3,203,147** | $ 2,788,310 |
| Department of Health | 44,789 | 1,012,433 | **1,057,222** | - |
| Vacation pay | 1,998,742 | - | **1,998,742** | 1,785,507 |
| | $ 5,199,066 | $ 1,060,045 | **$ 6,259,111** | $ 4,573,817 |

**8. Employee future benefits**

The Cumberland Health Authority has provided for retirement allowances as follows:

| Accrued benefit liability | **2006** | 2005 |
|---|---|---|
| Beginning balance, retiring allowance | **$ 2,824,660** | $ 2,526,638 |
| Current service cost for the year | **193,400** | 180,300 |
| Plan amendment | **(174,280)** | 81,700 |
| Amortization of experience gain | **(29,178)** | (33,378) |
| Interest cost during the year | **137,500** | 134,000 |
| Estimated fiscal payments for employees | **(218,600)** | (64,600) |
| Ending balance, retiring allowances | **$ 2,733,502** | $ 2,824,660 |

**8. Employee future benefits (continued)**

During the period, retiring allowances actually paid amount to $97,564 (2005 - $165,350).

Employee future benefits expense

| | | |
|---|---|---|
| Current service costs | $ **193,400** | $ 180,300 |
| Interest on accrued benefits | **137,500** | 134,000 |
| Plan amendment | **(174,280)** | 81,700 |
| Amortization of experience gain | **(29,178)** | (33,378) |
| | $ **127,442** | $ 362,622 |

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

| | | |
|---|---|---|
| Discount rate | 5.95% | 6.05% |
| Average age of employees | 44.5 | 44.5 |
| Expected average remaining service life | 12.0 | 12.0 |
| Average years of service | 10.3 | 10.3 |
| Rate of compensation increase | 2.75% | 3.40% |

**9. Pension fund**

The Cumberland Health Authority participates in a multi-employer defined benefit plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2003 and showed a funding excess for the entire plan of over $29 million. An extrapolation to December 31, 2005 was performed, which indicated a funding deficit of $40 million.

Information to follow the recommendations of the CICA Handbook on defined benefit plans is not available; therefore the plan is accounted for following the recommendations for defined contribution plans. The authority's pension expense for the year amounted to $1,400,602 (2005 - $1,319,430).

### 10. Deferred revenue

Deferred revenue represents externally restricted operating and capital funding received for specific purposes and unrestricted funding related to expenses of future periods.

| | Operating Fund | Capital Fund | **2006 Total** | 2005 Total |
|---|---|---|---|---|
| Deferred revenue, beginning of year | $ 2,268,348 | $ 1,479,213 | $ **3,747,561** | $ 3,582,952 |
| Funding received in the year | 3,509,178 | 222,108 | **3,731,286** | 2,459,439 |
| Less amount spent in the year | (4,555,429) | (292,710) | **(4,848,139)** | (2,294,830) |
| Less transferred to payables | - | (1,012,433) | **(1,012,433)** | - |
| Deferred revenue, end of year | $ 1,222,097 | $ 396,178 | $ **1,618,275** | $ 3,747,561 |

The unspent portion of contributions in the capital fund for the construction of the Cumberland Regional Health Care Centre have been reclassified to payables, as it must be repaid to the Department of Health.

### 11. Advance from province

The advance from the Province of Nova Scotia is non-interest bearing and repayable in five equal annual instalments commencing in 2004. The 2004, 2005 and 2006 instalments have not been paid.

### 12. Credit facilities

The Authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling $1,000,000, bearing interest at the prime rate, which is unused at March 31, 2006.

### 13. Commitments

Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

| | | |
|---|---|---|
| 2007 | $ | 741,000 |
| 2008 | | 493,000 |
| 2009 | | 448,000 |
| 2010 | | 138,000 |
| 2011 | | 132,000 |

### 14. 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 will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2006 are available from the individual financial statements of the related entities.

### 15. Special Funds

| | Bayview Fund | NCMH Fund | Bursary Fund | **Total** |
|---|---|---|---|---|
| Balance, beginning of year | $ 3,000 | $ 56,349 | $ 26,463 | **$ 85,812** |
| Contributions | - | - | 52,500 | **52,500** |
| Investment income | - | 1,074 | - | **1,074** |
| Bursaries and expenditures | - | (27,638) | (28,000) | **(55,638)** |
| | $ 3,000 | $ 29,785 | **$** 50,963 | **$ 83,748** |

### 16. Contingency

The Health Authority has been named defendant in a legal action alleging breach of contract with a doctor. As of the audit report date, legal counsel to the Authority is unable to assess the Authority's potential liability, if any, resulting from this action. Any settlement will be reflected as a charge to income in the year incurred. No provision for possible loss has been included in these financial statements.

### 17. Comparative Figures

Certain of the comparative figures for 2005 have been restated to conform to current year's presentation

**Unaudited**

## ENVIRONMENTAL TRUST FUND

### Balance Sheet
### as at March 31, 2006

### ASSETS

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Cash | $ | 88 | $ | 104 |
| Investments (Schedule 1) | | 6,676 | | 6,468 |
| | $ | 6,764 | $ | 6,572 |

### FUND EQUITY

| | | | | |
|---|---|---|---|---|
| Fund equity | $ | 6,764 | $ | 6,572 |

### Statement of Income and Fund Equity
### for the year ended March 31, 2006

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Interest | $ | 192 | $ | 135 |
| **Expenses** | | | | |
| Bank charges | | --- | | --- |
| **Net Income** | | 192 | | 135 |
| **Fund equity, beginning of year** | | 6,572 | | 6,437 |
| **Fund equity, end of year** | $ | 6,764 | $ | 6,572 |

**Unaudited**

**ENVIRONMENTAL TRUST FUND**

**Notes to Financial Statements**
**March 31, 2006**

## 1. Authority

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

## 2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment and Labour and are not reflected in the financial statements.

**Schedule 1**

**ENVIRONMENTAL TRUST FUND**

**Schedule of Investments**
**March 31, 2006**

| Investment | Interest Rate | Maturity Date | Cost |
|---|---|---|---|
| BMO Banker's Acceptance | 3.78% | April 24, 2006 | $ 6,676 |

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

Financial Statements of

# GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Year ended March 31, 2006

# GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY
Financial Statements

Year ended March 31, 2006

Page

# AUDITORS' REPORT

To the Chairperson and Members of the Board of
Guysborough Antigonish Strait Health Authority

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Sydney, Canada

May 30, 2006

## GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2006, with comparative figures for 2005

| | Operating Fund | Capital Fund | Restricted Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and marketable securities | $ 1,525,178 | $ – | $ 212,088 | $ 1,737,266 | $ 1,063,347 |
| Accounts receivable (note 2) | 5,073,942 | 1,824,989 | – | 6,898,931 | 6,177,355 |
| Inventories (note 3) | 572,520 | – | – | 572,520 | 586,193 |
| Prepaid expenses | 337,728 | – | – | 337,728 | 295,704 |
| | 7,509,368 | 1,824,989 | 212,088 | 9,546,445 | 8,122,599 |
| Capital assets (note 4) | – | 28,414,886 | – | 28,414,886 | 28,612,295 |
| Other receivable: | | | | | |
| Employee future benefits (note 6) | 5,326,585 | – | – | 5,326,585 | 5,724,910 |
| | $ 12,835,953 | $ 30,239,875 | $ 212,088 | $ 43,287,916 | $ 42,459,804 |
| **Liabilities, Deferred Contributions and Net Assets** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities (note 5) | $ 6,452,285 | $ 158,953 | $ – | $ 6,611,238 | $ 5,901,943 |
| Deferred revenue | 1,056,834 | – | – | 1,056,834 | 2,612,829 |
| Current portion of capital lease payable | – | 95,650 | – | 95,650 | 88,320 |
| | 7,509,119 | 254,603 | – | 7,763,722 | 8,603,092 |
| Other liability: | | | | | |
| Employee future benefits (note 6) | 5,326,585 | – | – | 5,326,585 | 5,724,910 |
| Capital lease payable (note 7) | – | 255,204 | – | 255,204 | 350,854 |
| Deferred contributions related to capital assets (note 8) | – | 29,148,216 | – | 29,148,216 | 27,669,445 |
| Fund balances: | | | | | |
| Operating | 249 | – | – | 249 | (677,945) |
| Investment in capital assets (note 9) | – | 581,852 | | 581,852 | 581,852 |
| Internally restricted | | | 212,088 | 212,088 | 207,596 |
| | 249 | 581,852 | 212,088 | 794,189 | 111,503 |
| Contingencies (note 12) | | | | | |
| | $ 12,835,953 | $ 30,239,875 | $ 212,088 | $ 43,287,916 | $ 42,459,804 |

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Director

_______________________________ Director

# GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Operations

Year ended March 31, 2006, with comparative figures for 2005

| | Operating Fund | Capital Fund | Restricted Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Department of Health and Community Services | $ 49,355,102 | $ 60,000 | $ – | $ 49,415,102 | $ 44,916,891 |
| Department of Health: | | | | | |
| Contract settlements | 425,593 | – | – | 425,593 | 1,990,441 |
| Retirement allowance funding | (75,525) | – | – | (75,525) | 411,524 |
| Capital funding | – | 1,454,284 | – | 1,454,284 | 843,930 |
| N.S. Medical Services Insurances (MSI) | 2,961,473 | – | – | 2,961,473 | 2,712,545 |
| Patient income | 1,736,299 | – | – | 1,736,299 | 1,695,684 |
| Dietary recoveries | 543,426 | – | – | 543,426 | 508,499 |
| Foundations and auxiliaries | 46,981 | 114,908 | – | 161,889 | 121,388 |
| Rentals | 36,289 | – | – | 36,289 | 49,668 |
| Miscellaneous | 94,735 | 72,882 | – | 167,617 | 166,119 |
| Referred in revenue | 437,609 | – | – | 437,609 | 381,654 |
| Drug program rebates | 77,189 | – | – | 77,189 | 55,712 |
| Wage grants/recoveries | 248,923 | – | – | 248,923 | 176,096 |
| Investment income | 48,046 | – | 4,492 | 52,538 | 42,383 |
| Grant-Francophone Youth Health Centre | 89,051 | – | – | 89,051 | – |
| Amortization of deferred contributions (note 9) | – | 1,779,483 | – | 1,779,483 | 1,758,132 |
| Laundry recoveries | 221,332 | – | – | 221,332 | 221,030 |
| | 56,246,523 | 3,481,557 | 4,492 | 59,732,572 | 56,051,696 |
| Expenditures: | | | | | |
| Nursing services | 21,109,231 | – | – | 21,109,231 | 20,685,100 |
| Support services | 10,309,577 | – | – | 10,309,577 | 10,113,698 |
| Diagnostic and therapeutic | 8,426,684 | – | – | 8,426,684 | 7,833,273 |
| Administrative services | 4,545,899 | – | – | 4,545,899 | 4,768,416 |
| Medical services | 1,699,171 | – | – | 1,699,171 | 1,452,318 |
| Non-portable programs | 7,765,759 | – | – | 7,765,759 | 7,119,464 |
| Physician services | 1,683,482 | – | – | 1,683,482 | 1,598,645 |
| Retirement allowance | (75,525) | – | – | (75,525) | 411,524 |
| Francophone Youth Health Centre | 104,051 | – | – | 104,051 | – |
| Amortization of capital assets (note 9) | – | 1,839,483 | – | 1,839,483 | 1,818,132 |
| Capital expenditures | – | 1,642,074 | – | 1,642,074 | 925,974 |
| | 55,568,329 | 3,481,557 | – | 59,049,886 | 56,726,544 |
| Excess of revenue over expenditures, (expenditures over revenue) for the year | $ 678,194 | $ – | $ 4,492 | $ 682,686 | $ (674,848) |

See accompanying notes to financial statements.

# GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

| | Operating | Investment in capital assets | Internally restricted | 2006 Total | 2005 Total |
|---|---|---|---|---|---|
| Balance, beginning of year | $ (677,945) | $ 581,852 | $ 207,596 | $ 111,503 | $ 786,351 |
| Excess of revenue over expenditures (expenditures over revenue) | 678,194 | – | 4,492 | 682,686 | (674,848) |
| Balance, end of year | $ 249 | $ 581,852 | $ 212,088 | $ 794,189 | $ 111,503 |

See accompanying notes to financial statements.

# GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Cash provided by (used for): | | |
| Operations: | | |
| Excess of revenue over expenditures (expenditures over revenue) | $ 682,686 | $ (674,848) |
| Items not involving cash: | | |
| Amortization of capital assets | 1,839,483 | 1,818,132 |
| Amortization of deferred contributions related to capital assets | (1,779,483) | (1,758,132) |
| Changes in non-cash operating working capital: | | |
| Increase in accounts receivable | (721,576) | (615,889) |
| (Increase) decrease in inventories | 13,673 | (8,590) |
| (Increase) decrease in prepaid expenses | (42,024) | 70,263 |
| Increase (decrease) in accounts payable and accrued liabilities | 709,295 | (510,489) |
| Increase (decease) in deferred revenues | (1,555,995) | 257,622 |
| | (853,941) | (1,421,931) |
| Financing and investing activities: | | |
| Additions to capital assets | (1,642,074) | (925,950) |
| Additions to deferred contributions related to capital assets | 3,258,254 | 1,014,145 |
| Capital lease repayments | (88,320) | (81,551) |
| | 1,527,860 | 6,644 |
| Increase (decrease) in cash | 673,919 | (1,415,287) |
| Cash, beginning of year | 1,063,347 | 2,478,634 |
| Cash, end of year | $ 1,737,266 | $ 1,063,347 |
| Supplemental cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | $ 31,941 | $ 38,711 |
| Interest received | 42,822 | 32,748 |

See accompanying notes to financial statements.

The Health Authority's principal activity is to operate and manage designated hospitals and other health related activities within the Eastern Region of Nova Scotia.

## 1. Significant accounting policies:

a) Revenue recognition:

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset.

Investment income (restricted and unrestricted) is recognized as revenue when earned.

b) Marketable securities:

Marketable securities are valued at the lower of cost or market value.

c) Inventories:

Inventories are valued at the lower of cost and replacement cost.

d) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

e) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

| Asset | Rates |
|---|---|
| Building, paving and land improvements | 2.5%, 4%, 8% |
| Major equipment | 5%, 6.67%, 10%, 20% |

## 1. Significant accounting policies (continued):

(f) Employee future benefits/Due from Department of Finance:

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of $5,326,585 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. The current year's net recovery incurred for employee future benefits is $75,525.

## 2. Accounts receivable:

| | 2006 | 2005 |
|---|---|---|
| Patient services | $ 342,972 | $ 334,738 |
| Department of Health: | | |
| Vacation liability | 1,331,500 | 1,331,500 |
| Nursing strategy | 120,780 | – |
| Special maintenance | 175,598 | 379,491 |
| Hospital Information System project | 1,291,243 | 1,077,671 |
| Contract settlement | 339,519 | 1,019,947 |
| Hospital in the home | 187,680 | 218,300 |
| On Call Physician Program | 121,486 | 119,415 |
| Anesthesia | 236,396 | 236,067 |
| Pathology | 80,066 | 326,953 |
| Year end pressures | 289,738 | – |
| Other | 76,863 | 76,625 |
| Retirement allowance payouts | – | 115,456 |
| Nova Scotia Medical Insurance Services (M.S.I.) | 68,322 | 93,258 |
| Harmonized sales tax | 225,819 | 257,310 |
| Sundry | 147,898 | 129,696 |
| Cape Breton District Health Authority | 38,062 | 68,293 |
| Due from capital fund | – | 45,999 |
| Hospital foundations – operating (note 11) | – | 9,495 |
| | 5,073,942 | 5,840,214 |
| Capital fund: | | |
| Department of Health – Capital items | 1,180,853 | 337,141 |
| Due from operating fund | 625,947 | – |
| Hospital foundations – capital (note 11) | 18,189 | – |
| | 1,824,989 | 337,141 |
| | $ 6,898,931 | $ 6,177,355 |

## 3. Inventories:

| | 2006 | 2005 |
|---|---|---|
| Drugs | $ 227,971 | $ 232,747 |
| Medical and surgical | 113,346 | 99,615 |
| Intravenous | 3,873 | 5,507 |
| Maintenance | 26,974 | 29,022 |
| Food | 10,500 | 10,500 |
| General | 189,856 | 208,802 |
| | $ 572,520 | $ 586,193 |

## 4. Capital assets:

| | | | 2006 | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | $ 581,852 | $ - | $ 581,852 | $ 581,852 |
| Buildings and paving | 42,270,604 | 19,817,630 | 22,452,974 | 23,396,032 |
| Equipment | 23,821,949 | 18,441,889 | 5,380,060 | 4,634,411 |
| | $ 66,674,405 | $ 38,259,519 | $ 28,414,886 | $ 28,612,295 |

## 5. Accounts payable and accrued liabilities:

| | 2006 | 2005 |
|---|---|---|
| Accounts payable and accrued liabilities | $ 3,945,033 | $ 3,697,262 |
| Accrued payroll: | | |
| Salaries | 621,247 | 336,185 |
| Vacation pay | 895,693 | 1,420,609 |
| Contract settlement | 364,365 | 188,922 |
| Due to capital fund | 625,947 | – |
| | 6,452,285 | 5,642,978 |
| Capital fund: | | |
| Accounts payable and accrued liabilities | 158,953 | 212,966 |
| Due to operating fund | – | 45,999 |
| | 158,953 | 258,965 |
| | $ 6,611,238 | $ 5,901,943 |

## 6. Employee future benefits:

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB handbook. 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 is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Guysborough Antigonish Strait Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2005. Actuarial liabilities as at March 31, 2006 were extrapolated from the results of the December 31, 2005 actuarial valuation.

Guysborough Antigonish Strait Health Authority has provided for retirement allowances as follows:

| | 2006 | 2005 |
|---|---|---|
| ***Accrued benefit liability*** | | |
| Balance, beginning of year | $ 5,724,910 | $ 5,354,486 |
| Current service cost for the year | 260,300 | 227,900 |
| Interest cost during the year | 262,400 | 257,200 |
| Plan amendment | 223,734 | 35,300 |
| Amortization of experience gain | (74,024) | (108,876) |
| Estimated fiscal payments for employees | (322,800) | (41,100) |
| Plan adjustments | (747,935) | – |
| Balance, end of year | $ 5,326,585 | $ 5,724,910 |
| ***Reconciliation to funding status*** | | |
| Funding status – plan deficit | $ 4,641,434 | $ 4,601,600 |
| Unamortized net actuarial gain | 685,151 | 1,123,310 |
| | $ 5,326,585 | $ 5,724,910 |
| ***Employee future benefits expense*** | | |
| Current service costs | $ 260,300 | $ 227,900 |
| Interest on accrued benefits | 262,400 | 257,200 |
| Plan amendment | 223,734 | 35,300 |
| Amortization of experience gain | (74,024) | (108,876) |
| Plan adjustments | (747,935) | – |
| | $ (75,525) | $ 411,524 |

## 6. Employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2005:

| | Retirement allowance |
|---|---|
| Discount rate | 5.95% |
| Retirement % at age 65 | 50.0% |
| Average age of employees | 46.7 |
| Average age of services | 15.4 |
| Future mortality rate | (GAM 94, projected to 2000) |
| Rate of compensation increase | 3.40% - 5.90% |

During the year, retirement benefits were amended to reflect revised plan provisions resulting in an addition to the liability of $223,734 (2005 - $35,300).

All accumulated liabilities from the retiring allowance program of the Guysborough Antigonish Strait Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2006.

## 7. Capital leases payable:

| | 2006 | 2005 |
|---|---|---|
| 8.00% 7 year capital leases on several pieces of equipment. Repayable in monthly amounts based on minimum annual commitments totaling $386,352 which includes cost of supplies, interest, maintenance and equipment cost | $ 350,854 | $ 439,174 |
| Amount repayable within one year | 95,650 | 88,320 |
| | $ 255,204 | $ 350,854 |

Annual repayments required over the next four years are as follows: 2007 - $95,650; 2008 - $103,589; 2009 - $112,187 and 2010 - $39,428.

## 8. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | $ 27,669,445 | $ 28,413,432 |
| Additional contributions received | 3,258,254 | 1,014,145 |
| Amounts amortized to revenue | (1,779,483) | (1,758,132) |
| Balance, end of year | $ 29,148,216 | $ 27,669,445 |

The balance of unamortized capital contributions related to capital assets consists of the following:

| | 2006 | 2005 |
|---|---|---|
| Unamortized capital contributions used to purchase assets | $ 27,413,034 | $ 27,550,443 |
| Unspent contributions | 1,735,182 | 119,002 |
| | $ 29,148,216 | $ 27,669,445 |

## 9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

| | 2006 | 2005 |
|---|---|---|
| Capital assets | $ 28,414,886 | $ 28,612,295 |
| Amounts financed by: | | |
| Deferred contributions - spent | 27,413,034 | 27,550,443 |
| Capital lease additions | 600,000 | 600,000 |
| Amortization of capital lease assets | (180,000) | (120,000) |
| | 27,833,034 | 28,030,443 |
| | $ 581,852 | $ 581,852 |

**9. Investment in capital assets (continued):**

b) Changes in net assets invested in capital assets are calculated as follows:

| | 2006 | 2005 |
|---|---|---|
| Excess of revenue over expenses (expenses over revenue): | | |
| Amortization of deferred contributions related to capital assets | $ 1,779,483 | $ 1,758,132 |
| Department of Health | 60,000 | 60,000 |
| Amortization of capital assets | (1,839,483) | (1,818,132) |
| | $ – | $ – |
| Net change in investment in capital assets: | | |
| Capital assets acquired | $ 1,642,074 | $ 925,950 |
| Amounts funded by deferred contributions | (1,642,074) | (925,950) |
| | $ – | $ – |

**10. Accounts with the Department of Health:**

The Health Authority has the following accounts with the Department of Health:

| | 2006 | 2005 |
|---|---|---|
| Accounts receivable: | | |
| Employee future benefits | $ 5,326,585 | $ 5,724,910 |
| Vacation liability | 1,331,500 | 1,331,500 |
| Nursing strategy | 120,780 | – |
| Capital items | 1,180,853 | 337,141 |
| Special maintenance | 175,598 | 379,491 |
| Hospital Information System project | 1,291,243 | 1,077,671 |
| Contract settlement | 339,519 | 1,019,947 |
| Hospital in the home | 187,680 | 218,300 |
| On Call Physician Program | 121,486 | 119,415 |
| Pathology | 80,066 | 326,953 |
| Other | 76,863 | 76,625 |
| Year end pressures | 289,738 | – |
| Anesthesia | 236,396 | 236,067 |
| Retirement allowance payouts | – | 115,456 |
| | $ 10,758,307 | $ 10,963,476 |

**10. Accounts with the Department of Health (continued):**

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as a charge to or credit against income in the period in which settlement occurs.

**11. Related parties:**

The Health Authority is related to St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation and St. Mary's Memorial Hospital Society. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

The following amounts were due from the Foundations as at March 31:

| | 2006 | 2005 |
|---|---|---|
| Operating fund: | | |
| Due from Hospital Foundations: | | |
| St. Martha's Regional Hospital Foundation | $ – | $ 9,495 |
| Capital fund: | | |
| Due from Hospital Foundations: | | |
| Guysborough Memorial Hospital Foundation | 13,587 | – |
| St. Mary's Memorial Hospital Foundation | 4,602 | – |
| | $ 18,189 | $ 9,495 |

During the year ended March 31, 2006, the following amounts were received from the Foundations to purchase equipment:

| | 2006 | 2005 |
|---|---|---|
| St. Martha's Regional Hospital Auxiliary | $ 41,301 | $ 40,534 |
| St. Mary's Memorial Hospital Foundation | 4,602 | 8,513 |
| Strait Richmond Hospital Foundation | 55,418 | 628 |
| Guysborough Memorial Hospital Foundation | 13,587 | 5,512 |
| St. Martha's Regional Hospital Foundation | – | 47,463 |
| Eastern Memorial Hospital Foundation | – | 1,037 |
| Strait Richmond Hospital Auxiliary | – | 2,764 |
| Guysborough Memorial Hospital Auxiliary | – | 14,223 |
| Eastern Memorial Hospital Auxiliary | – | 714 |
| | $ 114,908 | $ 121,388 |

**12. Contingencies:**

The Health Authority has referred five incidents to their lawyers but no originating notice of action has been received.

The outcome of these matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligations arising from any possible lawsuits.

**13. Fair value of financial assets and liabilities:**

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

The carrying value of capital lease payable approximate its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for a similar item.

**14. Comparative figures:**

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2006.

# HALIFAX - DARTMOUTH BRIDGE COMMISSION

## AUDITED FINANCIAL STATEMENTS

## DECEMBER 31, 2005

Levy
Casey
Carter
MacLean
Chartered Accountants

## AUDITORS' REPORT

**TO THE CHAIRMAN AND COMMISSIONERS OF HALIFAX - DARTMOUTH BRIDGE COMMISSION**

We have audited the balance sheets of Halifax - Dartmouth Bridge Commission as at December 31, 2005 and 2004 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

C. Ross Casey Inc.
Terry Carter Ltd.
Stuart S. MacLean Inc.
J.E. Melvin Inc.
Greg T. Strange Inc.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
February 11, 2006

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS



58 Bedford Highway
Halifax, Nova Scotia
B3M 2J2
Phone: (902) 445-4446
Fax: (902) 443-4846

**HALIFAX - DARTMOUTH BRIDGE COMMISSION**
**BALANCE SHEET**
**DECEMBER 31, 2005**

**ASSETS**

| | 2005 ($ 000's) | 2004 ($ 000's) |
|---|---|---|
| **Current** | | |
| Cash (note 1(e)) | $ 8,352 | $ 6,845 |
| Receivables | | |
| Trade | 180 | 89 |
| Accrued interest receivables | 32 | 17 |
| Recoverable HST (note 2) | 115 | 119 |
| Prepaid expenses | 276 | 266 |
| | **8,955** | **7,336** |
| **Deferred financing costs and discounts, net of accumulated amortization of $6,899 (2004 - $6,104) (note 1(d))** | 1,524 | 2,318 |
| **Deferred transponder charges, net of accumulated amortization of $335 (2004 - $270) (note 9)** | 323 | 387 |
| **Property, plant and equipment (note 3)** | 66,784 | 69,922 |
| **Restricted Assets (note 4)** | | |
| OM Fund | 2,114 | 2,017 |
| Debt Service Fund | 2,811 | 2,808 |
| Sinking Fund | 13,960 | 11,391 |
| Capital Fund | 21,130 | 17,257 |
| | **$ 117,601** | **$ 113,436** |

**LIABILITIES**

| | 2005 ($ 000's) | 2004 ($ 000's) |
|---|---|---|
| **Current** | | |
| Payables and accruals, trade | $ 694 | $ 843 |
| Project holdbacks payable | 298 | 298 |
| Accrued payables | 474 | 432 |
| Refundable customer transponder amounts (note 9) | 2,046 | 1,804 |
| Deferred revenue (note 1(b) and note 5) | 2,911 | 2,810 |
| | **6,423** | **6,187** |
| **Supplementary employee retirement plan liability (note 13)** | 546 | - |
| **Long term debt (note 6)** | | |
| Toll Revenue Bonds Series 1 | 94,379 | 94,379 |
| Line of credit | 17,000 | 19,000 |
| | **118,348** | **119,566** |

**DEFICIT**

| | 2005 ($ 000's) | 2004 ($ 000's) |
|---|---|---|
| **Reserve for restricted assets (note 4)** | 40,016 | 33,473 |
| **Deficit** | (40,763) | (39,603) |
| | **(747)** | **(6,130)** |
| | **$ 117,601** | **$ 113,436** |

**Contingencies (note 15)**

**On Behalf of the Commission**

**Chair** **Vice Chair**

**HALIFAX - DARTMOUTH BRIDGE COMMISSION**
**STATEMENT OF INCOME AND DEFICIT**
**YEAR ENDED DECEMBER 31, 2005**

| | 2005 ($ 000's) | 2004 ($ 000's) |
|---|---|---|
| **Revenue** | | |
| Toll revenue (note 1 (b)) | $ 23,059 | $ 22,978 |
| Other rate revenue | 102 | 153 |
| Investment and sundry income | | |
| Restricted funds investment income | 1,572 | 1,371 |
| Other | 327 | 282 |
| **Total Revenue** | **25,060** | **24,784** |
| **Expenses** | | |
| Operating expenses (note 13) | 4,446 | 4,037 |
| Maintenance expenses (note 13) | 3,958 | 2,671 |
| Amortization of property, plant and equipment | 4,256 | 4,305 |
| Amortization of deferred transponder charges | 65 | 65 |
| Interest on long-term debt and amortization of deferred financing costs (note 7) | 6,959 | 7,197 |
| Loss (gain) on disposal of property, plant and equipment | (7) | 360 |
| **Total Expenses** | **19,677** | **18,635** |
| **Net Operating Income** | **5,383** | **6,149** |
| **Premium on bonds purchased for cancellation** | **-** | **529** |
| **Net Income** | **5,383** | **5,620** |
| **Deficit, beginning of year** | **(39,603)** | **(38,854)** |
| **Appropriation to Restricted Asset Reserve (note 4)** | **(6,543)** | **(6,369)** |
| **Deficit, end of year** | **$ (40,763)** | **$ (39,603)** |

**HALIFAX - DARTMOUTH BRIDGE COMMISSION**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED DECEMBER 31, 2005**

| | 2005 ($ 000's) | 2004 ($ 000's) |
|---|---|---|
| **Operating Activities** | | |
| Net Income | $ 5,383 | $ 5,620 |
| Amortization of property, plant and equipment | 4,256 | 4,305 |
| Amortization of deferred finance costs | 795 | 980 |
| Amortization of deferred transponder charges | 65 | 65 |
| Net gain/loss on disposal of capital assets | (7) | 360 |
| | 10,492 | 11,330 |
| Net change in non-cash operating balances (note 8) | 124 | 364 |
| | **10,616** | **11,694** |
| **Investing Activities** | | |
| Purchase of property, plant and equipment | (1,119) | (3,167) |
| Proceeds from disposal of property, plant and equipment | 7 | 19 |
| Investment in Capital Fund | (3,872) | (3,775) |
| Investment in Sinking Fund | (2,570) | (2,483) |
| Investment in OM fund | (97) | (277) |
| Investment in Debt Service Fund | (4) | 166 |
| Increase in Supplementary Employee Retirement Plan liability | 546 | - |
| | **(7,109)** | **(9,517)** |
| **Financing Activities** | | |
| Bonds purchased for cancellation | - | (5,621) |
| Repayment on Line of Credit | (2,000) | (4,000) |
| | **(2,000)** | **(9,621)** |
| **Increase (decrease) in cash during year** | **1,507** | **(7,444)** |
| **Cash, beginning of year** | **6,845** | **14,289** |
| **Cash, end of year** | **$ 8,352** | **$ 6,845** |

**Halifax Dartmouth Bridge Commission**
**Notes to Financial Statements**
**December 31, 2005**

**1. Significant Accounting Policies ($000's)**

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of property, plant and equipment

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3.
Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Investments

Investment in Capital Fund and Sinking Fund are recorded at cost. Interest earned is accrued annually and added to the carrying value of the asset. Premiums paid on the purchase of the investments are added to the cost of the asset and amortized to investment income over the life of the related investment.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

h) Other retirement benefit plans (note 13)

The actuarial determination of the accrued benefit obligations for other retirement benefits uses the accumulated benefit method, which is applicable when future salary levels do not affect the amount of employee future benefits.

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**2. Harmonized Sales Tax (HST) and Income Tax Status**

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

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**Halifax Dartmouth Bridge Commission**
**Notes to Financial Statements**
**December 31, 2005**

**3. Property, plant and equipment**

| | 2005 ($000's) | | | | 2004 ($000's) |
|---|---|---|---|---|---|
| | **Rate** | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Land | | $ 5,735 | $ - | $ 5,735 | $ 5,735 |
| Buildings | **40 yrs s.l.** | 2,512 | 1,522 | 990 | 895 |
| Bridge and bridge components | | | | | |
| Angus L. Macdonald | **20 to 85 yrs s.l.** | 67,549 | 22,249 | 45,300 | 47,768 |
| A. Murray MacKay | **15 to 80 yrs s.l.** | 24,034 | 12,634 | 11,400 | 12,136 |
| Electronic toll transponders | **10 yrs s.l.** | 1,753 | 734 | 1,019 | 1,090 |
| Computer equipment | **30% d.b.** | 683 | 560 | 123 | 151 |
| Toll and other equipment | **20% d.b.** | 6,698 | 4,767 | 1,931 | 1,839 |
| Mobile equipment | **30% d.b.** | 1,153 | 867 | 286 | 308 |
| | | **$ 110,117** | **$ 43,333** | **$ 66,784** | $ 69,922 |

**4. Restricted Assets (000's)**

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating and Maintenance (OM) Fund has maintained as required an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2005 the OM Fund had a market value of $2,114 and was invested in cash and Government of Canada Treasury Bills maturing in June 2006 with a yield of 3.59%.

The Debt Service fund has maintained as required an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2005 the Debt Service Fund had a market value of $2,811 and was invested in cash and Government of Canada Treasury Bills maturing in June 2006 with a yield of 3.59%.

The Commission has made as required quarterly contributions of $500 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2005 the Sinking Fund had a market value of $13,850 and was invested in various federal and provincial bonds maturing in 2007 with rates of 3.03% to 6.68%.

The Commission has made as required quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2005 the Capital Fund had a market value of $20,807 and was invested in various federal, provincial and corporate bonds maturing in 2007 with rates of 5.20% to 7.92%.

## 5. Deferred Revenue

| | **2005 ($000's)** | 2004 ($000's) |
|---|---|---|
| Unredeemed Tokens | **$ 1,483** | $ 1,508 |
| Electronic Toll Collection (ETC) Accounts | **1,428** | 1,302 |
| | **$ 2,911** | $ 2,810 |

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

## 6. Long Term Debt ($000's)

| | **2005 ($000's)** | 2004 ($000's) |
|---|---|---|
| 5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi - annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating and maintenance expenses, and the maintenance of certain reserve funds by the Commission persuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4). | **$ 94,379** | $ 94,379 |
| 90 day B.A. rate + 3/10 of 1% Province of Nova Scotia Line of Credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OM expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OM Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commisson. On August 19, 2005 the Commission paid $2,000 on the outstanding Line of Credit bringing the balance to $17,000. | **17,000** | 19,000 |
| | **$ 111,379** | $ 113,379 |

The estimated fair market value of the $94,379 fixed rate long term debt, based on the quoted market price for the same issue at December 31, 2005 is $97,663.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next two years are as follows:

| | |
|---|---|
| 2006 | $ 5,000 |
| 2007 | $ 3,750 |

### 7. Interest on long term debt and amortization of deferred financing costs

| | 2005 ($000's) | 2004 ($000's) |
|---|---|---|
| Interest on long term debt | | |
| Toll Revenue Bonds | **$ 5,615** | $ 5,683 |
| Line of Credit | **549** | 534 |
| Amortization of deferred financing costs and discounts | **795** | 980 |
| | **$ 6,959** | $ 7,197 |

### 8. Net change in non-cash operating balances

| | 2005 ($000's) | 2004 ($000's) |
|---|---|---|
| **Increase (decrease) in cash from changes in:** | | |
| Receivables | **$ (102)** | $ (17) |
| Prepaid expenses | **(10)** | (35) |
| Payables and accruals | **(107)** | 105 |
| Customer transponder amounts | **242** | 246 |
| Deferred revenue | **101** | 65 |
| | **$ 124** | $ 364 |

### 9. Transponders

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see note 3). In both cases, the transponders are being amortized on a straight - line basis to November, 2010.

### 10. Financial instruments

Fair value of financial instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long-term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and fixed-rate long-term debt, as disclosed in Note 4 and Note 6 respectively.

Interest rate risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Note 4.

The Commission is exposed to interest rate cash flow risk on the line of credit, as the interest rate is a floating rate that is reset as market rates change, as indicated in Note 6.

### 11. Related party transactions ($000's)

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission paid $2,000 on the outstanding Line of Credit to the Province of Nova Scotia leaving a balance at December 31, 2005 of $17,000 (2004 - $19,000). In addition, the Commission paid interest during the year on the Line of Credit to the Province of Nova Scotia in the amount of $549 (2004 - $534).

**12. Pension plan ($000's)**

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2005. The Commission recognized an expense of $75 representing a 6% pension contribution for 2005 ($66 for 2004).

---

**13. Retirement benefits ($000's)**

a) Canadian generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $266 (2004 - $239) in retirement benefits at December 31, 2005. The amount of $27 was charged to administrative and maintenance expenses for the year (2004 - $59) in this regard.

b) Operations and Maintenance wages increased due to a one time pension accrual adjustment required for employees that changed from the former Defined Benefit Pension Plan to the current Defined Contribution Pension Plan. This is a Supplementary Employee Retirement Pension (SERP). The Operations wages increased by $207 and the Maintenance wages increased by $339. This accrual amounted to $546 in present value dollars.

The Supplementary Employee Retirement Plan (SERP) is an unfunded defined benefit pension plan which provides for benefits to employees under the following conditions. In summary, benefits are payable for up to ten (10) years commencing at age 60. Benefits are in respect of service prior to January 1, 1991 and no further benefits are being accrued by existing members nor will there be future members under this arrangement. Pension benefits are based on length of service and earnings up to 1991. Benefits are not indexed for inflation either before or after retirement.

A summary of principal pension expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of December 31, 2005.

| **Components of Net Periodic Pension Cost** | **2005 ($000's)** | 2004 ($000's) |
|---|---|---|
| Interest cost | $ - | $ - |
| Past service cost | 546 | - |
| **Costs arising , and net periodic pension cost recognized, in the year** | **$ 546** | **$ -** |

| **Weighted-Average Assumptions for Expense and Disclosure** | **2005** | 2004 |
|---|---|---|
| Discount rate | 4.7% | - |

| **Changes in Accrued Benefit Obligation** | **2005 ($000's)** | 2004 ($000's) |
|---|---|---|
| **Accrued benefit obligation at end of prior period** | **$ -** | $ - |
| Interest cost | - | - |
| Benefits paid | - | - |
| Past service cost | 546 | - |
| **Accrued benefit obligation at end of year** | **$ 546** | $ - |

**13. Retirement benefits ($000's) - Continued**

| Reconciliation of Funded Status to Accrued Benefit Asset (Liability) | 2005 ($000's) | 2004 ($000's) |
|---|---|---|
| **Excess (Deficit) at end of year** | **$ (546)** | $ - |
| Unamortized net actuarial loss (gain) | **-** | - |
| **Accrued benefit asset (liability)** | **$ (546)** | $ - |

**14. Incorporation**

The Halifax-Dartmouth Bridge Commission (the Commission) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act* - "Statutes of Nova Scotia", 2005, c.7).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act* , Section 27 (1) - With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Municipality may request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act* , Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act* , Section 27 (3) - Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

**15. Contingencies ($000's)**

a) A claim in the amount of $1,044 has been made against the Commission for alleged damages caused to a property owner by modifications to the Angus L. Macdonald Bridge. The eventual outcome of this action is not determinable at this time, and therefore, no amounts have been included in these financial statements.

b) An accrued liability of $546 has been included in long term liabilities on the Balance Sheet representing the Supplementary Employee Retirement Plan (see Note 13) which is subject to approval by the Department of Finance, Province of Nova Scotia.

**16. Additional Credit Facility ($000's)**

The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2005, no advances were outstanding.

**17. Comparative figures**

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

# Halifax Regional School Board
# Consolidated Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

To the Chairperson and Members of the Board of
**The Halifax Regional School Board**

We have audited the consolidated statement of financial position of the **Halifax Regional School Board** as at March 31, 2006, and the consolidated statements of operations and surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. As well, because of an absence of reliable accounting records, we have been unable to verify the accuracy of expenditure from school funded activities. Accordingly, our verification of these revenues and opening balances is limited to the amounts recorded in the records of the schools in which these funds are held, and we have been unable to verify the school funded expenditure. Therefore, we are not able to determine whether any adjustments might be necessary to school generated revenue, expenditure, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenditure referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Dartmouth, Nova Scotia
June 2, 2006

Grant Thornton LLP
Chartered Accountants

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# Halifax Regional School Board
# Consolidated Statement of Financial Position

| March 31 | 2006 | 2005 |
|---|---|---|
| **Financial Assets** | | |
| Cash | **$ 18,274,722** | $ 10,901,597 |
| Cash held by schools (Note 10) | **5,678,916** | 5,077,828 |
| Receivables | | |
| Province of Nova Scotia | **2,396,642** | 422,820 |
| Province of Nova Scotia – teachers' salary accrual (Note 3 (a)) | **7,851,021** | 9,906,867 |
| Province of Nova Scotia – long term service awards (Note 4) | **45,540,681** | 47,716,435 |
| Government of Canada | **1,805,458** | 1,441,359 |
| Other | **1,119,430** | 1,877,839 |
| **Total Financial Assets** | **82,666,870** | 77,344,745 |
| | | |
| **Liabilities** | | |
| Payables and accruals - trade | **13,316,724** | 7,560,775 |
| Payables and accruals – government | | |
| Province of Nova Scotia | **101,199** | 99,790 |
| Halifax Regional Municipality | **241,263** | 421,016 |
| Other | **154,107** | 494,563 |
| Teachers' salary accrual (Note 3(a)) | **7,851,021** | 9,906,867 |
| Employee pension, retirement, and post employment benefits | **920,000** | 1,004,439 |
| Deferred revenue | **5,700,432** | 3,845,062 |
| Service awards (Note 4) | **45,540,681** | 47,716,435 |
| **Total Liabilities** | **73,825,427** | 71,048,947 |
| | | |
| **Net Assets** | **8,841,443** | 6,295,798 |
| | | |
| Non-financial assets | | |
| Prepaids | **1,364,664** | 1,056,776 |
| Tangible capital assets (Page 24) | **460,399** | 223,047 |
| | **1,825,063** | 1,279,823 |
| | | |
| **Accumulated Surplus (Note 11)** | **$ 10,666,506** | $ 7,575,621 |

Trusts funds (Page 25)
Commitments (Note 6)
Contingencies (Note 7)

On behalf of the Board

________________________________ Chairperson

________________________________ Superintendent

See accompanying notes to the consolidated financial statements.

# Halifax Regional School Board
## Consolidated Statement of Operations and Surplus

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenue** | | | |
| Province of Nova Scotia | $ 246,897,300 | **$ 242,948,981** | $ 230,176,106 |
| Halifax Regional Municipality | 99,111,900 | **99,112,200** | 93,373,400 |
| Government of Canada | 1,339,900 | **1,335,867** | 1,484,914 |
| Board operations | 5,002,900 | **5,994,009** | 4,924,472 |
| School generated funds (Note 10) | - | **17,815,068** | 12,007,826 |
| | 352,352,000 | **367,206,125** | 341,966,718 |
| **Expenditure** | | | |
| School administration | 269,811,800 | **263,784,870** | 254,573,881 |
| Program | 13,626,000 | **12,185,543** | 10,252,703 |
| Board services | 2,641,400 | **3,020,837** | 2,632,959 |
| Financial services | 5,147,800 | **5,262,857** | 4,735,690 |
| Operations services | 56,928,600 | **59,551,378** | 55,299,103 |
| Human resource services | 4,196,400 | **3,095,775** | 3,532,769 |
| School funded activities (Note 10) | - | **17,213,980** | 10,842,806 |
| | 352,352,000 | **364,115,240** | 341,869,911 |
| Excess of revenue over expenditure | $ - | **$ 3,090,885** | $ 96,807 |

| | 2006 | 2005 |
|---|---|---|
| Accumulated surplus, beginning of year, as previously reported | **$ 7,575,621** | $ 3,566,006 |
| Accounting changes (Note 3) | **-** | 3,912,808 |
| Opening balance as restated | **7,575,621** | 7,478,814 |
| Excess of revenue over expenditure | **3,090,885** | 96,807 |
| Accumulated surplus, end of year (Note 11) | **$ 10,666,506** | $ 7,575,621 |

See accompanying notes to the consolidated financial statements.

# Halifax Regional School Board
# Consolidated Statement of Changes in Net Assets

| Year Ended March 31 | **2006** | 2005 |
| --- | --- | --- |
| **Net assets, beginning of year** | | |
| As previously reported | **$ 6,295,798** | $ 2,639,724 |
| Accounting changes (Note 3) | **-** | (115,266) |
| As restated | **6,295,798** | 2,524,458 |
| **Changes in the year** | | |
| Excess of revenue over expenditure | **3,090,885** | 96,807 |
| Acquisition of tangible capital assets | **(293,789)** | (251,611) |
| Amortization of tangible capital assets | **56,437** | 28,562 |
| Increase in prepaids | **(307,888)** | (15,226) |
| Other adjustments (Note 3(b)) | **-** | 3,912,808 |
| Increase in net assets | **2,545,645** | 3,771,340 |
| **Net assets, end of year** | **$ 8,841,443** | $ 6,295,798 |

See accompanying notes to the consolidated financial statements.

# Halifax Regional School Board
## Consolidated Statement of Cash Flows

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| **Operating transactions** | | |
| Excess of revenue over expenditure | $ 3,090,885 | $ 96,807 |
| Non cash items included in annual surplus | 56,437 | 28,562 |
| Change in prepaids | (307,888) | (15,228) |
| Change in receivables | 2,652,088 | 6,325,083 |
| Change in liabilities | 2,776,480 | (2,532,878) |
| **Cash provided by operating transactions** | 8,268,002 | 3,902,346 |
| **Capital transactions** | | |
| Acquisition of tangible capital assets | (293,789) | (251,609) |
| **Cash applied to capital transactions** | (293,789) | (251,609) |
| **Other adjustments (Note 3(b))** | - | 3,912,808 |
| **Increase in cash and cash equivalents** | 7,974,213 | 7,563,545 |
| **Cash and cash equivalents, beginning of year** | 15,979,425 | 8,415,880 |
| **Cash and cash equivalents, end of year** | $ 23,953,638 | $ 15,979,425 |

See accompanying notes to the consolidated financial statements.

### 1. Nature of operations

The Halifax Regional School Board is an independent legal entity with an elected Board as stipulated under the Education Act. The Board is registered as a charitable organization under the Income Tax Act and, therefore, is exempt from income tax and may issue official receipts to donors for income tax purposes.

The Board provides a full range of educational services for all instructional programs from Grade Primary through Grade 12 at public schools within the Halifax Regional Municipality.

### 2. Financial reporting and accounting policies

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the School Board financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

The consolidated financial statements have also been prepared to comply with the provisions of the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. This handbook was extensively revised to reflect the requirements of the Public Sector Accounting Board, effective March 31, 2005.

These consolidated financial statements have been prepared using the following significant accounting policies:

**Revenue**
Revenues are recognized on an accrual basis. Grants received, donations and fees collected in advance of the provision or use of related services are deferred. The main components of revenue are funding from the Province of Nova Scotia and Halifax Regional Municipality.

Each year, contributions by volunteers support the delivery of certain programs within schools. Due to the difficulty in determining or otherwise estimating the value of these contributions and because these services are not otherwise purchased, contributed services are not quantified and recognized in these financial statements.

**Expenditure**
Expenses are recorded on the accrual basis and include the cost of supplies inventory purchased during the year. Provisions are made for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are revised annually.

**2. Financial reporting and accounting policies (continued)**

**Financial assets**
Cash and cash equivalents are recorded at cost which approximates market value. The Board's financial instruments consist of cash and cash equivalents, receivables, payables and accruals, and other liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**Liabilities**
With adoption of Canadian generally accepted accounting principles for the fiscal year ended March 31, 2005, school boards accrue teachers' and teacher substitutes' salary and benefit costs at year end. As directed by the Province of Nova Scotia, school boards record an offsetting receivable from the Province. The annual accrual and offsetting receivable are adjusted as required. The adoption of this accrual has been applied retroactively.

Salaries, vacation pay and benefits of non-teaching employees are also accrued at year end. There is no equivalent offsetting receivable except for vacation pay.

Following school board amalgamation in 1996, the Halifax Regional School Board provided enhanced pension benefits to certain employees retiring from the Board. With the adoption of Canadian generally accepted accounting principles in 2005, the Board recognized the actuarial liability of these post employment benefits and will amortize it over the remaining period of the pension enhancement.

**Cash and cash equivalents**
Cash and cash equivalents include cash on hand, balances with banks, short term deposits and bank balances held by schools. Bank borrowings are considered to be financing activities as they occur during the year.

**Net assets**
Net assets represents the financial assets of the Board, less direct liabilities.

**Non-financial assets**
Tangible capital assets having useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets paid for by the Province either through direct payment or cost recovery are excluded as per the School Board Financial Handbook.

All tangible capital assets recorded prior to the March 31, 2005 fiscal year have been removed from the consolidated financial statements. Capital assets purchased by the Board are recorded as assets and amortized according to the Province of Nova Scotia's tangible capital assets accounting policy thresholds. These thresholds are as follows:

| | | | | |
|---|---|---|---|---|
| Building betterments | $ 150,000 | Amortization: | 5% | declining balance |
| Motor vehicles | $ 15,000 | Amortization: | 35% | declining balance |

## 2. Financial reporting and accounting policies (continued)

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Halifax Regional Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

Prepaids are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the goods or services are used or consumed.

### Trust funds under administration

The trust funds represent capital contributed in trust from which the income thereon is used to provide scholarships for eligible students. A schedule of trust funds is included with these financial statements.

### Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts by fund of revenue and expenditure. Actual results could differ from these estimates.

## 3. Accounting changes

(a) As a result of adopting Canadian generally accepted accounting principles effective March 31, 2005, certain amounts were required to be adjusted on a retroactive basis to reflect the accrual of teachers' salaries and post employment benefits. These changes resulted in a $115,266 decrease in net assets reported at the beginning of the 2005 fiscal year.

(b) During the fiscal year ended March 31, 2005, the Board adopted the recommendations of PSAB. As a result, the Board was required to recognize school based funds which were not previously reported. An adjustment of $3,912,808 to the surplus and the opening cash balance was recorded in the March 31, 2005 fiscal year.

### 4. Service awards

Qualifying employees receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between unions and the Board and predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards to qualifying employees affective April 1, 2002, and all school boards in Nova Scotia are required to recognize the projected liability with respect to these service awards. The projected liability is offset by a corresponding receivable from the Province. The amount of the projected liability has been determined by the Nova Scotia Department of Finance, based on an actuarial valuation. Beginning in fiscal 2003, school boards remit an amount annually, as determined by the Province of Nova Scotia, to the Province as a result of the Province assuming the responsibility for the payment of these service awards.

### 5. Pension plans

#### (a) Teachers

The Board's teachers are members of a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Province of Nova Scotia is responsible for funding this plan and accordingly no provision is included in the Board's financial statements for the related pension amounts.

#### (b) Non-teachers

The Board and its non-teaching employees participate in the Halifax Regional Municipality Pension Plan, a multi-employer pension plan. Employer pension costs of $3,588,574 (2005 - $3,848,573) are included in these consolidated financial statements which represent the cost of employer contributions for current service of participating employees during the year. Employees and the employer both contribute at the rate of 8.56% of pensionable earnings.

The audited financial statements of the Halifax Regional Municipality for the fiscal year ended March 31, 2005 indicate that the date of the last actuarial valuation of the plan was December 21, 2003. It is also disclosed that an extrapolation of the December 21, 2003 actuarial valuation to December 31, 2004 is as follows:

| | |
|---|---|
| Actuarial value of plan assets | $ 842,480,000 |
| Actuarial value of plan liabilities | $ 791,417,000 |
| Surplus | $ 51,063,000 |

### 6. Commitments

(a) The Board has entered into agreements to lease buildings and equipment for various periods until 2011. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment is as follows:

| | Buildings | Equipment | Total |
|---|---|---|---|
| 2007 | $ 79,971 | $ 300,489 | **$ 380,460** |
| 2008 | 29,253 | 202,648 | **231,901** |
| 2009 | - | 122,817 | **122,817** |
| 2010 | - | 15,627 | **15,627** |
| 2011 | - | 15,627 | **15,627** |
| | $ 109,224 | $ 657,208 | **$ 766,432** |

The Board is also committed to lease photocopiers. The payment is based on usage and, therefore, cannot be accurately estimated.

(b) The Board has, pending final approval, contracted for the provision of transportation services until June 30, 2011. The approximate annualized cost of this contract per year is as follows:

| | |
|---|---|
| 2007 | $ 9,651,000 |
| 2008 | $ 10,548,000 |
| 2009 | $ 10,760,000 |
| 2010 | $ 11,083,000 |
| 2011 | $ 11,450,000 |

The contract price will fluctuate based on various provisions in the agreement including school bus utilization and fuel prices.

(c) The Board is committed to pay management fees of approximately $83,175 for the five months ended August 31, 2006 to Ashford Properties, for services related to O'Connell Drive School.

### 7. Contingencies

(a) The Board recorded actual and estimated expenditures relating to known environmental matters in its properties during the year ended March 31, 2006 and prior years. It is likely that such expenditures will continue in future years and will be recorded and funded as incurred. The future liability relating to unknown environmental matters in properties is not determinable at this time.

(b) The Board has not recognized in these consolidated financial statements, the liability associated with accumulated sick leave earned by teachers as the liability cannot be reasonably estimated.

### 8. Bank indebtedness

The Board has an operating line of credit of $3,200,000 with interest at prime. As at March 31, 2006, this line of credit had not been utilized.

### 9. Related party transactions

These consolidated financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including, but not limited to:

- Early Retirement Program payments;
- P3 schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums; and
- Certain IT systems and support.

### 10. School generated funds

These consolidated financial statements include funds arising from certain school and student activities that are controlled and administered locally by each school, but for which the Board is accountable. Revenue from school generated funds is recognized as the funds are received. School fund activities are recorded as funds are expended. For the 2005 fiscal year, the period covered June 30, 2004 to March 31, 2005. The 2006 figures reflect the full 12 month fiscal period.

| | **2006** | 2005 |
|---|---|---|
| Changes in cash held by schools are as follows: | | |
| Opening balance | **$ 5,077,828** | $ 3,912,808 |
| Additions to school generated funds | **17,815,068** | 12,007,826 |
| School funded activities | **(17,213,980)** | (10,842,806) |
| Closing balance | **$ 5,678,916** | $ 5,077,828 |

### 11. Accumulated surplus

Accumulated surplus is the sum of the financial assets plus non-financial assets of the Board less liabilities. This represents the accumulated balance of net surplus arising from the operations of the Board.

The changes in accumulated surplus, as well as the designation of surplus are as follows:

| | **2006** | 2005 |
|---|---|---|
| Opening balance, April 1, as previously reported | **$ 7,575,621** | $ 3,681,272 |
| Accounting changes (Note 3(a)) | **-** | 115,266 |
| Opening balance, as restated | **7,575,621** | 3,566,006 |
| Accounting changes (Note 3(b)) | **-** | 3,912,808 |
| Surplus – General Fund | **3,191,993** | 271,131 |
| Deficit – Supplementary Fund | **(101,108)** | (174,324) |
| Ending balance, March 31 | **$ 10,666,506** | $ 7,575,621 |

**Designation of accumulated surplus**

| | **2006** | 2005 |
|---|---|---|
| General Fund - unrestricted | **$ 3,701,878** | $ 1,297,892 |
| General Fund - program resources (schools) | **867,798** | 886,545 |
| General Fund - capital amortization | **394,089** | 188,423 |
| School based funds | **5,678,916** | 5,077,828 |
| Supplementary funds | **23,825** | 124,933 |
| | **$ 10,666,506** | $ 7,575,621 |

### 12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

# Halifax Regional School Board
# General Fund
# Statement of Operations

| Year Ended March 31 | | **2006** | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Revenue | | | |
| Province of Nova Scotia | $ 246,897,300 | **$ 242,948,981** | $ 230,176,106 |
| Halifax Regional Municipality | 78,265,700 | **78,266,000** | 72,527,201 |
| Government of Canada | 1,339,900 | **1,335,867** | 1,484,914 |
| Board operations | 5,002,900 | **5,994,009** | 4,924,472 |
| School generated funds (Note 10) | - | **17,815,068** | 12,007,826 |
| | 331,505,800 | **346,359,925** | 321,120,519 |
| Expenditure | | | |
| School administration | 249,041,600 | **242,913,562** | 233,629,358 |
| Program | 13,626,000 | **12,185,543** | 10,252,703 |
| Board services | 2,641,400 | **3,020,837** | 2,632,959 |
| Financial services | 5,147,800 | **5,262,857** | 4,735,690 |
| Operations services | 56,852,600 | **59,475,378** | 55,223,103 |
| Human resource services | 4,196,400 | **3,095,775** | 3,532,769 |
| School funded activities (Note 10) | - | **17,213,980** | 10,842,806 |
| | 331,505,800 | **343,167,932** | 320,849,388 |
| Excess of revenue over expenditure | $ - | **$ 3,191,993** | $ 271,131 |

| | | |
|---|---|---|
| Accumulated surplus, beginning of year, as previously reported | **$ 7,450,688** | $ 3,266,749 |
| Accounting changes (Note 3(b)) | **-** | 3,912,808 |
| Opening balance as restated | **7,450,688** | 7,179,557 |
| Excess of revenue over expenditure | **3,191,993** | 271,131 |
| Accumulated surplus, end of year | **$ 10,642,681** | $ 7,450,688 |

# Halifax Regional School Board
# General Fund
# Detail of Revenue

| Year Ended March 31 | 2006 | | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Province of Nova Scotia | | | |
| Formula funding | $ 235,428,800 | **$ 235,823,153** | $ 224,575,873 |
| Provincial initiatives | 6,487,000 | **4,343,632** | 2,063,016 |
| Capital grants | 1,024,700 | **1,758,258** | 1,488,185 |
| French special projects | 138,000 | **125,220** | 126,380 |
| Other | 3,818,800 | **898,718** | 1,922,652 |
| | 246,897,300 | **242,948,981** | 230,176,106 |
| Halifax Regional Municipality | | | |
| Mandatory | 78,265,700 | **78,266,000** | 72,527,201 |
| Government of Canada | | | |
| Adult ESL | 721,500 | **710,258** | 700,020 |
| Minority official language | 244,900 | **217,585** | 176,250 |
| French special projects | 373,500 | **334,657** | 344,411 |
| Other | - | **73,367** | 264,233 |
| | 1,339,900 | **1,335,867** | 1,484,914 |
| Board Operations | | | |
| Investment income | 450,000 | **718,836** | 512,086 |
| FLEC's fees | 270,500 | **264,193** | 286,194 |
| Summer school fees | 80,000 | **67,368** | 78,390 |
| Facilities rentals | 472,800 | **863,060** | 458,580 |
| EXCEL program fees | 2,412,800 | **2,688,158** | 2,296,012 |
| International students | 1,097,000 | **1,203,333** | 1,030,411 |
| Other | 219,800 | **189,061** | 262,799 |
| | 5,002,900 | **5,994,009** | 4,924,472 |
| School generated funds (Note 10) | - | **17,815,068** | 12,007,826 |
| | $ 331,505,800 | **$ 346,359,925** | $ 321,120,519 |

# Halifax Regional School Board
# General Fund
# Detail of Expenditure

| Year Ended March 31 | | **2006** | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| **School Administration** | | | |
| Board administration | | | |
| Salaries | $ 1,597,000 | **$ 1,561,901** | $ 1,500,534 |
| Benefits | 116,800 | **108,628** | 106,337 |
| Supplies and materials | 47,400 | **52,934** | 59,551 |
| Other | 59,000 | **49,762** | 44,020 |
| | 1,820,200 | **1,773,225** | 1,710,442 |
| Instruction | | | |
| Teachers' salaries | 147,375,500 | **143,414,956** | 143,273,016 |
| Substitutes | 9,309,000 | **8,384,717** | 8,854,107 |
| Benefits | 10,454,200 | **11,165,026** | 8,081,811 |
| | 167,138,700 | **162,964,699** | 160,208,934 |
| Special Education | | | |
| Teachers' salaries | 16,025,500 | **15,357,810** | 14,198,835 |
| Educational program assistants | 13,742,100 | **13,603,329** | 12,704,512 |
| Benefits | 4,632,900 | **4,640,488** | 4,335,734 |
| Travel | 27,200 | **16,117** | 19,091 |
| | 34,427,700 | **33,617,744** | 31,258,172 |
| Student Support | | | |
| Salaries | 5,224,100 | **5,250,115** | 3,427,710 |
| Benefits | 403,700 | **360,052** | 239,765 |
| Reading improvement initiative | 790,600 | **409,754** | 194,110 |
| | 6,418,400 | **6,019,921** | 3,861,585 |
| Program Support Resources | | | |
| School based and centrally managed materials | 2,938,200 | **3,578,969** | 3,359,948 |
| Equipment | 560,000 | **63,394** | 125,832 |
| Telephone, data and fax lines | 1,075,900 | **1,067,268** | 1,006,609 |
| Technology | 295,000 | **386,245** | 307,549 |
| Textbook credit allocation | 3,245,500 | **3,245,500** | 2,864,400 |
| Grants | 532,500 | **346,467** | 237,663 |
| Travel | 218,000 | **199,339** | 192,040 |
| | 8,865,100 | **8,887,182** | 8,094,041 |
| Library and Guidance | | | |
| Teachers' salaries – guidance | 3,529,800 | **3,491,757** | 3,365,497 |
| Teachers' salaries – library | 847,000 | **830,027** | 859,893 |
| Library technicians | 410,600 | **357,761** | 240,194 |
| Benefits | 366,600 | **345,881** | 323,711 |
| | 5,154,000 | **5,025,426** | 4,789,295 |

# Halifax Regional School Board
# General Fund
# Detail of Expenditure

| Year Ended March 31 | | 2006 | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Teacher Administrators | | | |
| Salaries | $ 16,472,700 | **$ 16,184,780** | $ 15,799,738 |
| Benefits | 829,800 | **818,706** | 819,905 |
| | 17,302,500 | **17,003,486** | 16,619,643 |
| Program Support Staff | | | |
| School secretaries | 4,393,500 | **4,267,315** | 4,089,107 |
| Security | 94,800 | **67,535** | 78,505 |
| Lunch and bus monitors | 856,000 | **853,737** | 671,878 |
| Pre-primary program | 105,500 | **74,259** | - |
| Benefits | 1,126,900 | **1,012,644** | 961,118 |
| | 6,576,700 | **6,275,490** | 5,800,608 |
| Professional Development | 172,200 | **122,866** | 71,286 |
| International Students Program | 820,600 | **928,983** | 645,857 |
| Community Education Projects | 267,500 | **228,351** | 492,037 |
| Summer School | 78,000 | **66,189** | 77,458 |
| | $ 249,041,600 | **$ 242,913,562** | $ 233,629,358 |
| **Program** | | | |
| Board Administration | | | |
| Salaries | $ 2,350,600 | **$ 2,445,530** | $ 2,218,481 |
| Benefits | 162,100 | **161,750** | 157,246 |
| Supplies and materials | 95,400 | **108,884** | 111,859 |
| Other | 65,000 | **60,424** | 57,004 |
| | 2,673,100 | **2,776,588** | 2,544,590 |
| Special Education | | | |
| Salaries | 4,395,500 | **4,216,930** | 3,829,025 |
| Benefits | 316,100 | **311,790** | 284,473 |
| Supplies and materials | 1,476,000 | **1,105,318** | 775,607 |
| | 6,187,600 | **5,634,038** | 4,889,105 |
| Student Support | | | |
| Salaries | 542,900 | **529,455** | 283,635 |
| Benefits | 34,100 | **27,959** | 17,503 |
| Contracted services | 125,000 | **88,880** | - |
| Other | 392,800 | **365,968** | 193,989 |
| | 1,094,800 | **1,012,262** | 495,127 |

# Halifax Regional School Board
# General Fund
# Detail of Expenditure

| Year Ended March 31 | 2006 | | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Program Support Resources | $ 822,500 | **$ 790,498** | $ 429,210 |
| Professional Development | 2,848,000 | **1,972,157** | 1,894,671 |
| | $ 13,626,000 | **$ 12,185,543** | $ 10,252,703 |
| **Board Services** | | | |
| Board Members | | | |
| Honoraria | $ 121,800 | **$ 119,209** | $ 121,891 |
| NSSBA dues | 178,500 | **178,542** | 175,648 |
| Travel and conferences | 54,400 | **34,462** | 38,598 |
| Other | 34,700 | **99,974** | 260,972 |
| | 389,400 | **432,187** | 597,109 |
| Board Administration | | | |
| Salaries | 1,087,800 | **957,292** | 1,012,662 |
| Benefits | 135,700 | **139,573** | 136,458 |
| Supplies and materials | 454,900 | **549,991** | 408,107 |
| Professional services | 548,600 | **908,181** | 455,760 |
| Travel | 25,000 | **33,613** | 22,863 |
| | 2,252,000 | **2,588,650** | 2,035,850 |
| | $ 2,641,400 | **$ 3,020,837** | $ 2,632,959 |
| **Financial Services** | | | |
| Board Administration | | | |
| Salaries | $ 1,403,700 | **$ 1,350,410** | $ 1,337,354 |
| Benefits | 277,600 | **251,195** | 245,002 |
| Supplies and materials | 95,000 | **86,161** | 101,567 |
| Liability insurance | 252,100 | **252,106** | 249,612 |
| Professional fees | 50,000 | **50,000** | 52,034 |
| Service contracts | 331,600 | **373,371** | 321,511 |
| Other | 30,900 | **23,761** | 24,680 |
| | 2,440,900 | **2,387,004** | 2,331,760 |
| EXCEL Program | | | |
| Salaries | 1,593,100 | **1,742,297** | 1,392,389 |
| Benefits | 161,800 | **170,941** | 128,855 |
| Supplies and materials | 173,000 | **201,221** | 138,155 |
| Other | 57,500 | **51,136** | 44,511 |
| | 1,985,400 | **2,165,595** | 1,703,910 |

# Halifax Regional School Board
# General Fund
# Detail of Expenditure

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Adult ESL | $ 721,500 | **$ 710,258** | $ 700,020 |
| | $ 5,147,800 | **$ 5,262,857** | $ 4,735,690 |
| **Operations Services** | | | |
| Board Administration | | | |
| Salaries | $ 1,396,700 | **$ 1,403,045** | $ 1,336,474 |
| Benefits | 247,400 | **252,523** | 168,905 |
| Other | 137,400 | **131,640** | 133,421 |
| | 1,781,500 | **1,787,208** | 1,638,800 |
| Custodial Services | | | |
| Salaries | 11,178,800 | **10,981,743** | 10,909,633 |
| Benefits | 3,104,400 | **3,089,427** | 3,098,404 |
| Supplies and equipment | 738,000 | **1,042,239** | 1,035,690 |
| Building rent expense | 63,800 | **63,796** | 62,757 |
| Contracted services | | | |
| Snow removal | 1,139,800 | **776,570** | 1,524,376 |
| Garbage | 499,300 | **474,228** | 495,987 |
| Grass cutting | 75,000 | **65,984** | 75,428 |
| P3 school maintenance | 250,000 | **252,211** | 300,809 |
| Security | 25,000 | **22,877** | 21,468 |
| Other | 15,000 | **4,019** | 5,434 |
| | 17,089,100 | **16,773,094** | 17,529,986 |
| Maintenance Services | | | |
| Salaries | 1,845,700 | **1,535,053** | 1,539,214 |
| Benefits | 498,300 | **408,202** | 410,506 |
| Supplies and equipment | 3,529,600 | **4,783,631** | 4,974,256 |
| Vehicles | 175,000 | **186,683** | 183,662 |
| Regulatory maintenance services | 725,400 | **1,117,660** | 788,870 |
| Relocation expenses | 103,500 | **135,143** | 152,269 |
| Other | 6,300 | **2,837** | 1,159 |
| | 6,883,800 | **8,169,209** | 8,049,936 |
| Plant Operations | | | |
| Insurance | 789,000 | **794,705** | 796,479 |
| Utilities | | | |
| Electricity | 4,860,500 | **4,328,018** | 4,467,960 |
| Heating fuel | 4,879,000 | **4,881,623** | 4,338,145 |
| Water/sewer | 850,000 | **925,967** | 928,181 |
| Telephone/fax/data | 75,000 | **78,934** | 85,325 |
| | 11,453,500 | **11,009,247** | 10,616,090 |

# Halifax Regional School Board
# General Fund
# Detail of Expenditure

| Year Ended March 31 | 2006 Budget | **2006 Actual** | 2005 Actual |
|---|---|---|---|
| Capital Repairs and Renovations | $ 3,068,700 | **$ 5,511,842** | $ 3,139,198 |
| Student Transportation | 12,348,300 | **12,490,916** | 11,816,771 |
| Technology Services | | | |
| Salaries | 1,299,400 | **1,285,934** | 956,235 |
| Benefits | 272,600 | **256,762** | 189,727 |
| Supplies and materials | 1,760,700 | **1,339,057** | 437,734 |
| IEIE – non-salary expenses | 122,900 | **118,852** | 130,898 |
| Other | 277,000 | **274,097** | 273,613 |
| | 3,732,600 | **3,274,702** | 1,988,207 |
| Facilities Rentals | | | |
| Salaries | 381,900 | **389,234** | 375,435 |
| Benefits | 56,400 | **16,779** | 21,362 |
| Supplies and materials | 56,800 | **53,147** | 47,318 |
| | 495,100 | **459,160** | 444,115 |
| | $ 56,852,600 | **$ 59,475,378** | $ 55,223,103 |
| **Human Resource Services** | | | |
| Board Administration | | | |
| Salaries | $ 1,272,600 | **$ 1,105,970** | $ 1,193,897 |
| Benefits | 221,500 | **202,335** | 171,459 |
| Supplies and materials | 199,800 | **218,675** | 152,055 |
| Professional services | 50,000 | **48,731** | 44,515 |
| Telephones | 18,000 | **13,530** | 13,700 |
| Other | 134,300 | **150,073** | 601,440 |
| | 1,896,200 | **1,739,314** | 2,177,066 |
| Staff Development | | | |
| Sabbaticals | 130,000 | **130,232** | 43,659 |
| Professional development | 2,170,200 | **1,226,229** | 1,312,044 |
| | 2,300,200 | **1,356,461** | 1,355,703 |
| | $ 4,196,400 | **$ 3,095,775** | $ 3,532,769 |
| School funded activities (Note 10) | $ - | **$ 17,213,980** | $ 10,842,806 |
| Total expenditure | $ 331,505,800 | **$ 343,167,932** | $ 320,849,388 |

# Halifax Regional School Board
# Supplementary Fund
# Statement of Operations and Surplus

| Year Ended March 31 | | 2006 | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Revenue | | | |
| Halifax Regional Municipality | $ 20,846,200 | **$ 20,846,200** | $ 20,846,199 |
| Expenditure | | | |
| School administration | 20,770,200 | **20,871,308** | 20,944,523 |
| Operations services | 76,000 | **76,000** | 76,000 |
| | 20,846,200 | **20,947,308** | 21,020,523 |
| Deficiency of revenue over expenditure | $ - | **$ (101,108)** | $ (174,324) |
| | | | |
| Surplus, beginning of year | | **$ 124,933** | $ 299,257 |
| Deficiency excess of revenue over expenditure | | **(101,108)** | (174,324) |
| Surplus, end of year | | **$ 23,825** | $ 124,933 |

# Halifax Regional School Board
# Supplementary Fund - Halifax
# Detail of Revenue and Expenditure

| Year Ended March 31 | | **2006** | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Revenue | | | |
| Halifax Regional Municipality | $ 12,295,000 | **$ 12,295,000** | $ 12,294,999 |
| Expenditure | | | |
| School Services | | | |
| Teachers' salaries | | | |
| Classroom | 5,529,000 | **5,424,935** | 5,303,269 |
| Special education | 1,660,300 | **1,692,059** | 1,757,096 |
| Guidance | 269,400 | **349,535** | 170,945 |
| Teacher administrators | 1,213,300 | **1,195,791** | 1,163,675 |
| Substitutes | 303,500 | **304,514** | 252,720 |
| Non-teachers' salaries | | | |
| Educational program assistants | 864,500 | **856,070** | 826,283 |
| Library technicians | 793,300 | **782,078** | 726,099 |
| School secretaries | 199,600 | **191,973** | 172,827 |
| Student support workers | 64,000 | **65,781** | 60,631 |
| Benefits | 1,115,500 | **1,012,856** | 986,617 |
| Program Support Resources | 282,600 | **413,094** | 1,025,826 |
| | 12,295,000 | **12,288,686** | 12,445,988 |
| Excess (deficiency) of revenue over expenditure | $ - | **$ 6,314** | $ (150,989) |

| | | |
|---|---|---|
| Surplus, beginning of year | **$ 11,616** | $ 162,605 |
| Excess (deficiency) of revenue over expenditure | **6,314** | (150,989) |
| Surplus, end of year | **$ 17,930** | $ 11,616 |

# Halifax Regional School Board
# Supplementary Fund - Dartmouth
# Detail of Revenue and Expenditure

| Year Ended March 31 | | 2006 | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Revenue | | | |
| Halifax Regional Municipality | $ 5,239,200 | **$ 5,239,200** | $ 5,239,200 |
| Expenditure | | | |
| School Services | | | |
| Teachers' salaries | | | |
| Classroom | 2,103,800 | **2,046,940** | 2,023,934 |
| Special education | 826,900 | **809,528** | 804,093 |
| Guidance | 247,600 | **241,044** | 223,635 |
| Teacher administrators | 184,300 | **171,581** | 153,877 |
| Substitutes | 117,700 | **117,696** | 97,200 |
| Non-teachers' salaries | | | |
| Educational program assistants | 378,200 | **373,651** | 358,599 |
| Library technicians | 433,000 | **423,232** | 425,352 |
| School secretaries | 135,500 | **128,522** | 110,271 |
| Student support workers | 32,700 | **32,451** | 31,185 |
| Benefits | 494,500 | **444,711** | 432,460 |
| Program Support Resources | 209,000 | **390,484** | 531,746 |
| | 5,163,200 | **5,179,840** | 5,192,352 |
| Student transportation | 76,000 | **76,000** | 76,000 |
| | 5,239,200 | **5,255,840** | 5,268,352 |
| Deficiency of revenue over expenditure | $ - | **$ (16,640)** | $ (29,152) |

| | | 2006 | 2005 |
|---|---|---|---|
| Surplus, beginning of year | | **$ 18,614** | $ 47,766 |
| Deficiency of revenue over expenditure | | **(16,640)** | (29,152) |
| Surplus, end of year | | **$ 1,974** | $ 18,614 |

# Halifax Regional School Board
# Supplementary Fund – Halifax County/Bedford
# Detail of Revenue and Expenditure

| Year Ended March 31 | | 2006 | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| Revenue | | | |
| Halifax Regional Municipality | $ 3,312,000 | **$ 3,312,000** | $ 3,312,000 |
| Expenditure | | | |
| Centrally Managed Services | | | |
| Teachers' salaries | | | |
| Special education | 1,343,500 | **1,301,679** | 1,125,220 |
| Substitutes | 47,000 | **48,304** | 33,504 |
| Non-teachers' salaries | | | |
| Educational program assistants | 29,400 | **34,009** | 27,834 |
| Benefits | 101,900 | **98,755** | 85,617 |
| Program Support Resources | - | **-** | 79,693 |
| | 1,521,800 | **1,482,747** | 1,351,868 |
| Family Allocations | | | |
| Budget allocated to families | 1,790,200 | **-** | - |
| Teachers' salaries | | | |
| Classroom | - | **665,330** | 565,379 |
| Special education | - | **56,785** | 111,502 |
| Teacher librarians | - | **22,507** | 63,462 |
| Administrators | - | **63,927** | 84,051 |
| Substitutes | - | **58,860** | 15,456 |
| Non-teachers' salaries | | | |
| Educational program assistants | - | **7,925** | 36,751 |
| Library technicians | - | **526,284** | 602,809 |
| School secretaries | - | **91,432** | 151,140 |
| Benefits | - | **196,353** | 245,537 |
| Supplies and materials | - | **230,633** | 78,228 |
| | 1,790,200 | **1,920,035** | 1,954,315 |
| | 3,312,000 | **3,402,782** | 3,306,183 |
| (Deficiency) excess of revenue over expenditure | $ - | **$ (90,782)** | $ 5,817 |

| | 2006 | 2005 |
|---|---|---|
| Surplus beginning of year | **$ 94,704** | $ 88,887 |
| (Deficiency) excess of revenue over expenditure | **(90,782)** | 5,817 |
| Surplus, end of year | **$ 3,922** | $ 94,704 |

# Halifax Regional School Board
# Supplementary Details of Tangible Capital Assets (Note 2)

Year Ended March 31, 2006

| | Buildings | Vehicles | Total |
|---|---|---|---|
| Cost of tangible assets | | | |
| Opening costs | $ 198,340 | $ 53,269 | **$ 251,609** |
| Additions | 226,407 | 67,382 | **293,789** |
| Disposals | - | - | **-** |
| Closing costs | 424,747 | 120,651 | **545,398** |
| Accumulated amortization | | | |
| Opening balance | 9,917 | 18,645 | **28,562** |
| Disposals | - | - | **-** |
| Amortization expense | 20,741 | 35,696 | **56,437** |
| Closing balance | 30,658 | 54,341 | **84,999** |
| Net book value | $ 394,089 | $ 66,310 | **$ 460,399** |
| Opening balance, April 1, 2005 | $ 188,423 | $ 34,624 | **$ 223,047** |
| Closing balance, March 31, 2006 | 394,089 | 66,310 | **460,399** |
| Increase in net book value | $ 205,666 | $ 31,686 | **$ 237,352** |

## Halifax Regional School Board

### Schedule of Trust Funds

March 31, 2006

| | George Perrin | Christopher Maxwell | Abbie J Lane | Doane Hatfield | Annie M Piercey | James R Pineo | Almar H Shatford | Mengie Shulman | Harold T Barrett | Carl & Rita Turner | Nick Oxner |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash | $ 284 | $ 66 | $ 684 | $ 48 | $ 254 | $ 6,184 | $ 539 | $ 2,474 | $ 1,300 | $ 1,458 | $ 3,950 |
| Restricted Cash | 10,000 | 500 | 8,500 | 500 | 5,000 | - | 16,317 | - | 10,000 | - | - |
| Investments | - | - | - | - | - | 100,000 | - | - | - | - | - |
| | $ 10,284 | $ 566 | $ 9,184 | $ 548 | $ 5,254 | $ 106,184 | $ 16,856 | $ 2,474 | $ 11,300 | $ 1,458 | $ 3,950 |
| Equity Fund | $ 10,284 | $ 566 | $ 9,184 | $ 548 | $ 5,254 | $ 106,184 | $ 16,856 | $ 2,474 | $ 11,300 | $ 1,458 | $ 3,950 |
| Balance, beginning of year | $ 10,522 | $ 552 | $ 8,955 | $ 534 | $ 5,616 | $ 110,597 | $ 16,930 | $ 2,779 | $ 11,149 | $ 1,914 | $ 4,488 |
| Donations | - | - | - | - | - | - | - | - | - | - | - |
| Interest earned | 262 | 14 | 229 | 14 | 138 | 2,587 | 426 | 70 | 283 | 44 | 102 |
| | 10,784 | 566 | 9,184 | 548 | 5,754 | 113,184 | 17,356 | 2,849 | 11,432 | 1,958 | 4,590 |
| Awards paid | 500 | - | - | - | 500 | 7,000 | 500 | 375 | 132 | 500 | 640 |
| Balance, end of year | **$ 10,284** | **$ 566** | **$ 9,184** | **$ 548** | **$ 5,254** | **$ 106,184** | **$ 16,856** | **$ 2,474** | **$ 11,300** | **$ 1,458** | **$ 3,950** |

| | John Travers Cornwell | Edith Cavell Prize | Donald Keith | Don Hughes | Madeline Lepage Godin | Ron Ruggles Memorial Fund | Surjit Verma Scholarship Fund | Dennis Tulley Memorial Bursary | Cole Harbour High Arts Award | Women in Business Bursary | Lahey Bursary | 2005/2006 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash | $ 11,712 | $ 1,867 | $ 170 | $ 4,218 | $ 3,236 | $ 1,209 | $ 14,816 | $ 5,128 | $ - | $ 190 | $ 205 | **$ 59,992** |
| Restricted Cash | - | - | 7,023 | - | 5,000 | - | - | - | 1,400 | - | - | **64,240** |
| Investments | - | - | - | - | - | - | - | - | - | - | - | **100,000** |
| | $ 11,712 | $ 1,867 | $ 7,193 | $ 4,218 | $ 8,236 | $ 1,209 | $ 14,816 | $ 5,128 | $ 1,400 | $ 190 | $ 205 | **$ 224,232** |
| Equity Fund | $ 11,712 | $ 1,867 | $ 7,193 | $ 4,218 | $ 8,236 | $ 1,209 | $ 14,816 | $ 5,128 | $ 1,400 | $ 190 | $ 205 | **$ 224,232** |
| Balance, beginning of year | $ 11,820 | $ 2,219 | $ 7,213 | $ - | $ 8,031 | $ 1,079 | $ 9,620 | $ 5,001 | $ - | $ - | $ - | **$ 219,019** |
| Donations | - | - | - | 4,163 | - | 600 | 5,400 | - | 1,400 | 190 | 203 | **11,956** |
| Interest earned | 292 | 48 | 180 | 55 | 205 | 30 | 296 | 127 | - | - | 2 | **5,404** |
| | 12,112 | 2,267 | 7,393 | 4,218 | 8,236 | 1,709 | 15,316 | 5,128 | 1,400 | 190 | 205 | **236,379** |
| Awards paid | 400 | 400 | 200 | - | - | 500 | 500 | - | - | - | - | **12,147** |
| Balance, end of year | **$ 11,712** | **$ 1,867** | **$ 7,193** | **$ 4,218** | **$ 8,236** | **$ 1,209** | **$ 14,816** | **$ 5,128** | **$ 1,400** | **$ 190** | **$ 205** | **$ 224,232** |

# Highway 104 Western Alignment Corporation
# Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton

# Auditors' Report

**To the Shareholder of Highway 104 Western Alignment Corporation**

We have audited the balance sheet of **Highway 104 Western Alignment Corporation** as at March 31, 2006, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 4, 2006

Grant Thornton LLP
Chartered Accountants

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Halifax, Nova Scotia
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# Highway 104 Western Alignment Corporation
## Statements of Earnings and Deficit

| Year Ended March 31 | Budget 2006 | Actual 2006 | 2005 |
|---|---|---|---|
| Revenue | | | |
| Facility revenue | $ 17,294,091 | $ 17,199,316 | $ 16,954,490 |
| Interest income | 624,974 | 905,383 | 711,759 |
| | 17,919,065 | 18,104,699 | 17,666,249 |
| Expenses | | | |
| Bondholder representative fees | 168,250 | 192,623 | 107,910 |
| Trustee fees | 34,228 | 41,791 | 32,052 |
| Salaries and benefits | 157,000 | 153,246 | 135,358 |
| Office | 48,900 | 46,208 | 48,690 |
| General and administrative | 242,700 | 250,149 | 195,032 |
| Enforcement | 60,000 | 60,000 | 60,000 |
| Independent engineer | 50,000 | 39,333 | 36,379 |
| Routine maintenance | 918,500 | 929,174 | 883,874 |
| Major maintenance | 480,000 | 417,300 | 249,378 |
| Facility operations | 2,038,220 | 2,037,898 | 1,920,430 |
| Transponders | 62,700 | 45,835 | 57,958 |
| | 4,260,498 | 4,213,557 | 3,727,061 |
| Earnings before other items | 13,658,567 | 13,891,142 | 13,939,188 |
| Other items | | | |
| Government assistance amortization (Note 2) | 1,328,310 | 1,328,310 | 1,265,057 |
| Amortization and depreciation | (3,002,172) | (3,138,232) | (2,865,547) |
| Interest on long term debt | (8,597,452) | (8,597,503) | (8,517,068) |
| Net earnings | $ 3,387,253 | $ 3,483,717 | $ 3,821,630 |

| | | |
|---|---|---|
| Deficit, beginning of year | $ (18,022,526) | $ (15,733,019) |
| Net earnings | 3,483,717 | 3,821,630 |
| Transfer to reserve for restricted assets (Note 9) | (6,667,990) | (6,111,137) |
| Deficit, end of year | $ (21,206,799) | $ (18,022,526) |

See accompanying notes to the financial statements.

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# Highway 104 Western Alignment Corporation
## Balance Sheet

| March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash and cash equivalents | $ | **552,477** | $ | 553,033 |
| Inventory | | **8,898** | | 6,501 |
| Prepaids (Note 3) | | **365,071** | | 359,012 |
| Receivables (Note 4) | | **106,391** | | 106,745 |
| | | **1,032,837** | | 1,025,291 |
| Restricted assets (Note 5) | | **32,824,648** | | 26,156,658 |
| Facility (Note 6) | | **103,775,444** | | 106,913,678 |
| Deferred financing fees (Note 2) | | **465,098** | | 500,531 |
| | $ | **138,098,027** | $ | 134,596,158 |
| **Liabilities** | | | | |
| Current | | | | |
| Payables and accruals | $ | **698,785** | $ | 306,295 |
| Current portion of long term debt | | **2,498,137** | | 1,108,652 |
| Deferred revenue | | **760,297** | | 716,252 |
| | | **3,957,219** | | 2,131,199 |
| Long term debt (Note 7) | | **82,094,100** | | 82,573,657 |
| Payable to the Province of Nova Scotia (Note 8) | | **250,000** | | 250,000 |
| Deferred government assistance (Note 2) | | **46,117,939** | | 47,446,250 |
| | | **132,419,258** | | 132,401,106 |
| **Shareholder's Equity (Deficiency)** | | | | |
| Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia | | **1** | | 1 |
| Reserve for restricted assets (Note 9) | | **26,885,567** | | 20,217,577 |
| Deficit | | **(21,206,799)** | | (18,022,526) |
| | | **5,678,769** | | 2,195,052 |
| | $ | **138,098,027** | $ | 134,596,158 |

Commitments and contractual obligations (Note 12)

On behalf of the Board

_______________ President

See accompanying notes to the financial statements.

Grant Thornton

# Highway 104 Western Alignment Corporation
# Statement of Cash Flows

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operating** | | |
| Net earnings | $ 3,483,717 | $ 3,821,630 |
| Government assistance amortization | (1,328,310) | (1,265,057) |
| Capitalized interest on bonds (Note 7) | 2,018,580 | 1,826,463 |
| Amortization of deferred financing fees | 35,434 | 35,434 |
| Amortization and depreciation | 3,138,232 | 2,865,547 |
| | 7,347,653 | 7,284,017 |
| Change in non-cash operating working capital (Note 11) | 428,433 | (273,438) |
| | 7,776,086 | 7,010,579 |
| **Financing** | | |
| Principal repayment on bonds | (1,108,652) | (996,969) |
| **Investing** | | |
| Increase in restricted assets | (6,667,990) | (6,111,137) |
| Net decrease in cash and cash equivalents | (556) | (97,527) |
| Cash and cash equivalents, beginning of year | 553,033 | 650,560 |
| Cash and cash equivalents, end of year | $ 552,477 | $ 553,033 |

See accompanying notes to the financial statements.

### 1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Corporation has been designated a Government Business Enterprise by the Nova Scotia Provincial Finance Act. The Corporation follows generally accepted accounting policies for profit-oriented enterprises.

### 2. Summary of significant accounting policies

**Pre-operating and operating periods**
The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

**Facility**
The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Also included in the Facility are computer equipment costs of $44,940. These costs have been amortized over three years under the straight line method.

The Corporation plans to purchase a new tolling computer system. Accordingly, the useful life of the existing tolling computer system will expire in 2008. The remaining value of the tolling system at April 1, 2005 will be amortized over three years under the straight line method. In the current year, amortization costs have increased by $142,638 as a result of the change in amortization period.

**Revenue recognition**
The Corporation recognizes revenue at the time a vehicle utilizes the highway.

**Deferred costs - financing fees**
Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

**Deferred government assistance**
Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

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

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less with the exception of restricted cash balances which are included in restricted assets. Bank borrowings are considered to be financing activities.

**Use of estimates**

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### 3. Prepaids

| | **2006** | 2005 |
|---|---|---|
| Operating expenses | $ **32,349** | $ 34,487 |
| Advance to operator | **332,722** | 324,525 |
| | $ **365,071** | $ 359,012 |

### 4. Receivables

| | **2006** | 2005 |
|---|---|---|
| Harmonized Sales Tax | $ **106,391** | $ 72,575 |
| Other | **-** | 34,170 |
| | $ **106,391** | $ 106,745 |

### 5. Restricted assets

| | Cash | Investments | **2006 Total** | 2005 Total |
|---|---|---|---|---|
| Senior debt service reserve account | $ - | $ 9,162,292 | $ **9,162,292** | $ 5,652,105 |
| Capital reserve account | 847 | 18,875,758 | **18,876,605** | 16,532,787 |
| Major maintenance reserve account | 489 | 4,785,262 | **4,785,751** | 3,971,766 |
| | $ 1,336 | $ 32,823,312 | $ **32,824,648** | $ 26,156,658 |

Investments are recorded at cost, have a weighted average term of 11.15 (2005 – 9.21) months to maturity and a weighted average interest rate of 4.28% (2005 – 2.80%). The market value of the investments approximates the carrying value.

**5. Restricted assets (continued)**

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

**6. Facility**

| | | | **2006** | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | **Net Book Total** | Net Book Total |
| Facility | $ 124,667,560 | $ 20,892,116 | **$ 103,775,444** | $ 106,913,678 |

Grant Thornton

**7. Long term debt**

| | 2006 | 2005 |
|---|---|---|
| Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. The amount by which the interest expense has exceeded interest payments has been capitalized as part of the principal. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account. | **$ 76,883,622** | $ 74,865,042 |
| Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders. | **7,708,615** | 8,817,267 |
| | **84,592,237** | 83,682,309 |
| Less: principal repayments due within one year | **2,498,137** | 1,108,652 |
| | **$ 82,094,100** | $ 82,573,657 |

Minimum principal repayments required are as follows:

| | |
|---|---|
| 2007 | $ 2,498,137 |
| 2008 | 2,769,342 |
| 2009 | 3,070,036 |
| 2010 | 3,403,379 |
| 2011 | 3,772,944 |

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is $109,706,839 (2005 - $107,072,500) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

### 8. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

### 9. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

| | **2006** | 2005 |
|---|---|---|
| Reserve for restricted assets, beginning of year | **$ 20,217,577** | $ 14,106,440 |
| Transfers from project account | **13,540,673** | 13,723,500 |
| Interest income | **882,413** | 639,488 |
| Long term debt payments, including interest | **(7,652,141)** | (7,652,141) |
| Major maintenance payments, including HST to be recovered | **(18,828)** | (599,710) |
| Payments made to bondholders | **(84,127)** | - |
| | **6,667,990** | 6,111,137 |
| Reserve for restricted assets, end of year | **$ 26,885,567** | $ 20,217,577 |

### 10. Financial instruments

The Corporation's financial instruments consist of prepaids, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 7 to the financial statements.

### 11. Supplemental cash flow information

| | 2006 | 2005 |
|---|---|---|
| **Change in non-cash operating working capital** | | |
| Inventory | $ **(2,397)** | $ 6,029 |
| Prepaids | **(6,059)** | (27,047) |
| Receivables | **354** | (34,565) |
| Payables and accruals | **392,490** | (315,709) |
| Deferred revenue | **44,045** | 97,854 |
| | $ **428,433** | $ (273,438) |
| Cash and cash equivalents consist of: | | |
| Cash on hand and balances with banks | $ **552,477** | $ 553,033 |
| Interest paid | $ **6,543,489** | $ 6,655,171 |

### 12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**
  Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfill its obligations to the Province.

  Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

  The Province contributed $55,000,000 to the project.

- **Operating Agreement**
  Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

  Facility operations expenses paid to the Operator during the year totalled $2,037,898 (2005 - $1,920,430).

  Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

### 12. Commitments and contractual obligations (continued)

- **Major Maintenance Reserve Fund Agreement**
  Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is $50,000. The agreement with the independent engineer was renewed for a one year term in November 2005.

  The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:

| | |
|---|---|
| 2007 | $ 3,064,500 |
| 2008 | 4,379,200 |
| 2009 | 825,000 |
| 2010 | 1,442,500 |
| 2011 | 1,120,000 |

- **Annual Roadway Maintenance Agreement**
  The thirty year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services is renewable in five year increments and was last renewed March 3, 2005. The annual fee of $865,200 is adjusted annually for inflation.

  During the year, the Corporation incurred management fees of $27,300, (2005 - $16,373) from the Province of Nova Scotia.

- **Other**
  The Corporation had also entered into various operating lease agreements for equipment and office space. The minimum lease payments for the next four years are as follows:

| | |
|---|---|
| 2007 | $ 26,694 |
| 2008 | 26,694 |
| 2009 | 26,694 |
| 2010 | 26,694 |

### 13. Subsequent event

Subsequent to year end, the Corporation has given notice to the Junior Bondholders that they plan to pre-pay $4 million of debt on June 30, 2006. In addition, they will pay the associated market makewhole premium of $630,396.

# Province of Nova Scotia

## Industrial Expansion Fund

## Financial Statements

March 31, 2006

# Province of Nova Scotia
# Industrial Expansion Fund

## Contents

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# AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Economic Development

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 2006, and the statements of continuity of fund for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over financial statement presentation.

As outlined in note 2 to the financial statements, administrative expenses, expenses related to the change in the provision for possible losses on assistance and possible payments on guarantees, revenues earned on guarantees, accrued loan interest, and interest and other income earned on loans are not reflected in the financial statements of the Fund. Furthermore, a statement of cash flows is not provided and payments receivable within one year are not segregated and classified as current assets in the financial statements. The effect on the financial statements of not recording or disclosing these matters is not determinable.

In my opinion, except for the effects of the failure to record or disclose the matters as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the continuity of fund for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques Lapointe, CA• CIA
Auditor General

Halifax, Nova Scotia
June 9, 2006

## Province of Nova Scotia
## Industrial Expansion Fund
## Balance Sheet

| March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| | | (in thousands) | | |
| **Assets** | | | | |
| Financial assets, at cost | | | | |
| Loans - Industrial Development Act | $ | 73,919 | $ | 70,375 |
| Loans - Venture Corporations Act (Note 4) | | 809 | | 809 |
| Royalty rights (Note 5) | | 582 | | 257 |
| Shares (Note 6) | | 7,614 | | 6,632 |
| | | 82,924 | | 78,073 |
| Less: Provision for concessionary assistance (Note 7) | | 29,369 | | 26,450 |
| Allowance for doubtful accounts | | 9,547 | | 7,745 |
| | | 38,916 | | 34,195 |
| | | 44,008 | | 43,878 |
| Due from consolidated fund | | | | |
| Guarantees (Note 8) | | 137,195 | | 128,595 |
| Less: Provision for payment under guarantees | | 400 | | 300 |
| | | 136,795 | | 128,295 |
| Assistance authorized but unadvanced | | 33,407 | | 10,863 |
| | | 170,202 | | 139,158 |
| | $ | 214,210 | $ | 183,036 |
| **Funding Authorized and Committed** | | | | |
| Authorized, net of write-offs | | | | |
| Industrial Development Act | $ | 306,247 | $ | 258,239 |
| Venture Corporations Act | | 4,408 | | 4,408 |
| | | 310,655 | | 262,647 |
| Less: Provision for concessionary assistance and possible losses on assistance (Note 9) | | 39,316 | | 34,495 |
| Net fund balance | | 271,339 | | 228,152 |
| Less: Uncommitted balance of fund | | 57,129 | | 45,116 |
| | $ | 214,210 | $ | 183,036 |

Contingencies (Note 10)

On behalf of the Fund:

See accompanying notes to the financial statements.

# Province Of Nova Scotia
# Industrial Expansion Fund
# Statement Of Continuity Of Fund
# Under the Industrial Development Act

| March 31 | 2006 | 2005 |
|---|---|---|
| | (in thousands) | |
| Balance, beginning of year | $ 258,239 | $ 259,881 |
| Add: Increase in fund | 50,000 | |
| Deduct: Accounts written off | 1,992 | 1,642 |
| Balance, end of year | $ 306,247 | $ 258,239 |

| | | |
|---|---|---|
| Comprising: | | |
| Loans receivable, shares, rights and other assets | $ 82,115 | $ 77,264 |
| Guarantees in effect and utilized | 77,224 | 83,059 |
| Loans and other investments authorized but unadvanced and guarantees in effect but not utilized | 93,378 | 56,399 |
| Uncommitted balance | 53,530 | 41,517 |
| | $ 306,247 | $ 258,239 |

See accompanying notes to the financial statements.

## Province Of Nova Scotia
## Industrial Expansion Fund
## Statement Of Continuity Of Fund
## Under the Venture Corporations Act

| March 31 | 2006 | 2005 |
|---|---|---|
| | (in thousands) | |
| Balance, beginning of year | $ 4,408 | $ 4,408 |
| Deduct: Accounts written off | - | - |
| Balance, end of year | $ 4,408 | $ 4,408 |
| Comprising: | | |
| Loans advanced | $ 809 | $ 809 |
| Uncommitted balance | 3,599 | 3,599 |
| | $ 4,408 | $ 4,408 |

See accompanying notes to the financial statements.

# Province Of Nova Scotia
# Industrial Expansion Fund
# Notes to the Financial Statements

March 31, 2006

## 1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province. All assistance provided by the Fund is required to be approved by Order in Council.

Effective November 6, 2001, pursuant to Order in Council 2001-523, administrative responsibility for the Industrial Expansion Fund was assigned to Nova Scotia Business Inc., a corporation formed under the Nova Scotia Business Incorporated Act. The Fund's account and assistance management activities are performed by staff of the Office of Economic Development.

## 2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles modified by paragraphs (a), (b), and (c) below.

**Administrative Expenses and Interest Revenue**

(a) Administrative expenses of the Fund and expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in the financial statements.

**Statement of Cash Flows**

(b) A statement of cash flows is not provided since disclosure in the statements of continuity of the funds and the balance sheet are considered adequate.

**Current Assets**

(c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

**Provision for Concessionary Assistance**

(d) The Fund provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

**Allowance for Doubtful Accounts**

(e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

**Royalty rights**

(f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

**Use of estimates**

(g) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. Fair values of financial instruments

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies. Due to the limited amount of comparable market information available it is not practical to determine the fair value of these assets.

### 4. Venture Corporation Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year no payments (2005 - NIL) were received.

| | **2006** | 2005 |
|---|---|---|
| | (in thousands) | |
| Loans made to venture corporations | **$ 809** | $ 809 |
| Less: Allowance for doubtful accounts | **809** | 809 |
| | **$ -** | $ - |

### 5. Royalty rights

Certain investments of the Fund are royalty agreements that provide a return in the form of royalty payments. The royalty payments are based upon net sales of the companies.

### 6. Shares

| | **2006** | 2005 |
|---|---|---|
| | (in thousands) | |
| Preferred shares | **$ 4,000** | $ 3,000 |
| Common shares | **3,614** | 3,632 |
| | **$ 7,614** | $ 6,632 |

Shares are recorded at cost. Any provision for the decline of fair market value below the cost of shares has been included in the allowance for doubtful accounts.

# Province Of Nova Scotia
# Industrial Expansion Fund
# Notes to the Financial Statements
March 31, 2006

## 7. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance through the Fund include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of loans and shares is as follows:

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | (in thousands) | | | |
| | **Assistance Outstanding** | **Provision for Concessionary Assistance** | **Net Book Value** | Net Book Value |
| Loans | **$ 38,053** | **$ 29,369** | **$ 8,684** | $ 9,310 |
| Shares | **-** | **-** | **-** | - |
| | **38,053** | **29,369** | **8,684** | **9,310** |

## 8. Guarantees

| | 2006 | 2005 |
|---|---|---|
| | (in thousands) | |
| Guarantees - in effect and utilized | **$ 77,224** | $ 83,059 |
| Guarantees - in effect but not utilized | **53,471** | 45,536 |
| Authorized - not in effect | **6,500** | **-** |
| | **$ 137,195** | $ 128,595 |

### 9. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

| | **2006** | 2005 |
|---|---|---|
| | (in thousands) | |
| Balance, beginning of year | **$ 34,495** | $ 28,668 |
| Add current year provision | **6,813** | 7,469 |
| Less accounts written off | **1,992** | 1,642 |
| Balance, end of year | **$ 39,316** | $ 34,495 |

### 10. Contingencies

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

### 11. Related party transactions

The Fund had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) The Fund provided a guarantee in the amount of $20,400,000 to the Nova Scotia Government Fund. At March 31, 2006, $10,000,000 (2005 - $9,000,000) of this guarantee was utilized and in effect. The guarantee has been provided on terms and conditions that would be similar to those of non-related parties.

(b) The Fund enters into transactions with other government departments, agencies and corporations in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

### 12. Credit risk

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Fund regularly monitors entities to whom financial assistance has been provided. In addition to its regular monitoring procedures, at year-end, management performed an analysis of a number of accounts in order to assess the Fund's total exposure to credit and other risks. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the financial assistance, or the last analysis. Changes in risk are reflected in the carrying value of the assistance via the provision for concessionary assistance, the allowance for doubtful accounts and the provision for payment under guarantees.

# Province of Nova Scotia Insured Prescription Drug Plan Trust Fund

# Financial Statements

March 31, 2006

Grant Thornton

# Contents

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

**To the Minister of Health**

We have audited the statement of financial position of the **Province of Nova Scotia Insured Prescription Drug Plan Trust Fund** as at March 31, 2006, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department of Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the **Province of Nova Scotia Insured Prescription Drug Plan Trust Fund** as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 28, 2006

Grant Thornton LLP
Chartered Accountants

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# Province of Nova Scotia Insured Prescription Drug Plan Trust Fund
## Statement of Operations

| Year Ended March 31 | **2006** | 2005 |
|---|---|---|
| Revenue | | |
| Seniors | | |
| Premiums paid by seniors (Note 2) | **$ 16,975,985** | $ 16,643,319 |
| Co-payments to pharmacies | **24,422,240** | 23,844,219 |
| | **41,398,225** | 40,487,538 |
| Department of Health | **117,818,659** | 105,309,772 |
| Investment income | **324,723** | 289,810 |
| | **159,541,607** | 146,087,120 |
| Expenses | | |
| Provider claims (Note 2) | **157,853,394** | 146,087,120 |
| GIS Rebate Program | **1,688,213** | - |
| | **159,541,607** | 146,087,120 |
| Excess of revenue over expenses | **$ -** | $ - |

See accompanying notes to the financial statements.

# Province of Nova Scotia Insured Prescription Drug Plan Trust Fund
# Statement of Financial Position

| March 31 | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 5,093,789** | $ - |
| Receivables | | |
| Seniors | **1,129,071** | 427,425 |
| Department of Health (Note 3) | **-** | 2,527,249 |
| Publicly funded nursing homes | **1,387,502** | 1,720,542 |
| Other | **-** | 174,547 |
| Investments (Note 2) | **3,891,591** | 3,191,680 |
| | **$ 11,501,953** | $ 8,041,443 |
| **Liabilities** | | |
| Bank indebtedness | **$ -** | $ 3,468,557 |
| Payables and accruals | **3,718,512** | 2,508,054 |
| Payable to Department of Health (Note 3) | **4,741,899** | - |
| Unearned premiums | **3,041,542** | 2,064,832 |
| | **$ 11,501,953** | $ 8,041,443 |

Approved on behalf of the Minister

______________________________Deputy Minister, Department of Health

______________________________Chief Financial Officer, Department of Health

See accompanying notes to the financial statements.

# Province of Nova Scotia Insured Prescription Drug Plan Trust Fund
## Statement of Cash Flows

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operating** | | |
| Excess of revenue over expenses | $ - | $ - |
| Changes in non-cash operating working capital | | |
| Receivables | (194,059) | (336,899) |
| Payables and accruals | 1,210,458 | 1,060,786 |
| Unearned premiums | 976,710 | (412,004) |
| | 1,993,109 | 311,883 |
| **Financing** | | |
| Deficiency (surplus) of expenses in excess of advances from Department of Health | 7,269,148 | (2,914,387) |
| **Investing** | | |
| Purchases of investments, net | (699,911) | - |
| Proceeds on sale of investments, net | - | 2,200,631 |
| | (699,911) | 2,200,631 |
| Net increase (decrease) in cash and cash equivalents | 8,562,346 | (401,873) |
| Cash and cash equivalents | | |
| Beginning of year | (3,468,557) | (3,066,684) |
| End of year | $ 5,093,789 | $ (3,468,557) |

See accompanying notes to the financial statements.

### 1. Purpose of organization

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-in-Council 2000-471. Contributions made by seniors and government of Nova Scotia are placed in the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund (the Fund) and are used to pay Seniors' Pharmacare program costs. Principle features of the Pharmacare program are:

- Participation in the Pharmacare program is optional. Eligible seniors must be 65 years of age and not already have coverage under government programs or primary drug coverage through a contract of insurance.

- Eligible seniors are required to pay a maximum annual premium of $390 plus a co-payment fee of 33% of prescription costs to a maximum of $30 for each drug or supply (effective April 1, 2004) to a maximum of $350 per year. Annual premiums are waived for low-income seniors.

- The Department of Health is responsible for funding program costs net of recoveries from seniors and other income.

### 2. Summary of significant accounting policies

**Premium revenues**
Premium revenues are recorded on the accrual basis.

**Claim expenses**
Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

**Administration of program**
Medavie Blue Cross administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

**Cash and cash equivalents**
Cash and cash equivalents include cash on hand, balances with banks, net of indebtedness and short term deposits with original maturities of three months or less.

**Investments**
Investments consist of government and corporate bonds, and short term investments. All investments are carried at cost which approximates market value.

Investments have a 0% coupon rate and mature on April 13, 2006 and April 28, 2006 respectively.

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

**Use of estimates**
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those reported.

**Financial instruments**
The Fund's financial instruments consist of cash and cash equivalents, receivables, investments, and payables and accruals. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

## 3. Receivable from (payable to) the Department of Health

This amount consists primarily of (excess) deficiency of funding from the Department of Health at year end as follows:

| | | **2006** | | 2005 |
|---|---|---|---|---|
| Receivable from (payable to) Department of Health, beginning of year | **$** | **2,527,249** | $ | (387,138) |
| Payments from Department of Health | | **(125,087,807)** | | (102,395,385) |
| Net program expenses | | **111,818,659** | | 105,309,772 |
| (Payable to) receivable from Department of Health, end of year | **$** | **(4,741,899)** | $ | 2,527,249 |

# The Izaak Walton Killam Health Centre
# Financial Statements
March 31, 2006

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

## Auditors' Report

To the Board of **The Izaak Walton Killam Health Centre**

We have audited the balance sheet of **The Izaak Walton Killam Health Centre** as at March 31, 2006 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 16, 2006

Grant Thornton LLP
Chartered Accountants

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# Contents

# The Izaak Walton Killam Health Centre
# Statement of Operations

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Revenue | | |
| Inpatient, outpatient and clinics | $ 143,268,000 | $ 129,499,000 |
| Department of Community Services | 448,000 | 2,471,000 |
| Rentals, recoveries and sales | 6,275,000 | 5,787,000 |
| Mental health | 14,447,000 | 10,654,000 |
| Grants from Health Centre Foundations | 250,000 | 150,000 |
| | 164,688,000 | 148,561,000 |
| Expenses | | |
| Children's health | 48,539,000 | 42,881,000 |
| Women's, maternal and newborn health | 37,141,000 | 34,360,000 |
| Child and adolescent mental health | 15,988,000 | 13,016,000 |
| Professional and academic | 4,988,000 | 4,717,000 |
| Operations and support services | 49,633,000 | 46,449,000 |
| Executive offices and administration | 5,236,000 | 3,720,000 |
| Non portable | 1,155,000 | 1,120,000 |
| | 162,680,000 | 146,263,000 |
| Net income from operations | $ 2,008,000 | $ 2,298,000 |

See accompanying notes to the financial statements.

# The Izaak Walton Killam Health Centre
# Balance Sheet

| March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash and cash equivalents | **$** | **28,251,000** | $ | 28,616,000 |
| Receivables (Note 3) | | **9,046,000** | | 11,002,000 |
| Receivable from the Health Centre Foundations | | **76,000** | | - |
| Inventories | | **1,269,000** | | 1,107,000 |
| Prepaids | | **1,062,000** | | 897,000 |
| | | **39,704,000** | | 41,622,000 |
| Retirement allowance receivable (Note 9) | | **12,196,000** | | 9,968,000 |
| Property and equipment (Note 4) | | **130,909,000** | | 120,507,000 |
| | **$** | **182,809,000** | $ | 172,097,000 |
| **Liabilities** | | | | |
| Current | | | | |
| Payables and accruals (Note 5) | **$** | **23,416,000** | $ | 19,305,000 |
| Payable to the Health Centre Foundations | | **-** | | 60,000 |
| Deferred revenue - DOH advance | | **-** | | 5,280,000 |
| Current portion of facilities loan payable (Note 7) | | **501,000** | | 473,000 |
| | | **23,917,000** | | 25,118,000 |
| Retirement allowances (Note 9) | | **12,196,000** | | 9,968,000 |
| Facilities loan payable (Note 7) | | **14,472,000** | | 14,973,000 |
| Appropriations and reserves (Note 8) | | **17,799,000** | | 16,816,000 |
| | | **68,384,000** | | 66,875,000 |
| **Fund balances** (Page 4) | | | | |
| Capital Fund | | **114,425,000** | | 105,222,000 |
| | **$** | **182,809,000** | $ | 172,097,000 |

Contingency (Note 13)

On behalf of the Board

____________________________ Director    ____________________________ Director

See accompanying notes to the financial statements.

# The Izaak Walton Killam Health Centre
# Statement of Fund Balances

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| **Capital Fund** | | |
| Balance, beginning of year | **$ 105,222,000** | $ 106,392,000 |
| Funding for capital additions | | |
| Specified donations for equipment and renovations | **2,250,000** | 29,000 |
| Transfers from operations | **2,008,000** | 2,298,000 |
| Transfer from appropriations and reserves (Note 8) | **12,981,000** | 4,035,000 |
| | **17,239,000** | 6,362,000 |
| Depreciation | **(8,036,000)** | (7,532,000) |
| Balance, end of year | **$ 114,425,000** | $ 105,222,000 |
| **Operating Fund** | | |
| Balance, beginning of year | **$ -** | $ - |
| Net income from operations | **2,008,000** | 2,298,000 |
| Transfer to Capital Fund | **(2,008,000)** | (2,298,000) |
| Balance, end of year | **$ -** | $ - |

See accompanying notes to the financial statements.

# The Izaak Walton Killam Health Centre
## Statement of Cash Flows

| Year Ended March 31 | **2006** | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operating** | | |
| Net income from operations | **$ 2,008,000** | $ 2,298,000 |
| Change in non-cash operating working capital (Note 11) | **1,294,000** | 10,734,000 |
| | **3,302,000** | 13,032,000 |
| **Financing** | | |
| Principal repayments on facilities loan payable | **(473,000)** | (446,000) |
| Specified donations for equipment and renovations | **2,250,000** | 29,000 |
| Transfers from appropriations and reserves | **12,981,000** | 4,035,000 |
| | **14,758,000** | 3,618,000 |
| **Investing** | | |
| Purchase of property and equipment | **(18,438,000)** | (11,287,000) |
| Employee advances | **13,000** | 89,000 |
| | **(18,425,000)** | (11,198,000) |
| Net (decrease) increase in cash and cash equivalents | **(365,000)** | 5,452,000 |
| Cash and cash equivalents | | |
| Beginning of year | **28,616,000** | 23,164,000 |
| End of year | **$ 28,251,000** | $ 28,616,000 |

See accompanying notes to the financial statements.

### 1. Purpose of organization

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

The IWK Health Centre is a charitable organization under the Income Tax Act.

### 2. Summary of significant accounting policies

**Fund accounting**
The Health Centre maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The Operating Fund reports the non-capital operating assets, liabilities, revenues and expenses of the Health Centre related to the provision of health care services.

The Capital Fund reports the assets, liabilities, capital funding and depreciation related to the Health Centre's capital assets.

**Revenue recognition**
The Health Centre follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to the Capital Fund in the period in which the asset is acquired.

**Use of estimates**
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

**Cash and cash equivalents**
Cash and cash equivalents include cash on hand and balances with banks with original maturities of three months or less. Bank borrowings are considered to be financing activities.

**Inventories**
Inventories are valued at the lower of cost and replacement cost.

**Property and equipment**
Property and equipment assets are stated at cost. Amortization is provided on the straight-line basis over the expected useful life of the asset:

| | |
|---|---|
| Buildings and service equipment | 2% to 5% |
| Major equipment | 5% to 20% |

Amortization on equipment purchased commences in the year after acquisition. Amortization on capital projects and renovations commences in the year after the asset is ready for use.

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

**Appropriations and reserves**
Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

**Donations**
Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

**Employee benefits**
The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

**Financial instruments**
The Health Centre's financial instruments consist of cash, receivables, payables and accruals, facilities loan payable, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

| **3. Receivables** | **2006** | 2005 |
|---|---|---|
| Patients and other accounts receivable, net of allowance for doubtful accounts of $216,000 (2005 - $231,000) | **$ 5,293,000** | $ 4,988,000 |
| Nova Scotia Department of Health year end adjustments | **3,753,000** | 6,014,000 |
| | **$ 9,046,000** | $ 11,002,000 |

Year end adjustments are comprised of:

| | |
|---|---|
| Accumulated deficit 1998/1999 | **$ 908,000** |
| Incremental physician support funding | **524,000** |
| Capital grants | **442,000** |
| Provincial HIS project | **353,000** |
| Provincial help desk | **313,000** |
| Energy funding | **298,000** |
| NS nursing strategy | **257,000** |
| PACS equipment | **163,000** |
| Other | **139,000** |
| OSS Project | **122,000** |
| Contract increases | **120,000** |
| Primary health care | **63,000** |
| On call funding | **51,000** |
| | **$ 3,753,000** |

Of the total receivable from the Nova Scotia Department of Health, as of April 25, 2006, $976,000 has been received.

## 4. Property and equipment

| | Cost | Accumulated Amortization | 2006 Net Book Value | 2005 Net Book Value |
|---|---|---|---|---|
| Land | $ 4,598,000 | $ - | **$ 4,598,000** | $ 4,598,000 |
| Building and service equipment | 143,284,000 | 33,784,000 | **109,500,000** | 100,994,000 |
| Major equipment | 28,626,000 | 11,929,000 | **16,697,000** | 14,791,000 |
| Group home | 206,000 | 92,000 | **114,000** | 124,000 |
| | $ 176,714,000 | $ 45,805,000 | **$ 130,909,000** | $ 120,507,000 |

The Capital Fund has non-interest bearing loans outstanding in the amount of $2,043,000 (2005 - $1,162,000) to the Operating Fund for the purchase of property and equipment. Repayment of these funds will be made through future funding received for capital additions.

## 5. Payables and accruals

| | **2006** | 2005 |
|---|---|---|
| Trade payables | **$ 7,912,000** | $ 7,195,000 |
| Deferred revenue | **1,052,000** | 253,000 |
| Accrued salaries and benefits | **8,952,000** | 7,653,000 |
| Department of Health payables | **100,000** | - |
| Funds held on behalf of others | **5,400,000** | 4,204,000 |
| | **$ 23,416,000** | $ 19,305,000 |

## 6. Credit facility

The Health Centre has been approved for a line of credit of $2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2005 - $Nil). Any outstanding amount is repayable on demand and bears interest at prime plus ¾%.

## 7. Facilities loan payable

| | **2006** | 2005 |
|---|---|---|
| Nova Scotia Department of Finance loan repayable in equal quarterly instalments of $338,133 at an interest rate of 5.76% per annum calculated semi-annually. First instalment paid on March 1, 2004, with the final instalment due December 1, 2023. | **$ 14,973,000** | $ 15,446,000 |
| Less principal amounts payable within one year | **(501,000)** | (473,000) |
| | **$ 14,472,000** | $ 14,973,000 |

**7. Facilities loan payable (continued)**

Principal amounts repayable within the next 5 years are as follows:

| | |
|---|---|
| 2007 | $ 501,000 |
| 2008 | 530,000 |
| 2009 | 561,000 |
| 2010 | 595,000 |
| 2011 | 630,000 |

The fair value of the facilities loan payable is not determinable as there are no comparable financial instruments available on the open market.

| **8. Appropriations and reserves** | **2006** | 2005 |
|---|---|---|

The following is a summary of the amounts in appropriations and reserves:

| | **2006** | 2005 |
|---|---|---|
| Capital | | |
| Equipment | **$ 1,111,000** | $ 272,000 |
| Pediatric site redevelopment | **10,739,000** | 10,177,000 |
| Capital campaign construction | **2,556,000** | 2,275,000 |
| Capital campaign undecided | **84,000** | 78,000 |
| | **14,490,000** | 12,802,000 |
| Board fellowship | **336,000** | 347,000 |
| Neonatal fellowship | **185,000** | 51,000 |
| Research funds | **2,788,000** | 3,616,000 |
| | **$ 17,799,000** | $ 16,816,000 |

The following is a summary of the continuity of appropriations and reserves:

| | **2006** | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 16,816,000** | $ 6,464,000 |
| Grants from Health Centre Charitable Foundations | **2,806,000** | 1,250,000 |
| Department of Health funding | **11,111,000** | 10,242,000 |
| Research funding | **7,543,000** | 5,175,000 |
| Capital campaign fund | **353,000** | 729,000 |
| Other funding | **1,048,000** | 2,748,000 |
| | **22,861,000** | 20,144,000 |
| Transfer to capital fund | **(12,981,000)** | (4,035,000) |
| Disbursements | | |
| Research | **(8,370,000)** | (5,172,000) |
| Other | **(527,000)** | (585,000) |
| | **(21,878,000)** | (9,792,000) |
| Balance, end of year | **$ 17,799,000** | $ 16,816,000 |

## 9. Retirement allowances

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Department of Finance for the Health Centre. 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 13 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 accounts receivable balance is recorded.

The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation was conducted as at December 31, 2003.

During the current year, the provisions of the plan were amended as a result of the new collective agreement signed with the NSGEU. Effective April 1, 2005 members of the NSGEU employed by the Health Centre are entitled to one week's salary per year of service, to a maximum of 26 weeks.

Information about the retirement allowance is as follows:

| | **2006** | 2005 |
|---|---|---|
| **Accrued benefit obligation** | | |
| Balance, beginning of year | **$ 9,968,000** | $ 9,138,000 |
| Current service cost | **789,000** | 669,000 |
| Plan amendment | **932,000** | - |
| Interest cost | **689,000** | 576,000 |
| Amortization of experience gains/losses | **56,000** | 35,000 |
| Other adjustments | **112,000** | - |
| Estimated benefits paid | **(350,000)** | (450,000) |
| Balance, end of year | **$ 12,196,000** | $ 9,968,000 |
| Funded status – plan deficit | **$ (12,490,000)** | $ (10,207,000) |
| Unamortized net actuarial loss | **294,000** | 239,000 |
| Accrued benefit liability recognized | **$ (12,196,000)** | $ (9,968,000) |

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

| | | |
|---|---|---|
| Retirement allowance | **$ 2,577,000** | $ 1,280,000 |

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2006:

| | |
|---|---|
| Discount rate | 5.95% |
| Rate of compensation increase | 3.40 – 5.90% |
| Termination rates | 1.2 – 20% |

### 9. Retirement allowances (continued)

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1994 (projected to 2000) were utilized.

### 10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2003 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to $6,224,000 (2005 - $5,538,000).

### 11. Supplemental cash flow information

| | 2006 | 2005 |
|---|---|---|
| Change in non-cash operating working capital: | | |
| Receivables | **$ 1,943,000** | $ (536,000) |
| Receivable from Health Centre Foundations | **(76,000)** | 14,000 |
| Inventories | **(162,000)** | 113,000 |
| Prepaids | **(165,000)** | (129,000) |
| Payables and accruals | **4,111,000** | 664,000 |
| Payable to Health Centre Foundations | **(60,000)** | 60,000 |
| Deferred revenue | **(5,280,000)** | 196,000 |
| Appropriations and reserves, net | **983,000** | 10,352,000 |
| | **$ 1,294,000** | $ 10,734,000 |
| Cash and cash equivalents consist of: | | |
| Cash on hand and balances with banks | **$ 28,251,000** | $ 28,616,000 |

Included in cash and cash equivalents is $529,000 (2005 – $1,323,000) in cash which is restricted for use towards the construction of a parkade and research facility.

### 12. Related party transactions

The Health Centre relies upon the IWK Health Centre Foundations to raise monies to assist them with the funding of research, capital renovations, capital equipment and specific programs not funded by the Department of Health. Funding received was allocated as follows:

| | 2006 | 2005 |
|---|---|---|
| Capital equipment | **$ 1,150,000** | $ 1,000,000 |
| Capital renovations | **-** | 250,000 |
| Research | **1,200,000** | 1,200,000 |
| Fellowships | **400,000** | 400,000 |
| Operating programs | **250,000** | 150,000 |
| Total grant from Foundations | **3,000,000** | 3,000,000 |
| Specified fund allocations | **4,693,000** | 5,089,000 |
| Total funds received | **$ 7,693,000** | $ 8,089,000 |

### 13. Contingency

The Health Centre has been named as a defendant in legal actions relating to malpractice. Counsel is unable to form an opinion regarding the merit of these claims, and therefore it is not possible to estimate a payment amount, if any. However, it is expected that any payment that may arise from these claims would be funded entirely by the liability insurance carrier.

### 14. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

# Law Reform Commission Of Nova Scotia

**Balance Sheet As at 03/31/2006**

| | | |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Petty Cash | | 25.00 |
| Bank Operating Account | 6,350.40 | |
| Cashable GICS | 0.00 | |
| T-Bill Account | 0.00 | |
| Total Cash | | 6,350.40 |
| HST Receivable | | 4,837.02 |
| GST Receivable | | 65.20 |
| **TOTAL CURRENT ASSETS** | | 11,277.62 |
| **FIXED ASSETS** | | |
| Computer Equipment | 19,059.16 | |
| Accum Computer Equipment | -19,059.16 | |
| Net Office Equipment | | 0.00 |
| **TOTAL FIXED ASSETS** | | 0.00 |
| **TOTAL ASSETS** | | 11,277.62 |
| | | ========= |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Vacation Payable | | -1,965.06 |
| UIC Payable | 0.00 | |
| CPP Payable | 0.00 | |
| Income Tax Payable | 0.00 | |
| Receiver General Payable | | 0.00 |
| Accrued income | | 8,000.00 |
| **TOTAL CURRENT LIABILITIES** | | 6,034.94 |
| **TOTAL LIABILITIES** | | 6,034.94 |
| **EQUITY** | | |
| **SURPLUS** | | |
| Surplus Beginning Of Year | | 14,116.68 |
| Surplus Current Year | | -8,874.00 |
| **ACCUMULATED SURPLUS** | | 5,242.68 |
| **TOTAL EQUITY** | | 5,242.68 |
| **LIABILITIES AND EQUITY** | | 11,277.62 |
| | | ========= |

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# Law Reform Commission Of Nova Scotia

**Income Statement 04/01/2005 to 03/31/2006**

| | | |
|---|---|---|
| **REVENUE** | | |
| **OPERATING INCOME** | | |
| Dept. of Justice | | 151,500.00 |
| NS Law Foundation Contrib. | | 125,000.00 |
| Interest Income | | 2,692.06 |
| PYS (DO NOT USE) | | 0.00 |
| **TOTAL CONTRIBUTIONS** | | 279,192.06 |
| **TOTAL REVENUE** | | 279,192.06 |
| **EXPENSE** | | |
| **ADMINISTRATIVE EXPENSES** | | |
| Wages | 187,169.04 | |
| EI Expense | 3,288.74 | |
| CPP Expense | 5,721.46 | |
| Group Insurance Expense | 9,850.82 | |
| TOTAL PERSONNEL RELATED | | 206,030.06 |
| Advertising | | 0.00 |
| Non Legal Consultants Fees | | 0.00 |
| Commissioners Fees & Expenses | | 788.00 |
| Electrical Expense | | 1,016.29 |
| Meeting - Rules | 749.94 | |
| Meetings - Other | 0.00 | |
| MEETINGS TOTAL | | 749.94 |
| Library | | 3,523.26 |
| Accounting Fees | | 0.00 |
| Membership Dues | | 445.00 |
| Professional Fees | | 3,301.40 |
| Computer Software/Supplies/Repairs | | 8,299.75 |
| Internet | | 1,363.15 |
| Staff Expenses | | 2,154.43 |
| Temp Staff Expense | | 2,500.00 |
| Rent | 24,652.52 | |
| Office Equipment Rental | 3,311.18 | |
| Insurance | 1,231.00 | |
| TOTAL PREMISES RELATED | | 29,194.70 |
| Office Supplies | 2,158.09 | |
| Parking | 106.74 | |
| Photocopy/Printing | 3,143.92 | |
| Postage & Courier | 1,723.98 | |
| Telephone Expense | 3,102.55 | |
| Travel/Conference/Workshop | 6,937.41 | |
| Office Equip Maintenance | 74.95 | |
| TOTAL OFFICE RELATED | | 17,247.64 |
| Bank Charges | | 137.00 |
| Miscellaneous | | 1,146.28 |
| HST Paid On Purchases | | 4,876.82 |
| GST Paid on Purchases | | 27.34 |
| HST expense | | 0.00 |
| Contract Research | | 5,265.00 |
| **TOTAL ADMINISTRATION** | | 288,066.06 |
| **TOTAL EXPENSE** | | 288,066.06 |
| **NET INCOME** | | -8,874.00 |
| | | =========== |

**Generated On: 08/01/2006**

# PROVINCE OF NOVA SCOTIA
# ACCOUNTS ESTABLISHED UNDER THE MEMBERS' RETIRING ALLOWANCES ACT
# FINANCIAL STATEMENTS
# MARCH 31, 2006

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**FINANCIAL STATEMENTS**
**MARCH 31, 2006**

## CONTENTS

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the statement of net assets available for benefits and accrued pension benefit obligations of the accounts established under the Members' Retiring Allowances Act as at March 31, 2006, and the statements of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefit obligations of the accounts established under the Members' Retiring Allowances Act as at March 31, 2006 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

***Original signed by the Auditor General***

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
June 23, 2006

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**
**AND ACCRUED PENSION BENEFIT OBLIGATIONS**
**AS AT MARCH 31, 2006**

| | **2006** | **2005** |
|---|---|---|
| **NET ASSETS AVAILABLE FOR BENEFITS** | | |
| **Receivable from the Consolidated Fund** | | |
| Members' Retiring Allowance Account | $ 20,195,250 | $ 17,040,498 |
| Less: Accounts payable and accruals | 4,250 | 3,087 |
| | 20,191,000 | 17,037,411 |
| Members' Supplementary Retiring Allowance Account | 48,448,250 | 46,445,162 |
| Less: Accounts payable and accruals | 10,250 | 8,413 |
| | 48,438,000 | 46,436,749 |
| | $ 68,629,000 | $ 63,474,160 |
| **ACCRUED PENSION BENEFIT OBLIGATIONS** | | |
| Members' Retiring Allowance Account (Note 3) | $ 20,191,000 | $ 17,037,411 |
| Members' Supplementary Retiring Allowance Account (Note 3) | 48,438,000 | 46,436,749 |
| | $ 68,629,000 | $ 63,474,160 |

Approved by:

____________________________________
Minister of Finance

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**IN THE MEMBERS' RETIRING ALLOWANCE ACCOUNT**
**FOR THE YEAR ENDED MARCH 31, 2006**

| | **2006** | **2005** |
|---|---|---|
| **Increase in Assets** | | |
| Interest | $ 1,431,571 | $ 1,389,432 |
| Contributions | | |
| Members' – matched | 301,483 | 255,969 |
| Government – matched | 301,483 | 255,969 |
| Members' – unmatched | 0 | 1,910 |
| Government – unmatched | 190,159 | 177,561 |
| Total increase in assets | 2,224,696 | 2,080,841 |
| **Decrease in Assets** | | |
| Allowances (pensions) | 875,320 | 870,695 |
| Refunds – contributions and interest | 17,963 | 9,750 |
| Professional services | 6,278 | 4,740 |
| Total decrease in assets | 899,561 | 885,185 |
| **Increase in Net Assets before Actuarial Adjustment** | 1,325,135 | 1,195,656 |
| Actuarial adjustment (Note 3) | 1,828,454 | (721,153) |
| **Increase (decrease) in Net Assets after Actuarial Adjustment** | 3,153,589 | 474,503 |
| **Net Assets Available for Benefits at Beginning of Year** | 17,037,411 | 16,562,908 |
| **Net Assets Available for Benefits at End of Year** | $ 20,191,000 | $ 17,037,411 |

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**IN THE MEMBERS' SUPPLEMENTARY RETIRING ALLOWANCE ACCOUNT**
**FOR THE YEAR ENDED MARCH 31, 2006**

| | **2006** | **2005** |
|---|---|---|
| **Increase in Assets** | | |
| Interest | $ 3,901,855 | $ 3,787,291 |
| Contributions | | |
| Members' – matched | 64,207 | 85,495 |
| Government – matched | 64,207 | 85,495 |
| Members' – unmatched | 0 | 5,206 |
| Government – unmatched | 1,711,429 | 1,598,052 |
| Total increase in assets | 5,741,698 | 5,561,539 |
| **Decrease in Assets** | | |
| Allowances (pensions) | 2,390,799 | 2,373,324 |
| Refunds – contributions and interest | 1,978 | 26,577 |
| Professional services | 15,140 | 12,920 |
| Total decrease in assets | 2,407,917 | 2,412,821 |
| **Increase in Net Assets before Actuarial Adjustment** | 3,333,781 | 3,148,718 |
| Actuarial adjustment (Note 3) | (1,332,530) | (1,858,853) |
| **Increase in Net Assets after Actuarial Adjustment** | 2,001,251 | 1,289,865 |
| **Net Assets Available for Benefits at Beginning of Year** | 46,436,749 | 45,146,884 |
| **Net Assets Available for Benefits at End of Year** | $ 48,438,000 | $ 46,436,749 |

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2006**

## 1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive retiring allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account (a registered pension plan under the Income Tax Act) and a Members' Supplementary Retiring Allowance Account to which member and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account (and, until January 1, 2006, 10% of expense allowances to the Members' Supplementary Retiring Allowance Account – see below). The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities and expense allowances for the last three years, and average salaries for the best three years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 Members of the House of Assembly. At year end, 50 were contributors to the accounts. Of the remaining members, one had reached the 15-year maximum contributory service and one seat was vacant. There were also 100 retiring allowances in pay at March 31, 2006 to former Members of the House of Assembly, surviving spouses and/or dependant children.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the Consumer Price Index and 6%.

Effective January 1, 2006, a change was made to the compensation structure for members. Pursuant to an amendment to the House of Assembly Act (under Bill No. 252, which received Royal Assent on December 8, 2005), expense allowances were eliminated. At the same time, the annual Indemnity was increased by the amount of the former expense allowance, with a further adjustment made to reflect the fact that this portion of a member's compensation will now be taxable. (Previously, it was not taxable.) The amount of the increase in the indemnity was determined such that after the deduction of income tax, the increase would be approximately equal to the amount of the former expense allowance.

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2006**

**2. Summary of Significant Accounting Policies**

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

(b) Contributions

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

(c) Benefits

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(d) Use of Estimates

In preparing these financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expense and related disclosures. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from those estimates.

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2006**

## 3. Accrued Pension Benefit Obligations

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed a valuation as at December 31, 2005 and issued their report in June 2006. An extrapolation of the December 31, 2005 valuation was performed as at March 31, 2006. The results of the valuation and related extrapolation are summarised as follows:

| | **Extrapolation March 31, 2006** | **Valuation December 31, 2005** |
|---|---|---|
| Members' Retiring Allowance Account | $ 20,191,000 | $ 19,835,000 |
| Members' Supplementary Retiring Allowance Account | $ 48,438,000 | $ 47,832,000 |

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

| | **2006** | **2005** |
|---|---|---|
| Members' Retiring Allowance Account | $ 1,828,454 | $ (721,153) |
| Members' Supplementary Retiring Allowance Account | $ (1,332,530) | $ (1,858,853) |

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2006**

## 3. Accrued Pension Benefit Obligations (Continued)

**Reconciliation of changes in accrued pension benefit obligations for the Members' Retiring Allowance Account:**

| | 2006 | 2005 |
|---|---|---|
| Accrued pension benefit obligations at beginning of year | $ 17,037,411 | $ 16,562,908 |
| Impact of changes in assumptions | 221,694 | (268,919) |
| Current service cost | 767,573 | 645,123 |
| Benefits paid | (893,283) | (880,445) |
| Interest on average accrued pension benefit obligations | 1,075,548 | 978,744 |
| Impact of change in compensation | 2,166,460 | - |
| Net impact of other experience gains and losses | (184,403) | - |
| Accrued pension benefit obligations at end of year | $ 20,191,000 | $ 17,037,411 |

**Reconciliation of changes in accrued pension benefit obligations for the Members' Supplementary Retiring Allowance Account:**

| | 2006 | 2005 |
|---|---|---|
| Accrued pension benefit obligations at beginning of year | $ 46,436,749 | $ 45,146,884 |
| Impact of changes in assumptions | 604,242 | (733,017) |
| Current service cost | 1,844,677 | 1,754,939 |
| Benefits paid | (2,392,777) | (2,399,901) |
| Interest on average accrued pension benefit obligations | 2,740,980 | 2,667,844 |
| Impact of change in compensation | (73,460) | - |
| Net impact of other experience gains and losses | (722,411) | - |
| Accrued pension benefit obligations at end of year | $ 48,438,000 | $ 46,436,749 |

**PROVINCE OF NOVA SCOTIA**
**ACCOUNTS ESTABLISHED UNDER THE**
**MEMBERS' RETIRING ALLOWANCES ACT**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2006**

**3. Accrued Pension Benefit Obligations (Continued)**

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three-year average indemnity, expense allowance (if applicable) and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation are as follows:

| | **Extrapolation March 31, 2006** | **Valuation December 31, 2005** |
|---|---|---|
| Investment earnings | | |
| - pre-retirement rate | 5.95% | 5.95% |
| - post-retirement rate | 3.11% | 3.11% |
| (Net of assumed pensioner cost-of-living increases per annum) | | |
| Salary escalation | 2.75% | 2.75% |
| Cost of living | 2.75% | 2.75% |
| Retirement age | i) Age 55 if current age < 52.25<br>ii) Current age + 3.25 if 52.25 < current age < 59.25<br>iii) Later of current age + .25 and 5 years of service if current age > 59.25 | i) Age 55 if current age < 52<br>ii) Current age + 3.5 if 52 < current age < 59<br>iii) Later of current age + .5 and 5 years of service if current age > 59 |
| Mortality | 1994 Group Annuitant Mortality Table projected to 2000 | 1994 Group Annuitant Mortality Table projected to 2000 |

Financial Statements of

# NOVA SCOTIA BUSINESS INCORPORATED

Year ended March 31, 2006

KPMG

**KPMG LLP**
**Chartered Accountants**
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# AUDITORS' REPORT

To the Directors of Nova Scotia Business Incorporated

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2006 and the statements of revenue, expenditures and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Halifax, Canada

May 26, 2006

# NOVA SCOTIA BUSINESS INCORPORATED
Financial Statements

Year ended March 31, 2006

Financial Statements



Schedules

# NOVA SCOTIA BUSINESS INCORPORATED

Balance Sheet
(in thousands of dollars)

March 31, 2006, with comparative figures for 2005

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash | $ | 32,949 | $ | 15,118 |
| Accrued interest receivable | | 830 | | 521 |
| Due from the Province of Nova Scotia | | 8,356 | | 11,576 |
| Current portion of loans receivable (note 3) | | 6,883 | | 10,892 |
| Other receivables | | 446 | | 572 |
| | | 49,464 | | 38,679 |
| Nova Scotia Business Fund assets: | | | | |
| Loans receivable (note 3 and 7) | | 93,987 | | 95,177 |
| Equity investments (note 4 and 7) | | 12,233 | | 10,382 |
| Industrial Parks and malls (note 5) | | 3,871 | | 4,393 |
| Other assets (note 6 and 7) | | 100 | | 110 |
| | | 110,191 | | 110,062 |
| | $ | 159,655 | $ | 148,741 |
| **Liabilities and Shareholder's Equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | $ | 14,681 | $ | 13,687 |
| Provision for payment of guarantees (note 7) | | 650 | | 2,077 |
| Principal due within one year to the Province of Nova Scotia (note 8) | | 16,203 | | 11,736 |
| | | 31,534 | | 27,500 |
| Long-term debt: | | | | |
| Due to the Province of Nova Scotia (note 8) | | 103,366 | | 104,810 |
| Shareholder's equity: | | | | |
| Share capital and retained earnings (note 9) | | 24,755 | | 16,431 |
| Commitments (note 10) | | | | |
| Contingencies (note 11) | | | | |
| | $ | 159,655 | $ | 148,741 |

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

# NOVA SCOTIA BUSINESS INCORPORATED

Statement of Revenue, Expenditures and Retained Earnings
(in thousands of dollars)

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Revenue: | | |
| Provincial grants: | | |
| Operating grant | $ 8,981 | $ 7,200 |
| Strategic investment grant | 12,273 | 11,169 |
| Valuation allowance grant | 1,600 | 1,600 |
| Interest on loans receivable | 11,206 | 8,719 |
| Other investment income | 324 | 322 |
| Gain on sale of land/property | 5,793 | 568 |
| Miscellaneous | 758 | 1,106 |
| | 40,935 | 30,684 |
| Expenses: | | |
| Schedule of Operating Expenses | 8,925 | 7,282 |
| Strategic investments | 12,273 | 11,169 |
| Provision for credit losses and payment of guarantees | 1,284 | 1,263 |
| Schedule of Nova Scotia Business Fund Expenses | 10,129 | 7,808 |
| | 32,611 | 27,522 |
| Excess of revenue over expenditures | 8,324 | 3,162 |
| Retained earnings, beginning of year | 16,431 | 13,269 |
| Retained earnings, end of year | $ 24,755 | $ 16,431 |

See accompanying notes to financial statements.

# NOVA SCOTIA BUSINESS INCORPORATED

Statement of Cash Flows
(in thousands of dollars)

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenditures | $ 8,324 | $ 3,162 |
| Items not involving cash: | | |
| Amortization | 201 | 229 |
| Provision for credit losses and payments of guarantees | 1,285 | 1,263 |
| Capitalized interest on loans receivable | (4,016) | (1,953) |
| Gain on sale of land/property | (5,793) | (568) |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accrued interest receivable | (309) | 39 |
| Decrease (increase) in due from the Province of Nova Scotia | 3,220 | (2,340) |
| Decrease in other receivables | 126 | 116 |
| Increase (decrease) in accounts payable and accrued liabilities | 994 | (4,506) |
| | 4,032 | (4,558) |
| Financing: | | |
| New borrowings from the Province of Nova Scotia | 11,466 | 11,697 |
| Principal repayments to the Province of Nova Scotia | (8,443) | (12,388) |
| | 3,023 | (691) |
| Investments: | | |
| Loan advances | (8,400) | (3,494) |
| Principal received on loans | 15,216 | 13,399 |
| Redemption of shares | 111 | 104 |
| Equity investments | (4,275) | (3,475) |
| Convertible debenture repayment | 2,000 | - |
| Proceeds from disposal of Industrial Parks | 6,245 | 939 |
| Capital additions | (131) | (170) |
| Other | 10 | 21 |
| | 10,776 | 7,324 |
| Increase in cash position | 17,831 | 2,075 |
| Cash position, beginning of year | 15,118 | 13,043 |
| Cash position, end of year | $ 32,949 | $ 15,118 |

See accompanying notes to financial statements.

Nova Scotia Business Incorporated (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

## 1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential declines in value - if a decline is considered to be other than temporary, a specific allowance is recorded.

(c) Industrial parks and malls:

The industrial parks and malls consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves and utilities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

| Asset | Basis | Rate |
|---|---|---|
| Land improvements | Declining balance | 5% |
| Industrial malls and other buildings | Declining balance | 5% |
| Wharves | Declining balance | 5% |
| Utilities | Declining balance | 15% |

The Department of Transportation and Public Works has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

**1. Summary of significant accounting policies (continued):**

(d) Other assets:

Other assets are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(e) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(f) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. In addition, the Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(g) Employee future benefits:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis. The liability for the period prior to NSBI's inception, is recorded on the financial statements of the Province of Nova Scotia.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(in thousands of dollars)

## 2. Fair value of financial instruments:

The carrying value of cash, accrued interest receivable, due from the Province of Nova Scotia other receivables, and accounts payable and accrued liabilities approximate their fair value because of their short-term to maturity.

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets.

Due to the Province of Nova Scotia is comprised of a series of separate notes, the largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by the notes and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia.

## 3. Loans receivable:

| | 2006 | 2005 |
|---|---|---|
| (a) Principal due: | | |
| Performing loans | $ 120,460 | $ 119,389 |
| Impaired loans | 23,415 | 33,332 |
| | 143,875 | 152,721 |
| Allowance for credit losses (note 7) | 43,005 | 46,652 |
| | 100,870 | 106,069 |
| Less current portion | 6,883 | 10,892 |
| | $ 93,987 | $ 95,177 |

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of $461 (2005 - $614) and concessionary allowance of $88 (2005 - $136). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(in thousands of dollars)

## 3. Loans receivable (continued):

(b) Principal payments receivable in each of the next five years are as follows:

| | |
|---|---|
| 2007 | $ 6,883 |
| 2008 | 7,358 |
| 2009 | 7,238 |
| 2010 | 8,496 |
| 2011 | 7,066 |

## 4. Equity investments:

| | 2006 | 2005 |
|---|---|---|
| Common shares | $ 4,641 | $ 4,434 |
| Preferred shares | 11,588 | 6,592 |
| Convertible debentures | 6,125 | 6,486 |
| | 22,354 | 17,512 |
| Allowance for credit losses (note 7) | 10,121 | 7,130 |
| | $ 12,233 | $ 10,382 |

One of the convertible debentures, valued at $1 million, matured before year-end. The Corporation intends to exercise the conversion option. Upon completion of legal documents, the debenture will convert into common shares at a specified rate and amount equal to the value of the debenture.

(in thousands of dollars)

## 5. Industrial parks and malls:

| | Cost | Accumulated amortization | 2006 Net book value | 2005 Net book value |
|---|---|---|---|---|
| Land | $ 225 | $ - | $ 225 | $ 268 |
| Land improvements | 1,221 | 342 | 879 | 794 |
| Industrial malls and other buildings | 3,800 | 2,071 | 1,729 | 2,223 |
| Utilities | 872 | 370 | 502 | 543 |
| Wharves | 1,592 | 1,056 | 536 | 565 |
| | $ 7,710 | $ 3,839 | $ 3,871 | $ 4,393 |

## 6. Other assets:

| | 2006 | 2005 |
|---|---|---|
| Property acquired through foreclosure, at cost | $ 927 | $ 938 |
| Less allowance for losses (note 7) | 827 | 828 |
| | $ 100 | $ 110 |

(in thousands of dollars)

## 7. Allowance for credit losses and provision for payment of guarantees:

| | Gross balance outstanding | Specific allowance | General allowance | Total allowance | 2006 Net balance outstanding |
|---|---|---|---|---|---|
| Loans receivable (note 3) | $ 143,875 | $ 38,332 | $ 4,673 | $ 43,005 | $ 100,870 |
| Equity investments (note 4) | 22,354 | 8,915 | 1,206 | 10,121 | 12,233 |
| Guarantees (note 11) | 2,754 | 650 | - | 650 | 2,104 |
| Other assets (note 6) | 927 | 822 | 5 | 827 | 100 |
| | $ 169,910 | $ 48,719 | $ 5,884 | $ 54,603 | $ 115,307 |

| | Gross balance outstanding | Specific allowance | General allowance | Total allowance | 2005 Net balance outstanding |
|---|---|---|---|---|---|
| Loans receivable (note 3) | $ 152,721 | $ 41,582 | $ 5,070 | $ 46,652 | $ 106,069 |
| Equity investments (note 4) | 17,512 | 6,302 | 828 | 7,130 | 10,382 |
| Guarantees (note 11) | 2,823 | 2,077 | - | 2,077 | 746 |
| Other assets (note 6) | 938 | 822 | 6 | 828 | 110 |
| | $ 173,994 | $ 50,783 | $ 5,904 | $ 56,687 | $ 117,307 |

(in thousands of dollars)

## 8. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

| | Year of maturity | Weighted average interest rate | 2006 Principal outstanding | 2005 Principal outstanding |
|---|---|---|---|---|
| Note payable 2002-01 | - | - | $ 63,767 | $ 67,844 |
| Note payable 2002-02 | 2021 | 6.54% | 38,931 | 39,031 |
| Note payable 2003-01 | 2008 | 4.85% | 2,533 | 2,687 |
| Note payable 2003-02 | 2008 | 4.53% | 275 | 439 |
| Note payable 2003-03 | 2012 | 5.02% | 271 | 322 |
| Note payable 2003-04 | 2014 | 5.35% | 944 | 1,051 |
| Note payable 2003-05 | 2011 | 5.44% | 1,180 | 1,119 |
| Note payable 2004-01 | 2017 | 4.61% | 3,330 | 3,598 |
| Note payable 2004-02 | 2015 | 3.40% - 4.52% | 5,445 | 455 |
| Note payable 2005-01 | 2011 | 4.21% | 1,795 | - |
| Note payable 2005-02 | 2014 | 3.80% | 1,098 | - |
| | | | 119,569 | 116,546 |
| Less principal due within one year | | | 16,203 | 11,736 |
| | | | $ 103,366 | $ 104,810 |

The principal for note 2002-01 is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

(b) Principal payments due in each of the next five years are as follows:

| | |
|---|---|
| 2007 | $ 16,203 |
| 2008 | 7,086 |
| 2009 | 7,004 |
| 2010 | 6,767 |
| 2011 | 6,777 |

(in thousands of dollars)

## 9. Share capital:

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year end, 100 common shares have been issued to the Province of Nova Scotia.

## 10. Commitments:

(a) The Corporation has approved financing of $1,563 (2005 - $8,290) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2006, transactions were approved with maximum annual payments over the next seven years of $99.6 million (2005 - $91.8 million) as shown below.

| | | |
|---|---|---|
| 2007 | $ | 21,288 |
| 2008 | | 22,081 |
| 2009 | | 19,064 |
| 2010 | | 18,406 |
| 2011 | | 11,080 |
| 2012 | | 7,604 |
| 2013 | | 116 |
| | $ | 99,639 |

(c) In one of the Industrial Parks owned by the Corporation, two sewage treatment plants are in operation that do not consistently meet current discharge standards. Management estimates a capital investment of approximately $2.3 million is required in order to meet environmental standards for the first plant. The cost to remedy the second plant is dependent upon the analysis of data readings currently being done in consultation with the Nova Scotia Department of Environment and Labour.

(in thousands of dollars)

## 11. Contingencies:

(a) Guarantees:

| | | Authorized | | 2006 Utilized | | 2005 Utilized |
|---|---|---|---|---|---|---|
| Bank loans | $ | 2,754 | $ | 2,754 | $ | 2,823 |
| Less provision for payment | | | | 650 | | 2,077 |
| | | | $ | 2,104 | $ | 746 |

Included in the above guarantee is a term loan in the amount of $2,354 expiring in 2008 and a guarantee of a line of credit in the amount of $400 expiring in 2011.

The guarantees are secured by various assets and proceeds from liquidation are expected to offset any possible payments under the guarantees.

In 2005, a bank loan guarantee issued in the amount of $323 was demanded by the bank before the year-ended. The guarantees had a provision for payment of $200 recorded against it. The Corporation issued a new guarantee in the amount of $400 to the bank during the year that will expire in 2011.

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

## 12. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated and investments have been transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

(in thousands of dollars)

## 12. Nova Scotia Business Fund (continued):

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Assets: | | | | |
| Nova Scotia Business Incorporated portfolio | $ | 26,553 | $ | 20,184 |
| Loan guarantees (note 11) | | 2,754 | | 2,500 |
| Less allowance for credit losses | | 13,126 | | 8,257 |
| | | 16,181 | | 14,427 |
| Financing authorized but unadvanced (note 10) | | 1,563 | | 7,983 |
| | | 17,744 | | 22,410 |
| Nova Scotia Business Development Corporation portfolio | | 144,474 | | 155,380 |
| Loan guarantees (note 11) | | - | | 323 |
| Less allowance for credit losses | | 41,477 | | 48,430 |
| | | 102,997 | | 107,273 |
| Financing authorized but unadvanced (note 10) | | - | | 307 |
| | | 102,997 | | 107,580 |
| | $ | 120,741 | $ | 129,990 |
| Funding authorized and committed: | | | | |
| Fund balance authorized, net of write offs | $ | 266,818 | $ | 270,187 |
| Less uncommitted balance of fund | | 91,474 | | 83,510 |
| Committed fund balance | | 175,344 | | 186,677 |
| Less allowance for credit losses and payment of guarantees | | 54,603 | | 56,687 |
| | $ | 120,741 | $ | 129,990 |

## 13. Credit risk and interest risk:

(a) Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Application with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Two clients currently exceed this total; their loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $39 million and $27 million, respectively (2005 - $46 million and $23 million). A third client, with existing financing of $2.6 million from the Fund, had new financing of approximately $17 million approved subsequent to year-end.

The risk rating is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of the potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

(b) Interest risk:

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical.

## 14. Taxes:

The Corporation is not subject to provincial or federal taxes.

(in thousands of dollars)

## 15. Supplementary cash information:

Cash position is defined as cash and short-term investments.

During the year, cash received for interest income was $7,255 (2005 - $7,067) and cash paid for interest was $5,661 (2005 - $10,465).

| Non-cash investing activities | 2006 | 2005 |
|---|---|---|
| Conversion of loans to equity | $ 364 | $ - |

## 16. Related party transactions:

Financing has been advanced to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Incorporated at the time of the transactions. These investments totaled $34,180 (2005 - $30,243) and certain of these investments have specific allowances recorded against them totaling $5,489 (2005 - $10,286).

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

The Corporation occupies premises for which no rental fee is charged by the shareholder. Management estimates the annual cost to lease the premises is approximately $640,000.

## 17. Employee pension plan:

Employees of the Company participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2006 were $282 (2005 - $264) and are recognized as an expense in the period. The Company is not responsible for any under-funded liability, nor does the Company have any access to any surplus that may arise in this Plan.

## 18. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

# NOVA SCOTIA BUSINESS INCORPORATED

Schedule of Operating Expenses
(in thousands of dollars)

Year ended March 31, 2006, with comparative figures for 2005

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Business development | $ | 1,653 | $ | 1,096 |
| Legal and audit | | 272 | | 98 |
| Office expenses | | 658 | | 270 |
| Other | | 87 | | 97 |
| Salaries and benefits | | 5,190 | | 4,886 |
| Telecommunications and technical support | | 398 | | 333 |
| Travel | | 667 | | 502 |
| | $ | 8,925 | $ | 7,282 |

# NOVA SCOTIA BUSINESS INCORPORATED

Schedule of Nova Scotia Business Fund Expenses
(in thousands of dollars)

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Amortization | $ 201 | $ 229 |
| Commissions | 76 | 67 |
| Interest | 9,452 | 6,955 |
| Legal | 12 | 6 |
| Repairs and maintenance | 388 | 551 |
| | $ 10,129 | $ 7,808 |

*Financial Statements of*

# NOVA SCOTIA COMMUNITY COLLEGE

*March 31, 2006*

Deloitte & Touche LLP
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# Auditors' Report

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2006 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants
June 2, 2006

# NOVA SCOTIA COMMUNITY COLLEGE
## Table of Contents
**March 31, 2006**

# NOVA SCOTIA COMMUNITY COLLEGE
## Statement of Financial Position
**March 31, 2006**

| | 2006 | 2005 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash | **$ 17,791,972** | $ 20,026,937 |
| Accounts receivable (Note 3) | **15,608,400** | 14,111,624 |
| Inventory | **754,990** | 692,154 |
| Prepaids | **802,500** | 488,669 |
| | **34,957,862** | 35,319,384 |
| Capital assets (Note 4) | **5,096,893** | 5,561,551 |
| Foundation assets (Note 5) | **1,556,674** | 1,094,297 |
| Pensionable advance (Note 13) | **595,120** | 622,404 |
| | **$ 42,206,549** | $ 42,597,636 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable and accrued liabilities | **$ 17,852,826** | $ 19,311,274 |
| Deferred revenue (Note 6) | **6,010,890** | 6,099,049 |
| | **23,863,716** | 25,410,323 |
| Deferred revenue related to capital assets (Note 7) | **3,688,438** | 4,112,056 |
| Employee future benefit obligation (Note 16) | **3,677,000** | 2,781,000 |
| | **31,229,154** | 32,303,379 |
| Commitments (Note 14) | | |
| **NET ASSETS** | | |
| Invested in capital assets (Note 8) | **1,408,455** | 1,449,495 |
| Unrestricted | **3,289,343** | 3,027,542 |
| Restricted for Foundation purposes (Note 5) | **1,556,674** | 1,094,297 |
| Restricted for College development (Note 12) | **4,722,923** | 4,722,923 |
| | **10,977,395** | 10,294,257 |
| | **$ 42,206,549** | $ 42,597,636 |

ON BEHALF OF THE BOARD

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

# NOVA SCOTIA COMMUNITY COLLEGE
## Statement of Revenue and Expenditures
**Year ended March 31, 2006**

| | **2006** | 2005 |
|---|---|---|
| Revenue | | |
| Province of Nova Scotia (Note 9) | **$ 83,967,000** | $ 75,656,000 |
| Government of Canada | **9,050,000** | 8,926,750 |
| Tuition and fees | **18,190,350** | 16,746,631 |
| Customized training | **12,227,354** | 10,414,658 |
| Amortization of deferred revenue related to capital assets | **2,211,607** | 1,873,351 |
| Other (Note 10) | **18,795,823** | 16,543,192 |
| | **144,442,134** | 130,160,582 |
| Expenditures | | |
| Salaries and benefits | **94,244,685** | 86,361,441 |
| Operating supplies and services | **26,345,037** | 22,237,872 |
| Equipment, rentals and other administration | **10,920,853** | 9,331,859 |
| Utilities and maintenance | **8,831,635** | 8,308,057 |
| Amortization | **3,879,163** | 3,768,394 |
| | **144,221,373** | 130,007,623 |
| Excess of revenue over expenditures | **$ 220,761** | $ 152,959 |

# NOVA SCOTIA COMMUNITY COLLEGE
## Statement of Cash Flows
**Year ended March 31, 2006**

| | 2006 | 2005 |
|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES** | | |
| Operating | | |
| Excess of revenue over expenditures | **$ 220,761** | $ 152,959 |
| Items not affect cash | | |
| Amortization of deferred revenue related to capital assets | **(2,211,607)** | (1,873,351) |
| Amortization | **3,879,163** | 3,768,394 |
| Employee future benefit obligation | **896,000** | 777,010 |
| Changes in non-cash working capital items (Note 11) | **(3,420,050)** | 2,927,339 |
| | **(635,733)** | 5,752,351 |
| Investing | | |
| Purchase of capital assets | **(3,414,505)** | (3,330,584) |
| Financing | | |
| Pensionable advance | **27,284** | 63,033 |
| Contributions related to capital assets | **1,787,989** | 2,755,277 |
| | **1,815,273** | 2,818,310 |
| **NET CASH (OUTFLOW) INFLOW** | **(2,234,965)** | 5,240,077 |
| **CASH POSITION, BEGINNING OF YEAR** | **20,026,937** | 14,786,860 |
| **CASH POSITION, END OF YEAR** | **$ 17,791,972** | $ 20,026,937 |

# NOVA SCOTIA COMMUNITY COLLEGE
## Statement of Changes in Net Assets
### Year ended March 31, 2006

| | Invested in Capital Assets | Unrestricted | Restricted for Foundation Purposes (Note 5) | Restricted for College Development (Note 12) | 2006 Total | 2005 Total |
|---|---|---|---|---|---|---|
| Balance, beginning of year | **$ 1,449,495** | **$ 3,027,542** | **$ 1,094,297** | **$ 4,722,923** | **$ 10,294,257** | $ 9,863,829 |
| Excess (deficiency) of revenue over expenditures | **(1,667,556)** | **1,888,317** | **-** | **-** | **220,761** | 152,959 |
| Investment in capital assets | **1,626,516** | **(1,626,516)** | **-** | **-** | **-** | - |
| Endowment contributions and interest | **-** | **-** | **1,226,520** | **-** | **1,226,520** | 795,586 |
| Endowment disbursements | **-** | **-** | **(764,143)** | **-** | **(764,143)** | (518,117) |
| Balance, end of year | **$ 1,408,455** | **$ 3,289,343** | **$ 1,556,674** | **$ 4,722,923** | **$ 10,977,395** | $ 10,294,257 |

### 1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College (the "College") was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province of Nova Scotia (the "Province"), is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

The College has entered into a consent agreement with the Province that allows the College to construct facilities on land owned by the Province pursuant to the $123 million multi-year infrastructure investment announced by the Province on March 28, 2003. The investment will provide newer facilities, more space and revamped learning and student life areas across the Province. Ownership of the buildings, including the new Metro Campus, will remain with the Province. Costs associated with the project will be managed by the College and flow through a liability account, which is subsequently reimbursed by the Province. The expenditures are netted against the funds receivable from the Province and have no effect on the statement of revenue and expenditures.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

*Use of estimates*

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue and expenditures during the year. The accounts most subject to estimation and judgment include the allowance for doubtful accounts and accrued liabilities. Actual results may differ from those estimates.

*Revenue recognition*

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

*Cash*

Cash consists of cash on hand and amounts held by financial institutions, upon which interest is paid at commercial rates.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Capital assets*

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

| | |
|---|---|
| Computer equipment | 3 years |
| Furniture and equipment | 5 years |
| Leasehold improvements | 2 to 5 years |
| Management Information System | 5 years |

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

*Contributed services*

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

*Inventory*

Inventory consists of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

## 3. ACCOUNTS RECEIVABLE

| | **2006** | 2005 |
|---|---|---|
| Organizations | **$ 2,335,765** | $ 2,319,329 |
| Student fees | **2,635,699** | 2,426,943 |
| Government funding | **6,306,125** | 3,997,750 |
| Development Project | **2,595,514** | 3,006,650 |
| Other | **1,653,200** | 2,248,064 |
| Harmonized Sales Tax | **1,008,218** | 1,056,310 |
| Allowance for doubtful accounts | **(926,121)** | (943,422) |
| | **$ 15,608,400** | $ 14,111,624 |

### 4. CAPITAL ASSETS

| | 2006 Cost | 2006 Accumulated Amortization | 2006 Net Book Value | 2005 Net Book Value |
|---|---|---|---|---|
| Computer equipment | **$ 8,270,207** | **$ 7,745,065** | **$ 525,142** | $ 974,447 |
| Furniture and equipment | **12,517,681** | **9,026,881** | **3,490,800** | 3,467,961 |
| Leasehold improvements | **2,069,978** | **989,027** | **1,080,951** | 430,790 |
| Management Information System | **6,197,789** | **6,197,789** | **-** | 688,353 |
| | **$ 29,055,655** | **$ 23,958,762** | **$ 5,096,893** | $ 5,561,551 |

### 5. FOUNDATION ASSETS

The Nova Scotia Community College Foundation (the "Foundation") is a non-profit organization controlled by the College. The assets represent donations and related interest restricted for scholarships, awards and other specified purposes. The Foundation works collaboratively with the College and the community to enhance the student experience by developing and implementing a framework to nurture support for current and future needs of the College.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. Financial summaries as at March 31 and for the years then ended are as follows:

*Nova Scotia Community College Foundation*

| | **2006** | 2005 |
|---|---|---|
| Financial position | | |
| Total assets | **$ 1,645,741** | $ 1,269,247 |
| Total liabilities | **89,067** | 174,950 |
| Total net assets | **1,556,674** | 1,094,297 |
| | **$ 1,645,741** | $ 1,269,247 |
| Results of operations | | |
| Total revenue | **$ 1,226,520** | $ 795,586 |
| Total expenditures | **764,143** | 518,117 |
| Excess of revenue over expenditures | **$ 462,377** | $ 277,469 |

The Foundation uses fund accounting and follows the restricted fund method of accounting for contributions.

### 6. DEFERRED REVENUE

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

### 6. DEFERRED REVENUE (continued)

| | **2006** | 2005 |
|---|---|---|
| Apprenticeship | **$ 554,682** | $ 1,097,144 |
| Offshore operation | **571,655** | 673,655 |
| Skills development | **720,000** | - |
| Applied research | **463,002** | 578,968 |
| Customized training | **2,134,591** | 1,975,536 |
| Other | **1,566,960** | 1,773,746 |
| | **$ 6,010,890** | $ 6,099,049 |

### 7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia and other sources for capital asset additions. The deferred revenue is amortized into revenue at a rate corresponding with the amortization rate for the related capital asset. The changes in the deferred balance are as follows:

| | **2006** | 2005 |
|---|---|---|
| Beginning balance | **$ 4,112,056** | $ 3,230,130 |
| Contributions received | **1,787,989** | 2,755,277 |
| Amortization of deferred revenue related to capital assets | **(2,211,607)** | (1,873,351) |
| Ending balance | **$ 3,688,438** | $ 4,112,056 |

### 8. NET ASSETS INVESTED IN CAPITAL ASSETS

| | **2006** | 2005 |
|---|---|---|
| Capital assets, net of amortization | **$ 5,096,893** | $ 5,561,551 |
| Deferred revenue related to capital assets | **(3,688,438)** | (4,112,056) |
| | **$ 1,408,455** | $ 1,449,495 |

### 9. REVENUE – PROVINCE OF NOVA SCOTIA

| | **2006** | 2005 |
|---|---|---|
| Funding received | **$ 84,967,000** | $ 76,656,000 |
| Portion related to capital assets | **(1,000,000)** | (1,000,000) |
| | **$ 83,967,000** | $ 75,656,000 |

### 10. OTHER REVENUE

| | 2006 | 2005 |
|---|---|---|
| Other revenue is summarized as follows: | | |
| Bookstore revenue | **$ 3,977,034** | $ 3,732,747 |
| Food sales | **1,674,132** | 1,506,781 |
| Apprenticeship/Shop | **3,441,832** | 2,633,657 |
| Interest | **659,518** | 443,488 |
| Recoveries | **3,317,961** | 3,503,073 |
| Applied research | **1,285,212** | 817,426 |
| Lodging, rent and miscellaneous | **4,440,134** | 3,906,020 |
| | **$ 18,795,823** | $ 16,543,192 |

### 11. CHANGES IN NON-CASH WORKING CAPITAL

| | 2006 | 2005 |
|---|---|---|
| Accounts receivable | **$ (1,496,776)** | $ 4,887,973 |
| Inventory | **(62,836)** | 62,692 |
| Prepaids | **(313,831)** | (135,619) |
| Accounts payable and accrued liabilities | **(1,458,448)** | (1,723,987) |
| Deferred revenue | **(88,159)** | (163,720) |
| | **$ (3,420,050)** | $ 2,927,339 |

### 12. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for College development projects.

### 13. PENSIONABLE ADVANCE

When the College took over the payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears". This receivable was formerly held by the Province.

### 14. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years.

| | |
|---|---|
| 2007 | $ 1,441,912 |
| 2008 | 870,715 |
| 2009 | 663,815 |
| 2010 | 345,229 |
| 2011 | 14,665 |
| | $ 3,336,336 |

### 15. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 6.4% (2005 – 6.4%) on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 8% (2005 – 8%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $4,318,647 (2005 - $3,774,702) for the year.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% (2005 – 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2005 – 9.9%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $7,241,040 (2005 - $6,739,408) for the year.

### 16. EMPLOYEE FUTURE BENEFIT OBLIGATION

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA benefits. The benefits are paid from unrestricted cash.

An actuarial evaluation was completed as of March 31, 2006 and the College's obligation relating to these benefits was approximately $3,677,000 (2005 - $2,781,000). The benefit expense was $888,308 (2005 - $644,000). The benefits paid were $3,067 (2005 - $Nil). The next actuarial evaluation is scheduled for March 31, 2007.

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

| | |
|---|---|
| Future salary increase | 6% per annum |
| Expected rate of return | 0% per annum |
| Discount rate | 0% per annum |
| Retirement age | 20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier |

### 17. FINANCIAL INSTRUMENTS

*Fair value*

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

*Credit risk*

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2006.

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

FINANCIAL STATEMENTS
MARCH 31, 2006

# INDEX

# AUDITORS' REPORT

**TO THE MEMBERS OF THE NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION:**

We have audited the balance sheet of Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2006 and the statements of surplus and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 5, 2006

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

BALANCE SHEET
MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **$ 128,292** | $ 172,578 |
| Short-term investments (note 3) | **6,399,531** | 6,507,679 |
| Receivables, trade | **16,923** | 31,936 |
| Accrued interest receivable | **213,040** | 102,517 |
| | **6,757,786** | 6,814,710 |
| **Property, plant and equipment (note 4)** | **29,213** | 37,482 |
| | **$ 6,786,999** | $ 6,852,192 |
| **LIABILITIES** | | |
| **Current** | | |
| Unearned premiums | **$ 52,703** | $ 44,593 |
| Deposits for insurance | **14,884** | 14,744 |
| | **67,587** | 59,337 |
| **Deferred contributions related to capital assets (note 6)** | **29,213** | 37,483 |
| | **96,800** | 96,820 |
| **FUND BALANCES** | | |
| **Fund balances** | | |
| Crop insurance | **5,667,101** | 5,785,414 |
| Livestock insurance | **1,023,098** | 969,958 |
| | **6,690,199** | 6,755,372 |
| | **$ 6,786,999** | $ 6,852,192 |

**Commitments (note 10)**

**On Behalf of the Commission**

______________________________
**Director**

______________________________
**Director**

## PROVINCE OF NOVA SCOTIA
## NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION

STATEMENT OF SURPLUS AND FUND BALANCES
YEAR ENDED MARCH 31, 2006

| | Crop Insurance | Livestock Insurance | Totals 2006 | 2005 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Insurance premiums (Schedule A) | $ 789,142 | $ 32,432 | **$ 821,574** | $ 775,020 |
| Interest income | 184,952 | 30,108 | **215,060** | 170,880 |
| Amortization of deferred contributions (note 6) | 11,183 | - | **11,183** | 12,116 |
| | 985,277 | 62,540 | **1,047,817** | 958,016 |
| Indemnity claims (Schedule A) | 1,105,407 | 9,400 | **1,114,807** | 493,396 |
| Bad debt expense (recoveries) | (13,001) | - | **(13,001)** | 13,666 |
| Administrative expenses (note 7) (Schedule B) | 769,805 | 15,711 | **785,516** | 749,598 |
| Amortization of capital assets | 11,183 | - | **11,183** | 12,116 |
| | 1,873,394 | 25,111 | **1,898,505** | 1,268,776 |
| Surplus (deficiency) before Government contributions | (888,117) | 37,429 | **(850,688)** | (310,760) |
| Government contributions (note 8) | 769,804 | 15,711 | **785,515** | 749,598 |
| Net surplus (deficiency) | (118,313) | 53,140 | **(65,173)** | 438,838 |
| Fund balances, beginning of year | 5,785,414 | 969,958 | **6,755,372** | 6,316,534 |
| Fund balances, end of year | $ 5,667,101 | $ 1,023,098 | **$ 6,690,199** | $ 6,755,372 |

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Operating Activities** | | |
| Net surplus (deficiency) | **$ (65,173)** | $ 438,838 |
| Amortization of capital assets | **11,183** | 12,116 |
| Amortization of deferred contributions | **(11,183)** | (12,116) |
| | **(65,173)** | 438,838 |
| Net change in non-cash working capital balances related to operations (note 9) | **(87,261)** | 27,652 |
| | **(152,434)** | 466,490 |
| **Investing Activities** | | |
| Sale (purchase) of short-term investments | **108,148** | (434,892) |
| Purchase of capital assets | **(2,913)** | (6,186) |
| Deferred contributions related to capital assets | **2,913** | 6,186 |
| | **108,148** | (434,892) |
| **Increase (decrease) in cash during year** | **(44,286)** | 31,598 |
| **Cash, beginning of year** | **172,578** | 140,980 |
| **Cash, end of year** | **$ 128,292** | $ 172,578 |

**1. Authority**

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

**2. Accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policy:

**Capital Assets**

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

**3. Short-term investments**

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2006 these funds had a market value of $6,238,094 (2005 - $6,501,917) and were invested in various corporate and provincial bonds and promissory notes maturing in 2005 and 2006 with yields from 2.85% to 4.00%.

**4. Property, plant and equipment**

| | **2006** | 2005 |
|---|---|---|
| Equipment and furniture | **$ 131,779** | $ 128,875 |
| Accumulated amortization | **(102,566)** | (91,393) |
| | **$ 29,213** | $ 37,482 |

**5. Provision for payment of unsettled indemnities**

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded as a liability in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

**6. Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

| | **2006** | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 37,483** | $ 43,413 |
| Add: Capital assets acquired | **2,913** | 6,186 |
| Less: Amounts amortized to revenue | **(11,183)** | (12,116) |
| Balance, end of year | **$ 29,213** | $ 37,483 |

**7. Related party transactions**

Administrative expenses include $30,000 (2005 - $30,000) for rent and $44,240 (2005 - $44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

**8. Government contributions**

Under the crop insurance programs, producers now pay 40% of the insurance premiums and the Federal and Provincial governments pay 36% and 24% respectfully. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2006 fiscal year, the Federal government contributed 60% (2005 - 60%) of the total administrative expenses. The Provincial government funded the remainder. The Province pays total administrative costs of livestock insurance.

### 9. Net change in non-cash working capital balances related to operations

| | 2006 | 2005 |
|---|---|---|
| **Increase (decrease) in cash from changes in:** | | |
| Receivables | **$ 15,013** | $ 3,062 |
| Accrued interest receivable | **(110,524)** | 18,986 |
| Increase in deposits for insurance | **140** | 14,131 |
| Unsettled indemnities | | (2,106) |
| Unearned premiums | **8,110** | (6,421) |
| | **$ (87,261)** | $ 27,652 |

### 10. Insurance coverage

The total insurance coverage as of March 31, 2006 was $56,145,854 (2005 - $52,522,735), comprising crop insurance of $21,702,008 (2005 - $16,317,410) and livestock insurance of $34,443,846 (2005 - $36,205,325).

The Province is party to an agreement with the Government of Canada, whereby, the Province made advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund was to assist the Province of Nova Scotia when there was a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund were recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately $709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. The matter remains unresolved as of March 31, 2006. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

### 11. Pension and post-retirement benefits

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability or other obligations related to post-retirement benefits. The pension expense incurred in the current year was $35,531 ( 2005 - $31,163).

### 12. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION

## PREMIUM REVENUE AND INDEMNITY CLAIMS
## FOR THE YEAR ENDED MARCH 31, 2006

**SCHEDULE A**

| | Premium Revenue | | | | | Indemnity Claims | |
|---|---|---|---|---|---|---|---|
| | **Farmer** | **Federal** | **Provincial** | **2006** | **2005** | **2006** | **2005** |
| **Crop Insurance** | | | | | | | |
| Spring grain | $ 14,469 | $ 12,500 | $ 8,328 | $ 35,297 | $ 32,297 | $ 44,846 | $ 31,067 |
| Winter grain | 11,884 | 10,429 | 6,961 | 29,274 | 45,148 | 104,382 | 9,312 |
| Tree fruit | 96,756 | 99,896 | 65,470 | 262,122 | 231,867 | 272,023 | 286,405 |
| Corn | 30,563 | 27,447 | 18,293 | 76,303 | 95,049 | 43,978 | 13,574 |
| Blueberries | 94,036 | 84,888 | 56,656 | 235,580 | 197,860 | 449,401 | 116,231 |
| Strawberries and raspberries | 6,699 | 5,591 | 3,731 | 16,021 | 28,337 | 5,448 | 14,202 |
| Forage | 1,585 | 1,413 | 941 | 3,939 | 4,257 | 2,617 | 911 |
| Soybeans | 4,507 | 3,852 | 2,568 | 10,927 | 14,728 | 6,723 | 2,826 |
| Potatoes | 19,165 | 15,593 | 10,411 | 45,169 | 8,495 | 169,389 | - |
| Vegetables | 30,796 | 26,238 | 17,476 | 74,510 | 82,395 | 6,600 | 13,268 |
| | 310,460 | 287,847 | 190,835 | 789,142 | 740,433 | 1,105,407 | 487,796 |
| **Livestock Insurance** | | | | | | | |
| Dairy | 32,432 | - | - | 32,432 | 34,587 | 9,400 | 5,600 |
| **Total** | $ 342,892 | $ 287,847 | $ 190,835 | $ 821,574 | $ 775,020 | $ 1,114,807 | $ 493,396 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION

## ADMINISTRATIVE EXPENSES
## FOR THE YEAR ENDED MARCH 31, 2006

**SCHEDULE B**

| | Insurance | | Totals | |
|---|---|---|---|---|
| | Crop | Livestock | 2006 | 2005 |
| Personnel | $ 581,391 | $ 11,865 | $ 593,256 | $ 533,183 |
| Transportation and communication | 72,759 | 1,485 | 74,244 | 65,386 |
| Information | 10,143 | 207 | 10,350 | 13,556 |
| Professional and special services | 11,753 | 240 | 11,993 | 43,399 |
| Office accommodation and equipment rental | 32,764 | 668 | 33,432 | 32,820 |
| Repair and maintenance of equipment | 2,083 | 43 | 2,126 | 3,773 |
| Materials and supplies | 15,557 | 318 | 15,875 | 13,241 |
| Central government services | 43,355 | 885 | 44,240 | 44,240 |
| | $ 769,805 | $ 15,711 | $ 785,516 | $ 749,598 |

# Nova Scotia E911 Cost Recovery Fund

Financial Statements
**March 31, 2006**

**PricewaterhouseCoopers LLP**
**Chartered Accountants**
1809 Barrington Street, Suite 600
Halifax, Nova Scotia
Canada B3J 3K8
Telephone +1 (902) 491 7400
Facsimile +1 (902) 422 1166

June 19, 2006

## Auditors' Report

**To the Minister Responsible for the Emergency Management Act**

We have audited the statement of financial position of **Nova Scotia E911 Cost Recovery Fund** (the "Fund") as at March 31, 2006 and the statements of operations and fund equity and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Fund is managed by the Nova Scotia Emergency Management Office (EMO), and the EMO and the Government of Nova Scotia have the ability to incur expenses on behalf of the Fund, which may not have been charged to the Fund; therefore, the completeness of the expenses of the Fund are not susceptible to satisfactory audit verification. Accordingly, our verification of these expenses was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to expenses, excess of revenues over expenses, current liabilities, net assets and Fund equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants**

# Nova Scotia E911 Cost Recovery Fund

Statement of Financial Position

**As at March 31, 2006**

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 3,586,289 | 1,798,919 |
| Accounts receivable (note 3) | 1,072,288 | 1,374,785 |
| Accrued interest receivable | 3,672 | 145 |
| | 4,662,249 | 3,173,849 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 7,850 | 5,550 |
| Amount due to Province of Nova Scotia | 1,718,422 | 1,630,331 |
| | 1,726,272 | 1,635,881 |
| **Fund Equity** | | |
| **Fund equity** | 2,935,977 | 1,537,968 |
| | 4,662,249 | 3,173,849 |

**Commitment** (note 5)

**Approved by the Board of Directors**

_______________________ Director _______________________ Director

# Nova Scotia E911 Cost Recovery Fund

Statement of Operations and Fund Equity

**For the year ended March 31, 2006**

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Revenue** | | |
| Fees | 5,364,244 | 4,733,226 |
| Billing and collection charges | (937,172) | (743,634) |
| Allowance for bad debts incurred by carriers (note 4) | (71,759) | (55,002) |
| | 4,355,313 | 3,934,590 |
| Investment income | 66,466 | 20,351 |
| | 4,421,779 | 3,954,941 |
| **Expenses** | | |
| 911 management, administration and operation (Schedule) | 1,720,125 | 1,609,407 |
| IWK Poison Centre operations | 615,000 | 571,924 |
| Service Nova Scotia and municipal relations digital mapping | 400,000 | 550,000 |
| Municipalities | 252,300 | 252,300 |
| Department of Transportation distance markers | 36,345 | 71,124 |
| | 3,023,770 | 3,054,755 |
| **Excess of revenue over expenses for the year** | 1,398,009 | 900,186 |
| **Fund equity – Beginning of year** | 1,537,968 | 637,782 |
| **Fund equity – End of year** | 2,935,977 | 1,537,968 |

# Nova Scotia E911 Cost Recovery Fund

Statement of Cash Flows

**For the year ended March 31, 2006**

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of revenue over expenses for the year | 1,398,009 | 900,186 |
| Net change in non-cash working capital balances related to operations | | |
| Decrease (increase) in accounts receivable | 302,497 | 19,559 |
| Decrease (increase) in accrued interest receivable | (3,527) | 28 |
| Increase (decrease) in accounts payable and accrued liabilities | 2,300 | (6,167) |
| Increase (decrease) in amount due to the Province of Nova Scotia | 88,091 | 50,720 |
| **Net change in cash during the year** | 1,787,370 | 964,326 |
| **Cash and cash equivalents – Beginning of year** | 1,798,919 | 834,593 |
| **Cash and cash equivalents – End of year** | 3,586,289 | 1,798,919 |
| **Cash and cash equivalents is comprised of** | | |
| Cash | 1,021 | 12,937 |
| Short-term investments | 3,585,268 | 1,785,982 |
| | 3,586,289 | 1,798,919 |

## 1 Description of the Fund

The Nova Scotia E911 Cost Recovery Fund (the "Fund") was established on February 2, 2001, pursuant to the *Emergency 911 Act*. The purpose of the Fund is to recover costs incurred to carry out Emergency 911 operations by charging a monthly fee to telephone subscribers in Nova Scotia.

On behalf of the Province of Nova Scotia, the 911 service is managed, operated and administered by the Nova Scotia Emergency Management Office (formerly the Nova Scotia Emergency Measures Organization). These financial statements do not include the assets and liabilities of the Nova Scotia Emergency Management Office.

## 2 Significant accounting policies

**Cash and cash equivalents**

Cash and cash equivalents consist of amounts held on account at financial institutions and short-term investments readily convertible to cash.

**Revenue**

The Fund recognizes revenue when remittances from carriers owe and collection of the resulting receivable is probable. Any cumulative excess of revenue over expenses of the Fund are deferred to cover cost of operations in future years.

**Capital expenditures**

Expenditures of a capital nature are expensed in the Fund as the resultant assets are owned and operated by the Nova Scotia Emergency Management Office.

**Management estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

## 3 Accounts receivable

Accounts receivable balance represents the net of gross fees receivable less a provision for bad debts and collection charges.

| | 2006 $ | 2005 $ |
|---|---|---|
| Gross fees | 1,296,337 | 1,644,061 |
| Provision for bad debts | (17,091) | (22,390) |
| Collection charges | (206,958) | (246,886) |
| | 1,072,288 | 1,374,785 |

## 4 Allowance for bad debts

Under the terms of the Billing and Collection Agreement, prior to remitting fees to the Fund, each carrier may deduct from the gross billings an amount equal to the rate of bad debts experienced by the carrier in the previous month.

## 5 Commitment

In 2002, the Nova Scotia Emergency Management Office committed to the purchase of a communications system and ongoing maintenance of the system through 2006. The total cost of the system to be expensed and recovered from carriers through the Fund, including maintenance costs, amounts to $2,289,365. At March 31, 2006, $2,289,365 (2005 - $2,105,365) has been paid to the supplier. Amounts payable over the next year are $107,300.

## 6 Financial instruments

**Fair values**

The fair values of the Fund's financial instruments are approximately equal to their carrying values due to their short-term maturity.

# Nova Scotia E911 Cost Recovery Fund

Schedule of 911 Management, Administration and Operations Expenses

**For the year ended March 31, 2006**

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| 911 call answer charges | 721,304 | 720,927 |
| Direct salaries and benefits | 435,904 | 347,363 |
| 911 call taker equipment purchase | 127,170 | 206,500 |
| Telecommunications | 85,341 | 72,169 |
| Call taker training | 52,941 | 53,064 |
| Professional services | 52,426 | 96,046 |
| Advertising and public information | 39,726 | 10,384 |
| Consulting services | 35,395 | 17,275 |
| Travel | 34,881 | 20,417 |
| Office furniture and equipment | 30,507 | 28,086 |
| Office space rental | 28,328 | – |
| Meeting expenses | 25,920 | 4,242 |
| Staff training | 16,527 | 12,629 |
| Office supplies | 12,152 | 3,494 |
| Audit | 7,250 | 5,550 |
| Printing brochures, pamphlets, etc. | 6,310 | 4,951 |
| Rentals of faxes and photocopiers | 4,992 | 2,880 |
| Postage, courier and taxi expenses | 2,111 | 937 |
| Parking | 940 | 993 |
| Legal | – | 1,500 |
| | 1,720,125 | 1,609,407 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2005

NOVA SCOTIA Office of the Auditor General

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2005

**CONTENTS**

# AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture and Fisheries

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 2005 and the statements of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I have been unable to obtain satisfactory evidence to support a conclusion on the distribution to the Province of Nova Scotia or management's estimate of the allowance for loan impairment. Accordingly, I was not able to determine whether any adjustments might be necessary to the deposits held by the Province of Nova Scotia, retained earnings, the allowance for loan impairment and net income.

In the prior period, I was unable to obtain satisfactory evidence to support a conclusion on management's estimate of the allowance for loan impairment as at March 31, 2004. Accordingly, I was not able to determine whether any adjustments to the allowance for loan impairment and net income were necessary.

In my opinion, except for the effect of adjustments, if any, which I may have determined to be necessary had I been able to obtain sufficient evidence regarding the matters described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
July 15, 2005, except as to Note 13 which is as of February 9, 2006

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# BALANCE SHEET
# MARCH 31, 2005

| ASSETS | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| Cash (Note 2a) | $ 1,327 | $ 1,459 |
| Interest and other receivables (net) | 3,792 | 4,086 |
| Deposits held by the Province of Nova Scotia (Note 3) | 2,459 | 2,395 |
| Loans receivable (net) (Note 4) | 163,834 | 163,249 |
| Real estate (Note 5) | 3,024 | 4,882 |
| | $ 174,436 | $ 176,071 |
| **LIABILITIES** | | |
| Provision for future life insurance claims (Note 7) | $ 2,350 | $ 2,350 |
| Advances from the Province of Nova Scotia (Note 8) | 170,650 | 172,218 |
| | 173,000 | 174,568 |
| **EQUITY** | | |
| Retained earnings (Note 2h) | 1,436 | 1,503 |
| | $ 174,436 | $ 176,071 |

Commitments and contingencies (Note 9)

The accompanying notes are an integral part of these financial statements.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# STATEMENT OF OPERATIONS
# FOR THE YEAR ENDED MARCH 31, 2005

| | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| **Revenues** | | |
| Interest revenue | $ 11,140 | $ 11,874 |
| Fee revenue and other income | 596 | 572 |
| | 11,736 | 12,446 |
| **Expenses** | | |
| Interest expense (Note 2h) | 9,351 | 9,914 |
| Operating expenses (Note 10) | 1,202 | 1,161 |
| Bad debt expense (recovery) (Note 6) | 1,352 | (1,055) |
| Expense on life insurance operations (Note 7) | 168 | 232 |
| | 12,073 | 10,252 |
| Income (loss) before government contributions | (337) | 2,194 |
| Government contributions (Note 10) | 1,202 | 1,161 |
| **Net Income** | $ 865 | $ 3,355 |

The accompanying notes are an integral part of these financial statements.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# STATEMENT OF RETAINED EARNINGS
# FOR THE YEAR ENDED MARCH 31, 2005

| | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| **Retained earnings**, beginning of year | $ 1,503 | $ 1,064 |
| Income (loss) before government contributions | (337) | 2,194 |
| Recovery from (distribution to) province of Nova Scotia (Note 2h) | 270 | (1,755) |
| **Retained earnings**, end of year | $ 1,436 | $ 1,503 |

The accompanying notes are an integral part of these financial statements.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2005

## 1. Authority

The Nova Scotia Farm Loan Board, a Provincial agency, operates under the authority of the Agricultural and Rural Credit Act and the Forests Act (for timber loans). The Board was established to provide assistance to the agricultural sector in the Province.

Principal in loans outstanding is limited by regulation to $200 million. Maximum advances to be disbursed in any given year is established through the annual budgeting process. For the year ended March 31, 2005, the maximum new advances were $30 million (2004 – $25 million).

Loans in excess of $2 million require approval by Governor-in-Council.

## 2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies used in the preparation of these financial statements.

a) **Cash**

The Farm Loan Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

Cash reported consists of funds held by the Sun Life Assurance Company of Canada in relation to the Board's Creditor Group Life Insurance program. A portion of the funds are restricted under the terms of the life insurance contract. The remainder is internally restricted.

| | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| Contractually restricted deposits | $ 30 | $ 31 |
| Internally restricted deposits | 1,365 | 1,428 |
| Operational deficit transferred to internally restricted deposit | (68) | - |
| | $ 1,327 | $ 1,459 |

b) **Statement of cash flows**

Except for funds held by the insurance carrier, the Board holds no cash (see Note 2a). All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A statement of cash flows has not been provided because disclosure in the balance sheet and statement of operations is considered adequate.

c) **Loans receivable**

Loans receivable is the principal portion of loans outstanding net of the allowance for loan impairment.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

d) **Allowance for loan impairment**

The allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. The allowance is determined based on management's identification and evaluation of problem accounts, as well as estimated losses that exist in the remaining portfolio. These judgements are influenced by the composition and quality of the portfolio, general economic conditions, conditions affecting specific commodities, as well as the Board's policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The provision is established in two components:

1) A specific reserve based on a loan-by-loan review is established to value impaired loans at the lower of their recorded amount or the estimated net realizable value of their underlying security.

2) A general reserve based on an estimate of probable but unidentified losses in the portfolio that have not been included in the specific reserve. This estimate is based on general and commodity specific economic conditions, as well as past experience and a comparison of allowances made by other similar lenders.

The allowance for loan impairment is an accounting estimate. Events may occur that render underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

e) **Real estate acquired in settlement of loans**

Real estate acquired in settlement of loans which is held for sale is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value of security held less disposal costs.

Net operating costs incurred on real estate held for sale are added to the carrying value of the property. A provision is used to adjust the carrying value to net realizable value, resulting in inclusion of these costs in the expense for bad debts.

f) **Real estate acquired for leasing or other purposes**

The Board holds land purchased under a Provincial "Landbank" program and under a Federal-Provincial "Agriculture and Rural Development Agreement" (ARDA). Both of these programs have ceased to exist, however existing leases continue with renewable five year terms. Property acquired under these programs is valued at cost less the unamortized value of the Federal contribution to the ARDA program. The Federal contribution is amortized to other income when related properties are sold. Lease clients are entitled to purchase the related property at its original purchase cost.

g) **Capital assets**

The Board applies the capitalization policies of the Province. No assets acquired by the Board meet the minimum guidelines for capitalization.

h) **Interest expense and retained earnings**

A Memorandum of Understanding (MOU) dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Nova Scotia Department of Finance formalizes the Board's funding arrangements and enables the Board to retain 20% of its net income for future use (as retained earnings). The agreement took effect on April 1, 1998.

Under the MOU, the Board estimates projected lending requirements on a quarterly basis. The Department arranges the required financing and advances it to the Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Board's investment in loans receivable and real estate. The Board tracks the draws arranged with the Department of Finance and computes the interest cost based on the terms of these draws.

Also, under the terms of the MOU, the Board is entitled to set aside 20% of its income before government contributions as retained earnings. Funds related to retained earnings are included in "Deposits held by the Province of Nova Scotia" and may be used by the Board for specific stated purposes; subject to the approval of the Department of Finance.

i) **Interest recognition**

Interest is recognized when earned. Recognition of interest on impaired loans is offset by the allowance for loan impairment. Interest recognition ceases on loans when the requirement to recover on security becomes likely.

j) **Fee revenue**

All loan related fees are reported as revenue in the period in which they were earned.

k) **Measurement uncertainty**

Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported. Significant assumptions are required in the determination of the allowance for impaired loans and the provision for future life insurance claims. See notes related to those accounts for additional information. Actual results may differ.

l) **Risk management**

*Credit Risk*

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to a cyclical industry, or other temporary difficulties, it is the Board's policy to work with clients on an individual basis to provide time for recovery. See Note 4 for additional loan information.

*Liquidity Risk*

The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on lending authority as identified in Note 1.

*Interest Rate Risk*

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. All loans are contracted for the full term of their amortization which may range from 1 to 30 years. Funds drawn through the Province provide for 10% annual and 5 year full optional repayments.

## 3. Deposits Held by the Province of Nova Scotia

Deposits held by the Province represent funds deposited by the Board which will be available for future use (see Note 2a).

| | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| Insurance deposit<br>This consists of funds received as a result of past surpluses within the self-administered Creditor Group Life Insurance program. These funds are internally restricted to insurance related purposes. | $ 1,023 | $ 892 |
| Retained Earnings deposit<br>These funds are composed of the accumulated 20% portion of annual net income held by the Province for use by the Board, subject to approval by the Department of Finance (see Note 2h). | 1,436 | 1,503 |
| | $ 2,459 | $ 2,395 |

## 4. Loans Receivable

Summarized below are anticipated loan repayments based on loan payment schedules and maturities. Values represent book value of loan funds disbursed less principal portion of repayments to date. Allowance for loan impairment adjusts values to anticipated amounts recoverable. Government approval for write-off is requested after all security has been realized and a deficiency remains.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2005

**4. Loans Receivable** (continued)

**2005**

(in thousands)

| | Under 1 Year | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| Farm loans | $ 26,547 | $ 47,637 | $ 82,047 | $ 156,231 |
| Timber loans | 206 | 362 | 279 | 847 |
| Total performing loans | $ 26,753 | $ 47,999 | $ 82,326 | 157,078 |
| Average effective annual interest rate | 6.48% | 6.49% | 6.57% | |
| Add principal receivable on impaired loans (excluded from above) | | | | 9,929 |
| Total principal | | | | 167,007 |
| Less allowance for loan impairment | | | | 3,173 |
| Loans receivable (net) | | | | $ 163,834 |

**2004**

(in thousands)

| | Under 1 Year | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| Farm loans | $ 25,535 | $ 46,578 | $ 86,969 | $ 159,082 |
| Timber loans | 402 | 655 | 161 | 1,218 |
| Total performing loans | $ 25,937 | $ 47,233 | $ 87,130 | 160,300 |
| Average effective annual interest rate | 6.77% | 6.75% | 6.87% | |
| Add principal receivable on impaired loans (excluded from above) | | | | 6,208 |
| Total principal | | | | 166,508 |
| Less allowance for loan impairment | | | | 3,259 |
| Loans receivable (net) | | | | $ 163,249 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2005

## 4. Loans Receivable (continued)

| Sector Distribution (performing loans) | 2005 Loans | 2005 % of Total | 2005 Provision | 2004 Loans | 2004 % of Total | 2004 Provision |
|---|---|---|---|---|---|---|
| | ($ in thousands) | | | | | |
| Dairy | $ 47,104 | 29.9% | $ 351 | $ 49,624 | 30.9% | $ 367 |
| Poultry | 27,113 | 17.3% | 201 | 25,579 | 16.0% | 189 |
| Hog | 17,728 | 11.3% | 418 | 19,277 | 12.0% | 445 |
| Beef | 11,906 | 7.6% | 426 | 12,519 | 7.8% | 160 |
| Vegetables and Other Crops | 9,444 | 6.0% | 303 | 10,020 | 6.3% | 483 |
| Blueberries | 8,167 | 5.2% | 70 | 7,901 | 4.9% | 64 |
| Greenhouse | 6,856 | 4.4% | 69 | 7,564 | 4.7% | 311 |
| Fur | 6,377 | 4.1% | 545 | 5,462 | 3.4% | 668 |
| Apple | 4,127 | 2.6% | 49 | 3,937 | 2.5% | 94 |
| Other Fruit | 3,319 | 2.1% | 291 | 2,854 | 1.8% | 56 |
| Timber | 846 | 0.5% | 6 | 1,415 | 0.9% | 10 |
| Other | 14,091 | 9.0% | 444 | 14,148 | 8.8% | 412 |
| | $ 157,078 | 100.0% | $ 3,173 | $ 160,300 | 100.0% | $ 3,259 |

## 5. Real Estate

| | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| Real estate held for resale | $ 5,817 | $ 6,074 |
| Less allowance for impairment/adjustment to net realizable value | 4,603 | 3,284 |
| Net real estate held for resale | 1,214 | 2,790 |
| Real estate held for long-term use | | |
| Land bank | 1,316 | 1,520 |
| Land consolidation | | |
| Agriculture and Rural Development Agreement (ARDA) | 59 | 66 |
| Less Federal Government share of ARDA properties | (34) | (34) |
| Property used by NS Agricultural College and Community Pastures | 469 | 540 |
| Total property acquired for long-term use | 1,810 | 2,092 |
| | $ 3,024 | $ 4,882 |

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA FARM LOAN BOARD**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2005**

## 6. Allowance for Impairment

| | 2005 (in thousands) | | | 2004 (in thousands) | | |
|---|---|---|---|---|---|---|
| | Loans | Real Estate | Total | Loans | Real Estate | Total |
| **Allowance**, beginning of year | | | | | | |
| Principal | $ 3,259 | $ 3,284 | $ 6,543 | $ 4,397 | $ 3,496 | $ 7,893 |
| Interest | 416 | 123 | 539 | 394 | 172 | 566 |
| | 3,675 | 3,407 | 7,082 | 4,791 | 3,668 | 8,459 |
| Write-offs | - | - | - | - | (322) | (322) |
| Current year adjustments | (23) | 1,395 | 1,372 | 259 | 80 | 339 |
| Recoveries | (20) | (1) | (21) | (1,375) | (19) | (1,394) |
| **Allowance**, end of year | $ 3,632 | $ 4,801 | $ 8,433 | $ 3,675 | $ 3,407 | $ 7,082 |
| Distribution of allowance | | | | | | |
| Principal | $ 3,173 | $ 4,603 | $ 7,776 | $ 3,259 | $ 3,284 | $ 6,543 |
| Interest | 459 | 198 | 657 | 416 | 123 | 539 |
| | $ 3,632 | $ 4,801 | $ 8,433 | $ 3,675 | $ 3,407 | $ 7,082 |
| Specific provision | $ 2,443 | $ 4,790 | $ 7,233 | $ 2,466 | $ 3,394 | $ 5,860 |
| General provision | 1,189 | 11 | 1,200 | 1,209 | 13 | 1,222 |
| | $ 3,632 | $ 4,801 | $ 8,433 | $ 3,675 | $ 3,407 | $ 7,082 |
| Loans and real estate for which a specific allowance has been identified | | | $ 15,746 | | | $ 12,282 |
| Remaining loans against which a general provision has been established | | | 158,888 | | | 162,392 |
| | | | $ 174,634 | | | $ 174,674 |

## 7. Provision for Future Life Insurance Claims

The Board requires borrowers to participate in a group life insurance program administered by the Board. The terms of the agreement with the Board's insurance carrier provide that claims above 125% of total annual client premiums will be paid by the insurance carrier. Smaller claims and administrative costs must be met through premiums received or funded by the Board.

The provision is an estimate of future insurance costs to the Board as a result of claims on existing loans that exceed 125% of annual premiums. The estimate has been established by management based on a periodic actuarial study of the portfolio, adjusted in interim years in proportion to significant changes in the loan portfolio balance. The most recent actuarial study is dated January 31, 2005.

Any excess or shortfall in this provision at year-end is reported on the operating statement as income or expense.

## 8. Advances from the Province of Nova Scotia

Advances are provided by the Province of Nova Scotia to fund loans issued by the Board. Interest is calculated in accordance with a memorandum of understanding with the Department of Finance (see Note 2h).

## 9. Commitments and Contingencies

The Board will hold interest rates for ninety days for any client from the date of loan approval if interest rates increase.

As at March 31, 2005, the Board had authorized loans of $2,599,000 (2004 - $2,646,000) which had not been disbursed.

The loan interest rate on outstanding approved commitments at March 31, 2005 was 5.9%.

The Board is aware of environmental issues on two properties used to secure loans at March 31, 2005. Legal responsibility and cleanup costs are not yet resolved. Total cleanup costs are estimated to be between $30,000 and $300,000.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FARM LOAN BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2005

## 10. Operating Expenses

| | 2005 | 2004 |
|---|---|---|
| | (in thousands) | |
| Salaries | $ 1,018 | $ 999 |
| Supplies and services | 66 | 44 |
| Travel | 48 | 47 |
| Training and development | 23 | 23 |
| Professional/special services | 33 | 36 |
| Equipment and other | 14 | 12 |
| | $ 1,202 | $ 1,161 |

Government provides an annual contribution equal to operating expenses.

## 11. Related Party Transactions

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (see Note 2h). Property used by the Nova Scotia Agricultural College is property purchased by the Board for College use and will eventually be transferred to another government department. Transactions with other Provincial entities were entered into in the normal course of business.

## 12. Pension and Post-Retirement Benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service

Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability as well as other obligations related to post-retirement benefits are the responsibility of the Province. It is not anticipated that any such future costs would be allocated to the Board.

## 13. Subsequent Events

The carrier of the Board's creditor group life insurance has indicated that it will no longer offer the aggregate stop-loss provision. The Board is in negotiations with the carrier, but no new agreement has been signed at this date. These negotiations are expected to result in changes to the Insurance Provision amount. The total net effect is not yet estimated.

## 14. Comparative Figures

Certain of the prior period numbers have been restated to conform to the presentation format adopted in the current year.

# NOVA SCOTIA FARM LOAN BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2006

# NOVA SCOTIA FARM LOAN BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2006

**CONTENTS**

**NOVA SCOTIA**
**Office of the Auditor General**

1888 Brunswick Street
Suite 302
Halifax, Nova Scotia,
B3J 3J8

## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 2006 and the statements of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I have been unable to obtain satisfactory evidence to support a conclusion on management's estimate of the provisions for loan and real estate impairment. Accordingly, I was not able to determine whether any adjustments might be necessary to the provision for loan impairment, the provision for real estate impairment, or net income and retained earnings.

In the prior period, I was unable to obtain satisfactory evidence to support a conclusion on the distribution to the Province of Nova Scotia or on management's estimate of the provision for loan impairment as at March 31, 2005. Accordingly, I was not able to determine whether any adjustments to the amount due to the Province of Nova Scotia, the provision for loan impairment, or net income and retained earnings were necessary.

In my opinion, except for the effect of adjustments, if any, which I may have determined to be necessary had I been able to obtain sufficient evidence regarding the matters described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
June 15, 2006

# NOVA SCOTIA FARM LOAN BOARD
# BALANCE SHEET
# MARCH 31, 2006
($ thousands)

| ASSETS | 2006 | 2005 (as restated) |
|---|---|---|
| Cash (Note 2a) | $ 1,680 | $ 1,327 |
| Interest and other receivables (net) (Note 4) | 4,019 | 3,792 |
| Due from the Province of Nova Scotia (Notes 3, 5) | - | 159 |
| Loans receivable (net) (Notes 2c, 6) | 174,353 | 163,834 |
| Real estate (net) (Notes 2e, 7) | 2,650 | 3,024 |
| | $ 182,702 | $ 172,136 |
| **LIABILITIES** | | |
| Due to the Province of Nova Scotia (Notes 3, 5) | $ 105 | $ - |
| Advances from the Province of Nova Scotia (Note 9) | 181,022 | 170,650 |
| | 181,127 | 170,650 |
| **EQUITY** | | |
| Retained earnings (Note 2h) | 1,575 | 1,486 |
| | $ 182,702 | $ 172,136 |

Accounting changes (Note 3)

Commitments and contingencies (Note 10)

Comparative figures (Note 12)

Approved on behalf of the Board

Member

Member

The accompanying notes are an integral part of these financial statements.

# NOVA SCOTIA FARM LOAN BOARD
# STATEMENT OF OPERATIONS
# FOR THE YEAR ENDED MARCH 31, 2006
($ thousands)

| | 2006 | 2005 (as restated) |
|---|---|---|
| **Revenues** | | |
| Interest revenue (Notes 2i, 3) | $ 10,593 | $ 10,681 |
| Revenue (expense) on life insurance operations | 225 | (168) |
| Fee revenue and other income | 601 | 596 |
| | 11,419 | 11,109 |
| **Expenses** | | |
| Interest expense (Note 2h) | 9,213 | 9,351 |
| Operating expenses (Note 11) | 1,435 | 1,202 |
| Bad debt expense (Notes 3, 8) | 328 | 893 |
| | 10,976 | 11,446 |
| Income (loss) before government contributions | 443 | (337) |
| Government contributions (Note 11) | 1,435 | 1,202 |
| **Net Income** | $ 1,878 | $ 865 |

The accompanying notes are an integral part of these financial statements.

# NOVA SCOTIA FARM LOAN BOARD
# STATEMENT OF RETAINED EARNINGS
# FOR THE YEAR ENDED MARCH 31, 2006
($ thousands)

| | 2006 | 2005 (as restated) |
|---|---|---|
| **Retained earnings**, beginning of year (Notes 2h, 3) | | |
| As previously reported | $ 1,486 | $ 1,503 |
| Accounting changes (Note 3) | - | 50 |
| As restated | 1,486 | 1,553 |
| Income (loss) before government contributions | 443 | (337) |
| Recovery from (distribution to) the Province of Nova Scotia (Note 2h) | (354) | 270 |
| **Retained earnings**, end of year | $ 1,575 | $ 1,486 |

The accompanying notes are an integral part of these financial statements.

# NOVA SCOTIA FARM LOAN BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2006

## 1. Authority

The Nova Scotia Farm Loan Board, a Provincial agency, operates under the authority of the Agricultural and Rural Credit Act and the Forests Act (for timber loans). The Board was established to provide assistance to the agricultural sector in the Province.

Principal in loans outstanding is limited by regulation to $200 million. Maximum advances to be disbursed in any given year is established through the annual budgeting process. For the year ended March 31, 2006 the maximum new advance was $30 million (2004-05 - $30 million).

Loans in excess of $2 million require approval by Governor-in-Council.

## 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies used in the preparation of these financial statements.

a) **Cash**

The Farm Loan Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

Cash reported consists of funds held by the Sun Life Assurance Company of Canada in relation to the Board's Creditor Group Life Insurance program. A portion of the funds are restricted under the terms of the life insurance contract.

| | **2006** | **2005** |
|---|---|---|
| | ($ thousands) | |
| Contractually restricted deposits | $ 30 | $ 30 |
| Unrestricted deposits | 1,650 | 1,365 |
| Operational deficit transferred to deposit | - | (68) |
| | $ 1,680 | $ 1,327 |

**2.** continued

b) **Statement of cash flow**
Except for funds held by the insurance carrier, the Board holds no cash (see Note 2a). All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A statement of cash flow has not been provided because disclosure in the balance sheet and statement of operations is considered adequate.

c) **Loans receivable**
Loans receivable is the principal portion of loans outstanding net of the provision for loan impairment.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the collection of the full amount of principal and interest.

d) **Provision for loan impairment**
The provision for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. The provision is determined based on management's identification and evaluation of problem accounts and estimated losses that exist in the remaining portfolio. These judgements are influenced by the composition and quality of the portfolio, general economic conditions, and conditions affecting specific commodities, as well as the Board's policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The provision is established in two components:

1) A specific provision based on a loan-by-loan review is established to value impaired loans at the lower of their recorded investment or the estimated net realizable amount of their underlying security.

2) A general provision is an estimate of probable but unidentified losses in the portfolio that have not been included in the specific reserve. This estimate is based on general and commodity specific economic conditions, as well as past experience and a comparison of provisions made by other similar lenders.

The provision for loan impairment is an accounting estimate based on historic loan loss experience and an assessment of current conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

Performing loans are those loans, which in the estimation of management, will be fully repaid either on schedule or beyond schedule but including any appropriate additional interest charges. Repayment can be through either realization on existing security held by the Board or regular scheduled payments.

**2.** continued

Loans are identified as being impaired when account analysis indicates that there is a probability the loan may not be fully repaid with interest and there is insufficient security to prevent a shortfall. A provision for impairment is provided based on the amount and probability of the potential shortfall.

e) **Real estate acquired in settlement of loans**
Real estate acquired in settlement of loans which is held for sale is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of security held less disposal costs.

Net operating costs incurred on real estate held for sale are added to the carrying value of the property. The related provision is used to adjust the carrying value to net realizable value, resulting in inclusion of these costs in bad debt expense.

f) **Real estate acquired for leasing or other purposes**
The Board holds land purchased under a Provincial “Landbank” program and under a Federal-Provincial “Agriculture and Rural Development Agreement” (ARDA). Both of these programs have ceased to exist, however existing properties and leases continue with renewable five year terms. Property acquired under these programs is valued at cost less the unamortized value of the Federal contribution to the ARDA program. The Federal contribution is amortized to other income when related properties are sold. Lease clients are entitled to purchase the related property at its original purchase cost.

g) **Capital assets**
The Board applies the capitalization policies of the Province. No assets acquired by the Board meet the minimum thresholds for capitalization.

h) **Interest expense and retained earnings**
A Memorandum of Understanding (MOU) dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Nova Scotia Department of Finance formalizes the Board’s funding arrangements and enables the Board to retain 20% of its net income for future use (as retained earnings). The agreement took effect on April 1, 1998.

Under the MOU, the Board estimates projected lending requirements on a quarterly basis. Funding is provided by the Department of Finance. Interest rates and terms are determined at the time funds are requested by the Board.

**2.** continued

Funding is maintained to cover the Board's investment in loans receivable and real estate. The Board tracks the draws arranged with the Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

Also, under the terms of the MOU, the Board is entitled to set aside 20% of its income before government contributions as retained earnings. Funds related to retained earnings are included in "Due from the Province of Nova Scotia" or "Due to the Province of Nova Scotia" and may be used by the Board for specific stated purposes; subject to the approval of the Department of Finance.

i) **Interest recognition**
Interest income is recorded on an accrual basis until such time as a loan is classified as impaired. The loan reverts to an accrual status when all provisions for impairment are reversed and the ultimate collection of the principal and interest is reasonably assured.

j) **Fee revenue**
All loan related fees are reported as revenue in the period in which they were earned.

k) **Measurement uncertainty**
Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported. Significant assumptions are required in the determination of the provisions for impaired loans and real estate. Actual results may differ from the amounts recorded in the financial statements and these differences may be material.

l) **Risk management**
*Credit Risk*
The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to cyclical industry, or other temporary difficulties, it is the Board's policy to work with clients on an individual basis to provide time for recovery. See Note 6 for additional loan information.

**2.** continued

*Liquidity Risk*
The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on lending authority as identified in Note 1.

*Interest Rate Risk*
In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. All loans are contracted for the full term of their amortization which may range from 1 to 30 years. Funds drawn through the Province provide for 10% annual and 5 year full optional repayments.

*Life Insurance Risk*
The Board requires borrowers to participate in a group life insurance program administered by the Board unless the borrower has arranged alternative life insurance coverage. The net annual gain or loss under the contract with the insurance provider (premium revenue less the cost of life insurance claims) to a maximum of $250,000 on any claim, plus administrative costs, are costs of the Board and may vary from year to year.

**3. Accounting Changes**

Accounting changes were made during the year that affected due to/due from the Province of Nova Scotia, retained earnings, provision for future life insurance claims, interest receivable and the related provisions and the reported interest revenue and bad debt expense.

**Interest recognition**
Interest revenue is no longer recognized on impaired loans. In previous years, interest was recognized on impaired loans and offset by a higher bad debt expense. Reported interest receivable is unchanged because it was reported net of the provision for impairment. This policy change has been applied retroactively and the 2005 comparative information has been restated. The impact on the March 31, 2006 reported results is a decrease in each of interest revenue and bad debt expense of $439,000 (2004-05 $459,000). The cumulative effect of this change on retained earnings as at April 1, 2004 is nil.

**3.** continued

**Provision for future life insurance**
Based on actuarial advice, the Board has determined that no future liability exists which should be recognized in the financial statements and that no liability should have been recognized in previous fiscal years. Correction of this amount has been recorded on a retroactive basis and the 2005 comparative information has been restated. The impact on the March 31, 2005 reported results is a decrease in the provision for future life insurance claims of $2,350,000; a decrease in the deposits held by the Province of Nova Scotia of $2,300,000; and an increase in retained earning of $50,000.

## 4. Interest and Other Receivables (net)

Includes receivables for loan interest, lease fees, life insurance premiums and taxes. The provision for impairment adjusts the value to the anticipated amount recoverable.

| | 2006 | 2005 (as restated) |
|---|---|---|
| | ($ thousands) | |
| Interest, lease fees, life insurance premiums receivable | $ 4,447 | $ 4,109 |
| Less: provision for impairment: | 428 | 317 |
| Interest and other receivables (net) | $ 4,019 | $ 3,792 |

## 5. Due (to) from the Province of Nova Scotia

The balance represents amounts accumulated in accordance with the memorandum of understanding with the Department of Finance (note 2h) net of deposits held by Sun Life Assurance Company of Canada on behalf of the Board (note 2a).

**5.** continued

| | 2006 | 2005 (as restated) |
|---|---|---|
| | ($ thousands) | |
| Amounts held by the Province of Nova Scotia. | $ 1,575 | $ 1,486 |
| Less: Deposits held by Sun Life Assurance Company of Canada and also due to the Province of Nova Scotia. | (1,680) | (1,327) |
| Due (to) from the Province of Nova Scotia | $ (105) | $ 159 |

## 6. Loans Receivable

Summarized below are anticipated loan repayments based on loan payment schedules and maturities. Values represent the book value of loan funds disbursed less principal repayments to date. The provision for loan impairment adjusts the value of loans to their anticipated recoverable amounts. Government approval for write-off is requested after all security has been realized and a deficiency remains.

| | 2006 | | | |
|---|---|---|---|---|
| | ($ thousands) | | | |
| | Under 1 Year | 1-5 Years | Over 5 Years | Total |
| Farm loans | $ 14,414 | $ 53,372 | $ 98,354 | $ 166,140 |
| Timber loans | 117 | 397 | 276 | 790 |
| Total performing loans | $ 14,531 | $ 53,769 | $ 98,630 | 166,930 |
| Average effective annual interest rate | 6.17% | 6.21% | 6.24% | |
| Add: principal receivable on impaired loans (excluded from above) | | | | 10,816 |
| Total principal | | | | 177,746 |
| Less: provision for loan impairment | | | | 3,393 |
| Loans receivable (net) | | | | $ 174,353 |

**6.** continued

| | 2005 (as restated) ($ thousands) | | | |
|---|---|---|---|---|
| | Under 1 Year | 1-5 Years | Over 5 Years | Total |
| Farm loans | $ 26,547 | $ 47,637 | $ 82,047 | $ 156,231 |
| Timber loans | 206 | 362 | 279 | 847 |
| Total performing loans | $ 26,753 | $ 47,999 | $ 82,326 | 157,078 |
| Average effective annual interest rate | 6.48% | 6.49% | 6.57% | |
| Add: principal receivable on impaired loans (excluded from above) | | | | 9,810 |
| Total principal | | | | 166,888 |
| Less: provision for loan impairment | | | | 3,054 |
| Loans receivable (net) | | | | $ 163,834 |

| **Sector Distribution (performing loans)** | 2006 ($ thousands) | | 2005 | |
|---|---|---|---|---|
| Dairy | $ 51,090 | 30.7% | $ 47,104 | 29.9% |
| Poultry | 26,604 | 15.9% | 27,113 | 17.3% |
| Hog | 18,778 | 11.2% | 17,728 | 11.3% |
| Beef | 11,249 | 6.7% | 11,906 | 7.6% |
| Vegetables and other crops | 6,807 | 4.1% | 9,444 | 6.0% |
| Blueberries | 8,875 | 5.3% | 8,167 | 5.2% |
| Greenhouse | 9,645 | 5.8% | 6,856 | 4.4% |
| Fur | 7,777 | 4.7% | 6,377 | 4.1% |
| Apple | 5,484 | 3.3% | 4,127 | 2.6% |
| Other fruit | 3,571 | 2.1% | 3,319 | 2.1% |
| Timber | 791 | 0.5% | 846 | 0.5% |
| Other | 16,259 | 9.7% | 14,091 | 9.0% |
| | $ 166,930 | 100.0% | $ 157,078 | 100.0% |

## 7. Real Estate

| | 2006 | 2005 |
|---|---|---|
| | ($ thousands) | |
| Real estate held for resale | $ 4,435 | $ 5,817 |
| Less: provision for impairment | 3,762 | 4,603 |
| Net real estate held for resale | 673 | 1,214 |
| Real estate held for long-term use | | |
| Land bank | 1,203 | 1,316 |
| Land consolidation | | |
| Agriculture and Rural Development Agreement (ARDA) | 37 | 59 |
| Less Federal Government share of ARDA properties | (19) | (34) |
| Property used by NS Agricultural College and Community Pastures | 756 | 469 |
| Total property acquired for long-term use | 1,977 | 1,810 |
| Real estate (net) | $ 2,650 | $ 3,024 |

## 8. Provision for Impairment

| | 2006 | | | 2005 (as restated) | | |
|---|---|---|---|---|---|---|
| | ($ thousands) | | | ($ thousands) | | |
| | Loans | Real Estate | Total | Loans | Real Estate | Total |
| **Provision**, beginning of year | | | | | | |
| Principal | $ 3,173 | $ 4,603 | $ 7,776 | $ 3,259 | $ 3,284 | $ 6,543 |
| Interest | 459 | 198 | 657 | 416 | 123 | 539 |
| | 3,632 | 4,801 | 8,433 | 3,675 | 3,407 | 7,082 |
| Write-offs | - | (1,178) | (1,178) | - | - | - |
| Current year adjustments | 56 | 272 | 328 | (482) | 1,395 | 913 |
| Recoveries | - | - | - | (20) | (1) | (21) |
| **Provision**, end of year | $ 3,688 | $ 3,895 | $ 7,583 | $ 3,173 | $ 4,801 | $ 7,974 |

**8.** continued

| | 2006 | | | 2005 (as restated) | | |
|---|---|---|---|---|---|---|
| | ($ thousands) | | | ($ thousands) | | |
| Principal/interest distribution of provision | | | | | | |
| Principal | $ 3,393 | $ 3,762 | $ 7,155 | $ 3,054 | $ 4,603 | $ 7,657 |
| Interest | 295 | 133 | 428 | 119 | 198 | 317 |
| Total | $ 3,688 | $ 3,895 | $ 7,583 | $ 3,173 | $ 4,801 | $ 7,974 |
| Distribution of specific provision | | | | | | |
| Principal | $ 2,174 | $ 3,762 | $ 5,936 | $ 1,886 | $ 4,593 | $ 6,479 |
| Interest | 287 | 133 | 420 | 97 | 197 | 294 |
| Total | 2,461 | 3,895 | 6,356 | 1,983 | 4,790 | 6,773 |
| Distribution of general provision | | | | | | |
| Principal | 1,219 | - | 1,219 | 1,168 | 10 | 1,178 |
| Interest | 8 | - | 8 | 22 | 1 | 23 |
| Total | 1,227 | - | 1,227 | 1,190 | 11 | 1,201 |
| Total | $ 3,688 | $ 3,895 | $ 7,583 | $ 3,173 | $ 4,801 | $ 7,974 |
| **Loan distribution** | | | | | | |
| Loans and real estate for which a specific provision has been identified: | | | $ 15,251 | | | $ 15,746 |
| Remaining loans against which a general provision has been established: | | | 168,907 | | | 158,888 |
| **Total** | | | $ 184,158 | | | $ 174,634 |

**8.** continued

**Sector distribution of specific provision for loan principal impairment**

| | **2006** | | **2005 (as restated)** | |
|---|---|---|---|---|
| | ($ thousands) | | | |
| | Principal of Impaired Loans | Provision | Principal of Impaired Loans | Provision |
| Dairy | $ - | $ - | $ - | $ - |
| Poultry | - | - | - | - |
| Hog | 1,335 | 361 | 1,345 | 286 |
| Beef | 2,847 | 588 | 2,743 | 219 |
| Vegetables & other crops | 555 | 323 | 1,710 | 233 |
| Blueberries | 510 | 11 | 65 | 9 |
| Greenhouse | 363 | 43 | 122 | 18 |
| Fur | 1,468 | 355 | 1,481 | 498 |
| Apple | 282 | 11 | 286 | 18 |
| Other fruit | 368 | 153 | 129 | 266 |
| Other | 3,088 | 329 | 1,929 | 339 |
| Total specific provision on loan principal | $ 10,816 | 2,174 | $ 9,810 | 1,886 |
| General provision on loan principal | | 1,219 | | 1,168 |
| Total provision on loan principal | | $ 3,393 | | $ 3,054 |

**9.** **Advances from the Province of Nova Scotia**

Advances are provided by the Province of Nova Scotia to fund loans issued by the Farm Loan Board. Interest is calculated in accordance with a memorandum of understanding with the Department of Finance (Note 2h).

## 10. Commitments and Contingencies

The Board will hold interest rates for ninety days for any client from the date of receipt of a loan application.

As at March 31, 2006, the Board had authorized loans of $2,663,000 which had not been disbursed.

The average loan interest rate on outstanding approved commitments at March 31, 2006 was 6.12%.

The Board is aware of an environmental issue on one property in the Board's possession at March 31, 2006. Legal responsibility and cleanup costs are not yet resolved. Total clean-up costs are estimated to be between $23,500 and $110,000.

There were no legal claims being pursued against the Board as at March 31, 2006.

## 11. Operating Expenses

| | 2006 | 2005 |
|---|---|---|
| | ($ thousands) | |
| Salaries | $ 1,020 | $ 1,018 |
| Supplies and services | 49 | 66 |
| Travel | 55 | 48 |
| Training and development | 9 | 23 |
| Professional/special services | 277 | 33 |
| Equipment and other | 25 | 14 |
| | $ 1,435 | $ 1,202 |

Government provides an annual contribution equal to operating expenses.

## 12. Comparative Figures

Certain comparative figures in the financial statements have been reclassified to conform with the financial statement presentation adopted in the current period.

## NOVA SCOTIA FARM LOAN BOARD
## NOTES TO FINANCIAL STATEMENTS
## MARCH 31, 2006

### 13. Related Party Transactions

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (See note 2h). Property used by the Nova Scotia Agricultural College is property purchased by the Board for College use and will eventually be transferred to another government department. Transactions with other Provincial entities were entered into in the normal course of business.

### 14. Pension and post-retirement benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits are the responsibility of the Province. It is not anticipated that any such future costs would be allocated to the Board.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA FILM DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
MARCH 31, 2006

# INDEX

# AUDITORS' REPORT

**TO THE MEMBERS OF THE BOARD OF THE NOVA SCOTIA FILM DEVELOPMENT CORPORATION:**

We have audited the statement of financial position of Nova Scotia Film Development Corporation as at March 31, 2006 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 26, 2006

**LEVY CASEY CARTER MACLEAN**
**CHARTERED ACCOUNTANTS**

## PROVINCE OF NOVA SCOTIA
## NOVA SCOTIA FILM DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2006

### ASSETS

| | 2006 | 2005 (Restated) |
|---|---|---|
| **Current** | | |
| Cash and short term investments | **$ 1,262,651** | $ 995,807 |
| Other receivables | **167,025** | 87,151 |
| Prepaid expenses | **19,677** | 18,710 |
| | **1,449,353** | 1,101,668 |
| **Due from Province of Nova Scotia (note 2(e))** | **11,570** | 8,660 |
| **Property and equipment (note 3)** | **8,860** | 16,380 |
| | **$ 1,469,783** | $ 1,126,708 |

### LIABILITIES

| | 2006 | 2005 (Restated) |
|---|---|---|
| **Current** | | |
| Payables and accruals, trade | **$ 32,958** | $ 23,319 |
| Commitments payable (note 4) | **1,372,235** | 1,056,516 |
| Deferred revenue | **52,320** | 37,534 |
| | **1,457,513** | 1,117,369 |
| **Employee future benefits (notes 2(e) and 10)** | **11,570** | 8,660 |
| | **1,469,083** | 1,126,029 |
| **NET ASSETS** | | |
| **Net assets unrestricted** | **700** | 679 |
| | **$ 1,469,783** | $ 1,126,708 |

**Approved on behalf of the Board**

______________________________
**Chair**

______________________________
**Member**

## PROVINCE OF NOVA SCOTIA
## NOVA SCOTIA FILM DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 (Restated) |
|---|---|---|
| **Revenue** | | |
| Contributions from the Office of Economic Development | **$ 3,108,700** | $ 2,508,700 |
| Employee future benefits grant - Province of Nova Scotia | **2,910** | 2,560 |
| Recovery of equity investments and development loans (notes 6 & 7) | **422,856** | 340,080 |
| Interest and other income | **181,489** | 176,510 |
| | **3,715,955** | 3,027,850 |
| **Expenditures** | | |
| Equity investments (note 6) | **2,573,804** | 2,057,485 |
| Project development loans (note 7) | **186,271** | 113,560 |
| Special projects | **328,254** | 232,154 |
| Training assistance, net of recoveries | **-** | (9,534) |
| Advertising and marketing (page 9) | **200,560** | 194,959 |
| Administrative expenses (page 9) | **427,045** | 442,336 |
| | **3,715,934** | 3,030,960 |
| **Excess (deficiency) of revenues over expenditures** | **21** | (3,110) |
| **Net assets, beginning of year** | **679** | 3,789 |
| **Net assets, end of year** | **$ 700** | $ 679 |

## 1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including review of tax credit applications.

## 2. Significant accounting policies

a) Statement of Cash Flows

A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Program Loans and Equity Investment

Program loans and equity participation are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

c) Amortization

Amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets, as indicated in note 3.

d) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

e) Employee Future Benefits

As at March 31, 2006, the Corporation retroactively adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits other than pensions which are accrued over the periods in which the employees render services in return for these benefits. These benefits are for health insurance programs. A liability for employee future benefits of $11,570 (2005 - $8,660) has been included in the financial statements. The liability as at March 31, 2006 and 2005 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Province of Nova Scotia. The current year's expense incurred for these future employee benefits is $2,910 (2005 - $2,560).

**2. Significant accounting policies (cont'd)**

f) Comparative figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

g) Revenue Recognition

Unrestricted contributions are recognized as revenue when received or receivable.

Recovery of equity investments and development loan revenue is recorded as received.

Investment and other income is recorded in the period in which the related income is earned.

**3. Property and equipment**

| | **2006** | | | | 2005 |
|---|---|---|---|---|---|
| | **Rate** | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Computer equipment | **50%** | **$ 15,942** | **$ 12,203** | **$ 3,739** | $ 7,479 |
| Computer software | **50%** | **18,356** | **15,022** | **3,334** | 6,668 |
| Equipment | **20%** | **3,317** | **1,530** | **1,787** | 2,233 |
| | | **$ 37,615** | **$ 28,755** | **$ 8,860** | $ 16,380 |

**4. Commitments payable**

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods.

**5. Costs Paid by the Province of Nova Scotia**

During the year, services were provided to the Corporation by government departments and the estimated value of these services is as follows:

| | **2006** | 2005 |
|---|---|---|
| Legal services | **$ 60,000** | $ 25,000 |
| Rent | **25,000** | 25,000 |
| | **$ 85,000** | $ 50,000 |

The value of these services is not reflected in these financial statements.

## 6. Equity investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received $333,698 (2005 - $314,820) in the recovery of equity investments. The total of equity investments of the Corporation to March 31, 2006 is $27,692,731 (2005 - $25,118,927). As at March 31, 2006, $1,908,915 has been recouped.

## 7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2006 were $2,039,728 (2005 - $2,012,916). Development loans of $89,158 (2005 - $25,260) were recouped during the year.

## 8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed $22,836 to the fund (2005 - $19,386).

## 9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependent on the Office of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

## 10. Employee Future Benefits

The Nova Scotia Film Development Corporation provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program. The non-pension post retirement benefits are funded on a pay-as-you-go basis. The Corporation funds on a cash basis as contributions are made. No assets have been segregated and restricted to provide the non-pension post retirement benefits.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2006. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Corporation's best estimates.

The Corporation has adopted the recommendations of PSAB 3250 and has accounted for the non-pension retirement obligations retroactively. This change has resulted in an increase in the 2005 other retirement obligations of $8,660.

| | 2006 | 2005 |
|---|---|---|
| Components of Net Periodic Benefit Cost | | |
| Current service cost (employer portion) | $ 2,250 | $ 2,070 |
| Interest cost | 660 | 490 |
| Actuarial loss (gain) | 210 | - |
| Costs arising in the period | 3,120 | 2,560 |
| Differences between costs arising in the period and costs recognized in the period in respect of: | | |
| Actuarial loss (gain) | (210) | - |
| Net periodic benefit cost recognized | $ 2,910 | $ 2,560 |
| Weighted-Average Assumptions for Expense | | |
| Discount rate | 5.95% | 6.05% |
| Initial weighted average health care trend rate | 9.00% | - % |
| Ultimate weighted average health care trend rate | 5.00% | 5.00% |
| Year ultimate rate reached | 2010 | 2010 |
| Change in Accrued Benefit Obligation | | |
| Accrued benefit obligation at the end of the prior year | $ 8,660 | $ 6,100 |
| Current service cost (employer portion) | 2,250 | 2,070 |
| Interest cost | 660 | 490 |
| Benefits paid | - | - |
| Actuarial loss (gain) | 210 | - |
| Accrued benefit obligation at the end of the year | $ 11,780 | $ 8,660 |

## 10. Employee Future Benefits (cont'd)

| | | |
|---|---|---|
| Reconciliation of Funded Status to Accrued Benefit Asset (Liability) | | |
| Deficit at the end of year | **$ 11,780** | $ 8,660 |
| Unamortized net actuarial gain | **(210)** | - |
| Accrued benefit liability | **$ 11,570** | $ 8,660 |

## 11. Financial Instruments

a) Fair value of financial instruments

Financial instruments of the company consist mainly of cash and short term investments, other receivables and accounts payable and accrued liabilities. The carrying values of these financial assets and financial liabilities approximate their fair values.

b) Interest rate risk

The corporation manages its temporary investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on the temporary investments during the year varied from 2.28% to 3.36% (2005 - 1.80% to 2.28%). The interest rate at the end of the year was 3.36% (2005 - 2.28%) with investments held in money market funds.

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

SCHEDULE OF ADVERTISING AND MARKETING EXPENSES
AND SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 (Restated) |
|---|---|---|
| **Advertising and Marketing Expenses:** | | |
| Advertising | **$ 24,824** | $ 28,298 |
| Amortization | **4,283** | 7,156 |
| Annual report | **2,638** | 2,536 |
| Business travel and expenses | **38,337** | 40,099 |
| Familiarization tour and marketing materials | **11,183** | 14,497 |
| Locations library | **7,023** | 6,103 |
| Location scout | **9,000** | 8,600 |
| Photos/location services | **9,618** | 12,376 |
| Production guide, net of receipts of $44,503 (2005 - $50,797) | **(1,710)** | (8,556) |
| Salaries and benefits | **95,364** | 83,850 |
| | **$ 200,560** | $ 194,959 |
| **Administrative Expenses:** | | |
| Amortization | **$ 3,236** | $ 4,378 |
| Bank charges | **1,794** | 2,173 |
| Board honorarium and expenses | **17,108** | 16,597 |
| Conference/marketing | **2,111** | 4,039 |
| Consultants | **5,400** | 63,567 |
| Courier services | **668** | 363 |
| Dues, fees and subscriptions | **8,172** | 6,969 |
| Insurance | **2,369** | 2,542 |
| Office supplies | **15,830** | 15,305 |
| Photocopier | **2,152** | 2,504 |
| Postage | **2,712** | 4,257 |
| Professional fees | **5,350** | 5,965 |
| Salaries and benefits | **342,079** | 303,571 |
| Staff training | **8,652** | 3,575 |
| Telephone and fax | **9,412** | 6,531 |
| | **$ 427,045** | $ 442,336 |

# NOVA SCOTIA
# FISHERIES AND ACQUACULTURE LOAN BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2006

**FINANCIAL STATEMENTS FOR MARCH 31, 2006**
**WERE UNAVAILABLE AT TIME OF PRINTING THIS PUBLICATION**

# NOVA SCOTIA GAMING CORPORATION

## FINANCIAL STATEMENTS

## MARCH 31, 2006

# *MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING*

These financial statements are the responsibility of the management of Nova Scotia Gaming Corporation. They have been approved by its Board of Directors.

Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

The gaming activities of Nova Scotia Gaming Corporation are undertaken by operators acting on its behalf. These gaming activities are audited by independent auditors. The Corporation relies on the audit opinions of these independent auditors. The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the financial statements of Nova Scotia Gaming Corporation are stated fairly, in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Nova Scotia Gaming Corporation maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board of Directors oversees audit activities through its audit committee. The committee reviews matters related to accounting, auditing and internal control systems, and the financial statements and audit reports of the auditors of the Corporation and its operators.

CERTIFICATION FOR THE YEAR ENDED MARCH 31, 2006

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure, controls and procedures as of the end of the year covered by the 2005-06 Annual Report and conclude that such disclosure controls and procedures have been effective.

M. Mullally | Robert MacKinnon

Marie T. Mullally, CA
President and
Chief Executive Officer

Robert MacKinnon, CA
Director,
Corporate Services

# *AUDITOR'S REPORT*

NOVA SCOTIA
OFFICE OF THE AUDITOR GENERAL

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of Nova Scotia Gaming Corporation as at March 31, 2006, the statement of income and payment to Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

J R Lapointe

Jacques R. Lapointe, CA • CIA
Auditor General
Halifax, Nova Scotia
June 6, 2006

# Nova Scotia Gaming Corporation

Balance Sheet
As at March 31, 2006
(in thousands)

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Cash and short-term Investments (*Note 3*) | $ 10,852 | $ 14,088 |
| Cash – restricted (*Note 2*) | 2,636 | 2,193 |
| Inventory, at cost | 1,727 | 1,662 |
| Prepaids | 292 | 809 |
| | 15,507 | 18,752 |
| **Long-term** | | |
| Cash - Casino Capital Replacement Reserve (*Notes 3 and 10*) | 1,453 | 3,145 |
| Deferred charges (*Note 2*) | 204 | 349 |
| Investment in Atlantic Lottery Corporation Inc. (*Note 2*) | 1 | 1 |
| Investment in Interprovincial Lottery Corporation (*Notes 2 and 6*) | 1 | 1 |
| Capital assets (*Note 7*) | 103,673 | 112,118 |
| | 105,332 | 115,614 |
| | **$120,839** | **$ 134,366** |

## LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Accounts payable | $ 2,105 | $ 1,420 |
| Deferred lottery revenue (*Note 2*) | 486 | 404 |
| Liabilities for unclaimed prizes (*Note 2*) | 2,636 | 2,193 |
| Capital obligation - current portion (*Note 8*) | 15,544 | 37,924 |
| Due to operators (*Note 13*) | 5,681 | 8,250 |
| Due to Atlantic Gaming Equipment Limited - current portion (*Note 9*) | 12,515 | 16,473 |
| Due to Nova Scotia Gaming Foundation | 59 | 72 |
| Due to Province of Nova Scotia | 42,870 | 31,954 |
| | 81,896 | 98,690 |
| **Long-term** | | |
| Due to Atlantic Gaming Equipment Limited (*Note 9*) | 7,043 | 12,886 |
| Capital obligation (*Note 8*) | 23,281 | 14,218 |
| | 30,324 | 27,104 |

## EQUITY

| | 2006 | 2005 |
|---|---|---|
| Casino Capital Replacement Reserve (*Note 10*) | 8,619 | 8,572 |
| | **$120,839** | **$134,366** |

Commitments *(Notes 3, 5, 12 and 14)*

Approved on behalf of the Board,

C. Sean O'Connor, CA
Chair

*See accompanying notes to the financial statements*

# Nova Scotia Gaming Corporation

Statement of Income and Payment to Province
For the Year Ended March 31, 2006
(in thousands)

| | 2006 | 2005 |
|---|---|---|
| **REVENUE** | | |
| Ticket lottery (*Schedule I*) | $ 210,677 | $ 200,471 |
| Video lottery (*Schedule I*) | 182,205 | 200,229 |
| Halifax casino (*Schedule II*) | 74,378 | 73,789 |
| Sydney casino (*Schedule III*) | 21,314 | 20,680 |
| Other (*Schedule IV*) | 621 | 210 |
| | 489,195 | 495,379 |
| **EXPENSES** | | |
| Ticket lottery (*Schedule I*) | 171,076 | 164,447 |
| Video lottery (*Schedule I*) | 64,813 | 67,674 |
| Halifax casino (*Schedule II*) | 67,402 | 67,241 |
| Sydney casino (*Schedule III*) | 17,522 | 18,645 |
| Responsible gambling | 4,249 | 3,068 |
| Other (*Schedule IV*) | 7,082 | 4,001 |
| | 332,144 | 325,076 |
| **Net income** | **157,051** | **170,303** |
| **Win tax** | **17,077** | **16,999** |
| **Payment to Province** | **$174,128** | **$187,302** |

# Nova Scotia Gaming Corporation

Statement of Retained Earnings
For the Year Ended March 31, 2006
(in thousands)

| | 2006 | 2005 |
|---|---|---|
| **Retained earnings, beginning of year** | $ - | $ - |
| **Net income** | 157,051 | 170,303 |
| **Net income paid to Province** | (157,051) | (170,303) |
| **Retained earnings, end of year** | $ - | $ - |

*See accompanying notes to the financial statements*

# Nova Scotia Gaming Corporation

Statement of Cash Flows
For the Year Ended March 31, 2006
(in thousands)

| | 2006 | 2005 |
|---|---|---|
| **OPERATING** | | |
| Net income | $ 157,051 | $ 170,303 |
| Allocation of income to Province | (157,051) | (170,303) |
| Amortization of capital assets | 23,604 | 22,524 |
| Amortization of deferred charges | 145 | 131 |
| Net changes in working capital *(note 16)* | 9,553 | 6,200 |
| | 33,302 | 28,855 |
| **FINANCING** | | |
| Decrease in obligation to Atlantic Gaming Equipment Limited | (9,801) | (6,801) |
| Reduction of capital obligation | (13,317) | (13,368) |
| | (23,118) | (20,169) |
| **INVESTING** | | |
| Purchases of capital assets, net of dispositions | (15,159) | (11,500) |
| Decrease in Casino Capital Replacement Reserve, net of cash decrease | 1,739 | 2,132 |
| | (13,420) | ( 9,368) |
| **Net decrease in cash & cash equivalents** | **(3,236)** | **(682)** |
| **Cash, beginning of year** | **14,088** | **14,770** |
| **Cash, end of year** | **$10,852** | **$14,088** |

*See accompanying notes to the financial statements*

1) **Description of Business**

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2) **Accounting Policies**

a) **Basis of Presentation**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) **Casino Revenues**

In accordance with industry practice, Casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) **Ticket Lottery Revenues**

Gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

Receipts for lottery tickets sold prior to March 31, 2006 for draws held subsequent to that date are recorded as deferred revenue.

d) **Video Lottery Revenues**

Video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) **Capital Assets**

Capital Assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

| | |
|---|---|
| Computer equipment | 30% |
| Furniture and equipment | 20% |

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 4% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

**f) Nova Scotia Gaming Foundation Contribution**

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

**g) Deferred Charges**

The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

**h) Long-term Investments**

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

**i) Cash – restricted and Unclaimed Prizes**

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

**j) Prize Expense**

Prize expense for regional online games is recorded based on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term it is expected that the actual prize expense will approximate the theoretical expense.

**k) Use of Estimates**

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

## 3) Casino Nova Scotia

### a) Operating Contract

*i) Term and Structure*

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

On July 1, 2005, the Corporation amended and restated the Operating Contract with Metropolitan Entertainment Group (now a partnership between 6364942 Canada Inc. and 6364951 Canada Inc.) to operate casinos in Halifax and Sydney for a period expiring on July 1, 2015, renewable until July 1, 2025, at the Operator's option.

*ii) Payments to Operator*

Under the Amended and Restated Casino Operating Contract, effective July 1, 2005, the Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are included in Article 7 of the Amended and Restated Casino Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($92.0 million total, $14.2 million outstanding) and Sydney ($23.2 million total, $0.0 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney Casino and a seven year term in the Halifax Casino, with interest calculated monthly at 12% per annum on the original capital investment outstanding;
- an Operator Fee in the amount equal to 55.5% of total casino revenue after deducting payment to fund a capital replacement reserve;
- an amount based on the Mandatory Deferral ($24.5 million total, $23.1 million outstanding)to be repaid over a 4 year term, with interest calculated monthly at Prime + 1% per annum.

Prior to July 1, 2005, the Operator was entitled to certain payments from each casino, calculated with reference to the following items, which are listed in Section 4.7 of the original Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($92.0 million total, $14.2 million outstanding) and Sydney ($23.2 million total, $0.0 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney Casino and a seven year term in the Halifax Casino, with interest calculated monthly at 12% per annum on the original capital investment outstanding;
- an amount equal to not less than 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;
- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;
- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above with interest calculated monthly at Prime + 1% per annum; and,
- an amount equal to 35% of cash available for distribution in Halifax.

*iii) Option to Terminate*

Under the Amended and Restated Casino Operating Contract, either the Corporation or the Operator has the option to terminate the Operating Contract at anytime during the first or second term with six months notice.

Upon termination the Operator must be repaid the unpaid balance of Payments to operator, Approved Capital Expenditures, and unamortized balance of Operator's Additional Acquisition Costs.

If the Operator terminates the contract, or the Corporation terminates without cause, the Corporation must pay the Operator a Compensation fee calculated as the greater of the net present value of 10% of the Operator fee or Operator's Actual EBITDA for the preceding twelve months.

No compensation fee is payable to the operator if NSGC terminates the contract for cause.

**b) Cash in Casino Accounts**

Under the Amended and Restated Casino Operating Contract, total casino revenues are the Corporation's revenue and the casino bank accounts and Capital Reserve accounts are owned by the Corporation. Under the original Operating Contract, the cash was managed by the Operator on behalf of the Corporation. The Corporation included $8.3 million in cash from the casino accounts on the balance sheet at March 31, 2005.

**c) Casino Capital Replacement Reserve**

A capital replacement reserve is intended to provide for replacement of casino capital assets. Prior to July 1, 2005 it was based on 1.5% of total casino revenue at the Halifax Casino and 9% at the Sydney Casino. After July 1, 2005, it is based on 5% of total revenues of the casinos. Cash has been segregated on the balance sheet in the amount of $1.4 million (2005-$3.1 million) for this purpose.

**4) Atlantic Lottery Corporation Inc.**

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25% of the Atlantic Lottery Corporation Inc.

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 3.76% to 5.64% maturing at various dates through April 2010. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

## 5) Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

| *(in thousands)* | **2006** | **2005** |
|---|---|---|
| The Department of Tourism, Culture and Heritage (in support of the NS Cultural Federations) | $ 50 | $ 50 |
| The Department of Agriculture (in support of the Exhibition Association of Nova Scotia) | 50 | 50 |
| Nova Scotia Health Promotion and Protection (in support of Sport Nova Scotia) | 100 | 100 |
| | $200 | $200 |

These payments are special funds under the *Provincial Finance Act* established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the *Gaming Control Act.*

Additionally, in May 2005, as part of its Gaming Strategy, Government approved a contribution of $3.0 million to Nova Scotia Health Promotion and Protection in 2005-06 to fund problem gambling treatment.

Bonus commissions of $1,170 (2005 - $988) were paid during the year to eight sporting and cultural organizations.

## 6) Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the *Canada Business Corporations Act*. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event – Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7) **Capital Assets**

| (in thousands) | Cost | Accumulated Amortization | 2006 Net Book Value | 2005 Net Book Value |
|---|---|---|---|---|
| Automotive | $ 872 | $ 346 | $ 526 | $ 604 |
| Computer equipment | 6,973 | 4,084 | 2,889 | 1,533 |
| Furniture and equipment | 119 | 65 | 54 | 75 |
| Computer software | 334 | 40 | 294 | 43 |
| Retail equipment | 2,281 | 1,184 | 1,097 | 893 |
| Leaseholds | 23 | 2 | 21 | 245 |
| Halifax casino assets | 91,952 | 30,423 | 61,529 | 65,722 |
| Sydney casino assets | 23,206 | 12,318 | 10,888 | 11,250 |
| Casino furniture and equipment | 22,258 | 10,730 | 11,528 | 5,426 |
| On-line gaming terminals | 10,761 | 10,328 | 433 | 1,924 |
| Video lottery terminals | 48,289 | 33,875 | 14,414 | 24,403 |
| | $207,068 | $ 103,395 | $103,673 | $112,118 |

In 2005-06, the Corporation acquired capital assets of $7.0 million (2005 - $7.9 million) financed through Atlantic Gaming Equipment Limited, $5.2 million (2005 - $4.5 million) financed by the Casino Capital Replacement Reserve, and $4.4 million.(2005- $0.0 million) financed by MEG.

8) **Capital Obligation**

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos at any time with six months notice. Future minimum obligations based on there being adequate cash flow are as follows:

| (in thousands) | Total |
|---|---|
| 2007 | $ 18,371 |
| 2008 | 12,457 |
| 2009 + subsequent | 12,745 |
| Net minimum obligation | 43,573 |
| Less: amount representing interest | (4,748) |
| Present value of minimum obligation | 38,825 |
| Less: amount due within one year | (15,544) |
| Balance of obligation | $ 23,281 |

9) **Due to Atlantic Gaming Equipment Limited**

The liability represents a portion of the Atlantic Lottery Corporation Inc. (ALC) debt used in the acquisition of assets operated on behalf of NSGC. All amounts are payable by ALC and are due on or before April 2010.The debt is non- interest bearing, with no set repayment terms.

**10) Casino Capital Replacement Reserve**

| | Total 2006 | Total 2005 |
|---|---|---|
| *(in thousands)* | | |
| Cash balance, beginning of year | $ 3,145 | $ 5,287 |
| Funding | 4,321 | 2,248 |
| Interest | 32 | 70 |
| Capital asset purchases | (10,409) | (4,460) |
| Capital assets purchased by MEG | 4,364 | - |
| Cash balance, end of year | 1,453 | 3,145 |
| Add: cumulative capital asset purchases | 22,259 | 11,850 |
| Less: accumulated amortization | (10,729) | (6,423) |
| Capital assets purchased by MEG | (4,364) | - |
| Balance, end of year | $ 8,619 | $ 8,572 |

**11) Related Party Transactions**

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

**12) Harness Racing**

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In May 2005, Government approved a contribution of $750,000 in 2005-06 to support the harness racing industry in Nova Scotia.

The 2007 budget has committed $1.0 million to support the harness racing industry in Nova Scotia

**13) Due to Operators**

| | 2006 | 2005 |
|---|---|---|
| *(in thousands)* | | |
| Due to/(from) Atlantic Lottery Corporation Inc. | $ (972) | $(2,759) |
| Due from lottery operations | (5,487) | (4,495) |
| Due to lottery operations | 8,301 | 7,631 |
| Due to casino operations | - | 7,873 |
| Due to MEG – CRA purchase | 4,364 | - |
| Due from MEG | (525) | - |
| | $ 5,681 | $ 8,250 |

**14) Other Commitments**

The Corporation is required to make annual lease payments of approximately $663,390 over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $1.1 million over the next five years.

**15) Pensions**

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan. The plan is funded by equal employee and employer contributions. The employer accounts for the plan on a deferred contribution basis with contributions included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

**16) Supplemental Cash Flow Information**

| | 2006 | 2005 |
|---|---|---|
| Net change in working capital: | | |
| *(in thousands)* | | |
| Inventory | $ (65) | $ 473 |
| Prepaids | 517 | 476 |
| Accounts payable | 685 | (31) |
| Deferred lottery revenue | 82 | 46 |
| Due to operators | (2,569) | (3,212) |
| Payable to Nova Scotia Gaming Foundation | (13) | (13) |
| Due to Province of Nova Scotia | 10,916 | 8,461 |
| | $ 9,553 | $ 6,200 |

**17) Comparative Figures**

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

**18) Fair Value of Financial Assets and Financial Liabilities**

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximate their carrying amounts due to their relatively short terms to maturity.

It is not practicable to estimate the fair value for capital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

Schedule I

# Nova Scotia Gaming Corporation

Atlantic Lottery Corporation Inc.
Ticket Lottery and Video Lottery Operating Results
For the Year Ended March 31, 2006
(in thousands)

| | Ticket Lottery | Video Lottery | Total 2006 | Total 2005 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Ticket lottery sales | $210,677 | $ - | $210,677 | $200,471 |
| Ticket lottery sales discounts | - | - | - | 451 |
| Prize expense | 117,603 | - | 117,603 | 109,964 |
| Net ticket lottery sales | 93,074 | - | 93,074 | 90,056 |
| Net video lottery sales | - | 182,205 | 182,205 | 200,229 |
| Total net sales | 93,074 | 182,205 | 275,279 | 290,285 |
| Retailer commissions | 15,321 | 36,405 | 51,726 | 54,939 |
| Ticket costs | 5,291 | 2,986 | 8,277 | 7,160 |
| | 20,612 | 39,391 | 60,003 | 62,099 |
| Gross profit | 72,462 | 142,814 | 215,276 | 228,186 |
| **Expenses** | | | | |
| Operating expenses | | | | |
| Advertising and promotion | - | - | - | 3,869 |
| Communications and relations | 3,949 | 230 | 4,179 | 273 |
| Development and recruitment | 192 | 94 | 286 | 311 |
| Equipment and maintenance | 735 | 295 | 1,030 | 1,504 |
| General and professional services | 503 | 244 | 747 | 914 |
| Lease and amortization | 6,268 | 12,182 | 18,450 | 17,675 |
| Movement and storage | 664 | 80 | 744 | 695 |
| Occupancy cost | 853 | 475 | 1,328 | 1,294 |
| Other expenses | 90 | 60 | 150 | 233 |
| Research and development | 350 | 327 | 677 | 573 |
| Retailer player support | - | - | - | 358 |
| Salaries and benefits | 8116 | 4,552 | 12,668 | 11,376 |
| Supplies | 240 | 206 | 446 | 256 |
| Telecommunication | 2,457 | 241 | 2,698 | 2,700 |
| Travel and vehicle | 400 | 327 | 727 | 757 |
| Total operating expenses | 24,817 | 19,313 | 44,130 | 42,788 |
| Operating profit | 47,645 | 123,501 | 171,146 | 185,398 |
| Other income (expenses) | (418) | 2,296 | 1,878 | 1,501 |
| Profit before other distributions | 47,227 | 125,797 | 173,024 | 186,899 |
| HST expense | 4,842 | 7,680 | 12,522 | 13,002 |
| Federal contribution | 940 | 725 | 1,665 | 1,637 |
| Charity non-profit | 53 | - | 53 | 50 |
| Retailer bonus | 1,791 | - | 1,791 | 3,631 |
| **Net profit** | **$ 39,601** | **$117,392** | **$156,993** | **$168,579** |

**Schedule II**

# Nova Scotia Gaming Corporation

Halifax Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2006
(in thousands)

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Casino revenue | $66,050 | $66,104 |
| Beverage, food and other revenue | 8,328 | 7,685 |
| | 74,378 | 73,789 |
| **Expenses** | | |
| Amortization | 4,193 | 5,838 |
| Capital Replacement Reserve (*Note 3*) | 3,032 | 1,107 |
| General administration and marketing | 2,365 | 10,499 |
| Harmonized Sales Tax | 4,394 | 4,265 |
| Interest | 3,864 | 5,080 |
| Operator fee (*Note 3*) | 29,023 | - |
| Other expenses including cost of beverage and food | 1,187 | 4,453 |
| Premise expense | 723 | 2,818 |
| Salaries and benefits | 5,411 | 19,960 |
| Win tax | 13,210 | 13,221 |
| | 67,402 | 67,241 |
| **Net income** | **6,976** | **6,548** |
| **Win tax** | **13,210** | **13,221** |
| **Total payment to Province** | **$20,186** | **$19,769** |

**Schedule III**

# Nova Scotia Gaming Corporation

Sydney Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2006
(in thousands)

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Casino revenue | $19,338 | $18,890 |
| Beverage, food and other revenue | 1,976 | 1,790 |
| | 21,314 | 20,680 |
| **Expenses** | | |
| Amortization | 361 | 490 |
| Capital Replacement Reserve (*Note 3*) | 1,289 | 1,142 |
| General administration and marketing | 543 | 2,386 |
| Harmonized Sales Tax | 693 | 1,195 |
| Interest | 36 | 252 |
| Operator fee (*Note 3*) | 8,712 | 1,076 |
| Other expenses including cost of beverage and food | 258 | 1,272 |
| Premise expense | 173 | 700 |
| Salaries and benefits | 1,590 | 6,354 |
| Win tax | 3,868 | 3,778 |
| | 17,522 | 18,645 |
| **Net income** | **3,792** | **2,035** |
| **Win tax** | **3,867** | **3,778** |
| **Total payment to Province** | **$ 7,659** | **$ 5,813** |

# Nova Scotia Gaming Corporation

Other Revenues and Expenses
For the Year Ended March 31, 2006
(in thousands)

| | 2006 | 2005 |
|---|---|---|
| **Other revenues** | **$ 621** | **$ 210** |
| **Other expenses** | | |
| Special payments and bonus commissions (*Note 5*) | 3,201 | 201 |
| Nova Scotia Harness Racing Fund contribution (*Note 12*) | 750 | 750 |
| Linked Bingo expenses | 346 | - |
| **Management expenses** | | |
| Advertising | 3 | 26 |
| Amortization | 36 | 23 |
| Directors fees | 75 | 87 |
| Harmonized Sales Tax | 274 | 327 |
| Membership dues | 13 | 10 |
| Occupancy taxes | 8 | 7 |
| Office and miscellaneous | 92 | 67 |
| Office equipment | 60 | 45 |
| Periodicals | 28 | 20 |
| Postage and freight | 19 | 14 |
| Printing and stationery | 12 | 27 |
| Professional and other fees | 394 | 824 |
| Rent | 124 | 122 |
| Salaries and benefits | 1,456 | 1,280 |
| Telecommunications | 39 | 25 |
| Training | 66 | 54 |
| Travel | 86 | 92 |
| | 2,785 | 3,050 |
| **Total other expenses** | **$7,082** | **$4,001** |

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# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# FINANCIAL STATEMENTS
# FOR THE YEAR ENDED MARCH 31, 2006

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# FINANCIAL STATEMENTS
# FOR THE YEAR ENDED MARCH 31, 2006

## CONTENTS

## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Health Promotion and Protection

I have audited the balance sheet of the Nova Scotia Gaming Foundation for the year ended March 31, 2006, the statement of operations and changes in fund balance, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2006, the results of its operations and changes in fund balance, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, BA, CA•CIA
Auditor General

Halifax, Nova Scotia
May 19, 2006

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# BALANCE SHEET
# AS AT MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Current Assets** | | |
| Bank - General | $ 1,440,714 | $ 3,650,571 |
| Bank - Community Development Account (Note 7) | 2,162,539 | - |
| Accounts receivable (Note 4) | 63,590 | 6,994 |
| Prepaid expenses | 623 | - |
| Due from Nova Scotia Gaming Corporation | 59,368 | 71,562 |
| | $ 3,726,834 | $ 3,729,127 |
| **Current Liabilities** | | |
| Accounts payable | $ 22,258 | $ 13,959 |
| Grants payable | 667,065 | 460,118 |
| | 689,323 | 474,077 |
| **Long-term Grants Payable** | 97,513 | 273,523 |
| | 786,836 | 747,600 |
| **Fund Balance** | | |
| Unrestricted | 827,153 | 2,981,527 |
| Community Development Account (Note 7) | 2,112,845 | - |
| | 2,939,998 | 2,981,527 |
| | $ 3,726,834 | $ 3,729,127 |

APPROVED BY:

__________________________________

Deputy Minister

__________________________________

Director

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
# FOR THE YEAR ENDED MARCH 31, 2006

| | Unrestricted | Community Development Account | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Revenues | | | | |
| Nova Scotia Gaming Corporation | $ 421,100 | $ - | $ 421,100 | $ 476,530 |
| VLT retailers | 421,100 | - | 421,100 | 476,530 |
| Bridge financing income | 240,000 | - | 240,000 | - |
| Interest | 34,063 | 56,192 | 90,255 | 84,555 |
| Miscellaneous | 1,396 | - | 1,396 | - |
| Conference registration | - | - | - | 32,345 |
| HST recovery (Note 6) | 48,531 | - | 48,531 | - |
| | 1,166,190 | 56,192 | 1,222,382 | 1,069,960 |
| Expenses | | | | |
| Grants (Note 5) | 1,015,942 | 43,347 | 1,059,289 | 1,526,856 |
| Board meetings | 18,156 | - | 18,156 | 26,988 |
| Committee meetings | - | - | - | 765 |
| Administrative salaries and benefits | 143,638 | - | 143,638 | 157,220 |
| Travel | 832 | - | 832 | 3,352 |
| IT hardware and supplies | 2,024 | - | 2,024 | 2,785 |
| Professional fees | 17,706 | - | 17,706 | 72,745 |
| Office furnishings and rent | 22,266 | - | 22,266 | 38,140 |
| Conference expenses | - | - | - | 500,450 |
| | 1,220,564 | 43,347 | 1,263,911 | 2,329,301 |
| Excess (deficiency) of revenues over expenses | (54,374) | 12,845 | (41,529) | (1,259,341) |
| Fund balance, beginning of year | 2,981,527 | - | 2,981,527 | 4,240,868 |
| | 2,927,153 | 12,845 | 2,939,998 | 2,981,527 |
| Add (deduct): inter-fund transfers | (2,100,000) | 2,100,000 | - | - |
| Fund balance, end of year | $ 827,153 | $ 2,112,845 | $ 2,939,998 | $ 2,981,527 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Cash flows from operating activities | $ (41,529) | $ (1,259,340) |
| Add (deduct): changes in non-cash accounts | | |
| Change in accounts receivable | (56,596) | 20,591 |
| Change in due from Nova Scotia Gaming Corporation | 12,194 | 13,907 |
| Change in prepaid expenses | (623) | - |
| Change in accounts payable | 8,299 | (37,798) |
| Change in grants payable | 30,937 | 310,557 |
| | (5,789) | 307,257 |
| Increase (decrease) in cash | (47,318) | (952,083) |
| **Cash**, beginning of year | 3,650,571 | 4,602,654 |
| **Cash**, end of year | $ 3,603,253 | $ 3,650,571 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# NOTES TO FINANCIAL STATEMENTS
# FOR THE YEAR ENDED MARCH 31, 2006

## 1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the *Gaming Control Act* and the *Provincial Finance Act*. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the *Gaming Control Act*, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

## 2. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the *Nova Scotia Gaming Foundation Regulations* by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. In December 2002, the Office of Health Promotion was created and responsibility for the Foundation was transferred from the Department of Health to this portfolio. In February 2006, the Department of Health Promotion and Protection was created and responsibility for the Foundation was transferred to that portfolio. The Foundation is managed by a Board of Directors.

## 3. Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

## 4. Accounts Receivable

Accounts Receivable consist of the following:

| | 2006 | 2005 |
|---|---|---|
| Accounts Receivable - HST | $ 51,865 | $ - |
| Accrued Interest Receivable, General Bank | 5,418 | 6,994 |
| Accrued Interest Receivable, Community Development Fund | 6,307 | - |
| **Total** | **$ 63,590** | **$ 6,994** |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# NOTES TO FINANCIAL STATEMENTS
# FOR THE YEAR ENDED MARCH 31, 2006

## 5. Grants

A memorandum of agreement (MOA) was concluded effective April 1, 2005 between the Foundation and the Office of Health Promotion to ensure clarity of understanding of mandate, roles and responsibilities and relationship between the parties. The agreement includes a clearer definition of the types and amounts of grants to be provided. Grants up to the total amount of annual revenue less administrative costs, are disbursed as follows:

| | MOA % | 2005-06 Disbursements | Actual % |
|---|---|---|---|
| Knowledge development, translation and dissemination and community capacity building in problem gambling | 37.5% | $ 255,102 | 36% |
| District Health Authority directed operational funding | 50.0% | 363,058 | 51% |
| Special Funding allocation to Office of Health Promotion for addiction-related priorities | 12.5% | 90,764 | 13% |
| | **100%** | 708,924 | **100%** |
| Bridge financing [1.] | | 310,182 | |
| Interest grant payment to CHBs [2.] | | 56,000 | |
| Returned grants [3.] | | (15,817) | |
| **Total Grant Expense 2005-06** | | $ 1,059,289 | |

(1.) Bridge Financing – The parties to the MOA agreed to provide bridge financing to five recovery houses. The Gaming Foundation received $240,000 from the Office of Health Promotion to distribute to the five recovery houses.

(2.) As per section 8.0 of the MOA, the annual interest generated in the Community Development Account will be distributed to DHAs for provision to Community Health Boards (CHBs).

(3.) As per sections 7.1.1, to 7.1.3 of the MOA, annual grant allocations which are not used must be returned to the Nova Scotia Gaming Foundation and re-invested in the principal of the Community Development Account.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA GAMING FOUNDATION
# NOTES TO FINANCIAL STATEMENTS
# FOR THE YEAR ENDED MARCH 31, 2006

## 6. HST Recovery

During 2005-06, the Foundation became aware that it is eligible for an HST rebate of 50% because it is a public service non-profit organization. The amount recorded as HST recovery represents the estimated amount of the rebate for the period from 2002-03 to 2004-05.

## 7. Community Development Account

Section 8 of the Memorandum of Agreement between the Foundation and the Office of Health Promotion requires the creation of a Community Development Account. The account was created in 2005-06. The annual interest generated in this account is to be distributed to the District Health Authorities for provision to Community Health Boards to support problem gambling. The fund balance is not to decrease below its initial level and will be increased annually if the Nova Scotia Gaming Foundation funding streams accrue a surplus.

## 8. Employee Post-Retirement Benefits

The Foundation had no liability for employee post-retirement benefits as of March 31, 2006.

*Financial Statements of*

# NOVA SCOTIA GOVERNMENT FUND LIMITED

*December 31, 2005*

Deloitte.

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# Auditors' Report

To the Shareholder of the
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2005 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
July 28, 2006

# NOVA SCOTIA GOVERNMENT FUND LIMITED
# Table of Contents
**December 31, 2005**

# NOVA SCOTIA GOVERNMENT FUND LIMITED
## Balance Sheet
**December 31, 2005**

| | 2005 | 2004 (Restated - Note 8) |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | **$ 10,192,913** | $ 3,025,875 |
| Funds designated for investment (Note 3) | **-** | 7,180,708 |
| Prepaid expenses | **15,961** | 43,570 |
| Interest receivable | **1,174,453** | 829,257 |
| Loan receivable from Educational Services & Products (NS) Limited (Note 4) | **7,175,000** | 7,175,000 |
| Deferred financing costs | **131,834** | 230,710 |
| | **$ 18,690,161** | $ 18,485,120 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | **$ 106,853** | $ 41,382 |
| Loan payable to Educational Services & Products (NS) Limited (Note 4) | **7,175,000** | 7,175,000 |
| Notes payable (Note 4) | **10,250,000** | 10,250,000 |
| | **17,531,853** | 17,466,382 |
| **SHAREHOLDER'S EQUITY** | | |
| Share capital (Note 5) | **1** | 1 |
| Retained earnings | **1,158,307** | 1,018,737 |
| | **1,158,308** | 1,018,738 |
| | **$ 18,690,161** | $ 18,485,120 |

Contingency (Note 4)

APPROVED BY THE BOARD

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

# NOVA SCOTIA GOVERNMENT FUND LIMITED
## Statement of Operations and Retained Earnings
**Year ended December 31, 2005**

| | 2005 | 2004 (Restated - Note 8) |
|---|---|---|
| Revenue | | |
| Interest | **$ 625,847** | $ 635,894 |
| Expenses | | |
| Interest | **321,103** | 458,831 |
| Amortization | **98,876** | 411,784 |
| Administration fees | **7,774** | 39,385 |
| Professional fees | **58,483** | 72,265 |
| Bank charges | **41** | 65 |
| | **486,277** | 982,330 |
| Net earnings (loss) | **139,570** | (346,436) |
| Retained earnings, beginning of year | **1,018,737** | 1,365,173 |
| Retained earnings, end of year | **$ 1,158,307** | $ 1,018,737 |

# NOVA SCOTIA GOVERNMENT FUND LIMITED
## Statement of Cash Flows
**Year ended December 31, 2005**

| | 2005 | 2004 (Restated - Note 8) |
|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES** | | |
| Operating | | |
| Net earnings (loss) | **$ 139,570** | $ (346,436) |
| Amortization | **98,876** | 411,784 |
| Changes in non-cash operating items | **6,928,592** | 3,546,710 |
| | **7,167,038** | 3,612,058 |
| Financing | | |
| Repayment of notes | **-** | (11,250,000) |
| **NET CASH INFLOW (OUTFLOW)** | **7,167,038** | (7,637,942) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **3,025,875** | 10,663,817 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$ 10,192,913** | $ 3,025,875 |

| | | |
|---|---|---|
| Cash and cash equivalents represented by: | | |
| Cash in bank | **$ 48,584** | $ 21,135 |
| Province of Nova Scotia promissory notes (unsecured) | **10,144,329** | 3,004,740 |
| | **$ 10,192,913** | $ 3,025,875 |

| | | |
|---|---|---|
| Supplementary cash flow information: | | |
| Cash interest paid | **$ 331,607** | $ 489,084 |

**1. THE FUND**

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

**2. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on deposit with a financial institution and Province of Nova Scotia promissory notes (unsecured).

*Deferred financing costs*

Financing costs are deferred and amortized on a straight-line basis over the estimated term of the notes payable.

*Use of accounting estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**3. FUNDS DESIGNATED FOR INVESTMENT**

The December 31, 2004 balance included $7,175,000 related to an investment with Educational Services & Products (NS) Limited which was held in trust. In 2005, these funds were transferred to the Fund’s general accounts.

**4. NOTES PAYABLE**

The notes payable are unsecured and bear interest at 1% annually. The Immigration Act of Canada (the “Act”) stipulates that the funds of an investor are to be invested within nine months of receipt. However, the Fund did not meet this requirement for the majority of the funds received. The Fund was required to invest the funds in a minimum of two qualifying investments. An initial investment of $11,025,000 was made in Alderney Landing Limited and Nova Learning Limited in 1999. This met the investment requirement for 63 of the Fund’s 104 notes.

## 4. NOTES PAYABLE (continued)

On March 27, 2002, when 18 of these notes had been outstanding for five years and nine months, these were repaid. Citizenship and Immigration Canada ("CIC") objected to further repayments until completion of the five-year investment requirement under the Act.

After consulting with CIC, all investors were offered two alternatives after their notes had been outstanding for more than five years and nine months. Under Alternative 1, repayment dates were extended to the end of the five-year investment period with interest increased to the Province of Nova Scotia bond rate. Under Alternative 2, each investor, through an agent, was permitted to receive the proceeds of a loan from the Royal Bank of Canada, guaranteed by the Province of Nova Scotia in an amount not to exceed $240,000. Interest on the notes of these investors was increased to an amount equivalent to the cost of the loan. When the Fund is permitted to repay the notes to investors, the proceeds are used first to repay the Royal Bank of Canada with any remaining balance going to the investor or as the investor may direct.

During 2004, the notes of the remaining 45 investors whose monies had been placed in the first investment were repaid at which time any loans borrowed on behalf of these investors from the Royal Bank of Canada were repaid.

A second investment was authorized by the Fund in June 2000 in the amount of $7,175,000 to Education Services and Products (NS) Limited ("ESPL") to meet the investment requirements of the remaining 41 notes which remained outstanding on December 31, 2004. In 2005, following discussions with CIC, the Fund has agreed that the investment date relating to the second investment will be considered to be July 1, 2002 with the result that these 41 notes may not be repaid until July 1, 2007. The Fund also holds a 45% equity interest in ESPL. As the net earnings of ESPL are nominal, no amount has been recorded by the Fund as equity earnings.

On December 31, 2005, there were outstanding loans with the Royal Bank of Canada totalling $9,840,000 (2004 - $8,900,000) for 41 (2004 – 37) investors pursuant to Alternative 2. In 2005, two investors that had chosen Alternative 1 converted to Alternative 2 and the two remaining investors, which matured in 2005, also selected Alternative 2.

## 5. SHARE CAPITAL

| | **2005** | 2004 |
|---|---|---|
| Authorized: | | |
| 40,000 Common shares with no par value | | |
| Issued: | | |
| 100 Common shares | **$ 1** | $ 1 |

The 100 common shares issued are held in trust for the Province of Nova Scotia by the Minister of Finance.

## 6. FINANCIAL INSTRUMENTS

The fair value of the Fund's financial instruments approximate their carrying values given their short-term maturities.

## 7. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

### 8. PRIOR PERIOD ADJUSTMENT

As discussed in Note 4, the Fund and CIC reached agreement in 2005 that the investment in ESPL would qualify as an eligible investment with effect from July 1, 2002. Consequently, the prior year related balances have been restated to reflect the investment commencement date of July 1, 2002 and the interest income earned on the loan to ESPL at 4.75% per annum.

The following table illustrates the impact of the adjustment to amounts previously reported as at and for the year ended December 31, 2004.

| | Before Adjustment | After Adjustment | Change |
|---|---|---|---|
| Interest receivable | $ 3,837 | $ 829,257 | $ 825,420 |
| Loan receivable | - | 7,175,000 | 7,175,000 |
| Accounts payable | 8,270 | 41,382 | 33,112 |
| Note payable | - | 7,175,000 | 7,175,000 |
| Retained earnings - opening | 905,361 | 1,365,173 | 459,812 |
| Revenue | 295,081 | 635,894 | 340,813 |
| Expenses | 974,013 | 982,330 | 8,317 |
| Net loss | (678,932) | (346,436) | 332,496 |

### 9. SUBSEQUENT EVENT

On July 28, 2006, the Fund advanced a promissory note in the amount of $1,076,250 to ESPL. The promissory note is non-interest bearing and is repayable on demand.

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2006

*HUNTER BELGRAVE ADAMSON*
***CHARTERED ACCOUNTANTS***

**CONTENTS**

**_HUNTER BELGRAVE ADAMSON_** **_CHARTERED ACCOUNTANTS_**

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**AUDITORS' REPORT**

To the Directors of Nova Scotia Health Research Foundation

We have audited the statement of financial position of the Nova Scotia Health Research Foundation as at March 31, 2006 and the statements of revenue and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the Foundation as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Dartmouth, Nova Scotia
May 24, 2006

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## STATEMENT OF REVENUE AND EXPENDITURES

### YEAR ENDED MARCH 31, 2006

| | **2006** | 2005 |
|---|---|---|
| **REVENUE** | | |
| Grant - Province of Nova Scotia | **$ 4,500,000** | $ 4,500,000 |
| Grant refunds | **518,679** | 312,318 |
| Special project funding (Note 6) | **342,640** | - |
| Investment income | **160,135** | 114,529 |
| Program sponsorships | **137,568** | 36,938 |
| Donated equipment | **1,784** | - |
| | **5,660,806** | 4,963,785 |
| **PROGRAM EXPENDITURES** | | |
| Biomedical research grants | **1,565,891** | 1,576,233 |
| Policy, services and outcomes research grants | **1,512,606** | 2,086,063 |
| Matching grants | **758,556** | 435,568 |
| Capacity building program | **390,539** | 202,024 |
| Special projects (Note 6) | **297,833** | - |
| Communications, public awareness and research findings | **165,752** | 123,687 |
| Peer review of grant applications | **45,502** | 45,512 |
| Knowledge translation | **19,376** | 18,491 |
| Other project expenditures | **6,858** | 408 |
| | **4,762,913** | 4,487,986 |
| **EXCESS OF REVENUE OVER PROGRAM EXPENDITURES** | **897,893** | 475,799 |
| **ADMINISTRATIVE EXPENSES - Schedule 1** | **821,077** | 466,579 |
| **EXCESS OF REVENUE OVER EXPENDITURES** | **$ 76,816** | $ 9,220 |

*HUNTER BELGRAVE ADAMSON*
***CHARTERED ACCOUNTANTS***

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## STATEMENT OF CHANGES IN NET ASSETS

## YEAR ENDED MARCH 31, 2006

| | | | **2006** | 2005 |
|---|---|---|---|---|
| | **Invested in Property, Plant and Equipment** | **Unrestricted** | **Total** | **Total** |
| Balance, beginning of year | $ 42,102 | $ 490,043 | **$ 532,145** | $ 522,925 |
| Excess of revenue over expenditures | - | 76,816 | **76,816** | 9,220 |
| Net change in investment in property, plant and equipment | | | | |
| depreciation | (20,590) | 20,590 | **-** | - |
| acquisition of property, plant and equipment | 104,754 | (104,754) | - | - |
| Balance, end of year | $ 126,266 | $ 482,695 | **$ 608,961** | $ 532,145 |

*HUNTER BELGRAVE ADAMSON*
***CHARTERED ACCOUNTANTS***

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION



## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2006

### ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current assets** | | |
| Cash | $ 36,603 | $ 591,637 |
| Accounts receivable | 73,219 | 61,864 |
| Prepaid expenses | 2,125 | - |
| Investments (Note 4) | 4,439,636 | 3,929,501 |
| | 4,551,583 | 4,583,002 |
| PROPERTY, PLANT AND EQUIPMENT (Note 5) | 126,266 | 42,102 |
| | $4,677,849 | $ 4,625,104 |

### LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 163,092 | $ 114,119 |
| Deferred revenue (Note 6) | 102,860 | - |
| Grants payable - current portion | 2,951,513 | 3,302,351 |
| | 3,217,465 | 3,416,470 |
| GRANTS PAYABLE | 851,423 | 676,489 |
| | 4,068,888 | 4,092,959 |

### NET ASSETS

| | 2006 | 2005 |
|---|---|---|
| Net assets invested in property, plant and equipment | 126,266 | 42,102 |
| Net assets - unrestricted | 482,695 | 490,043 |
| | 608,961 | 532,145 |
| | $4,677,849 | $ 4,625,104 |

**APPROVED ON BEHALF OF THE BOARD:**

______________________________ Director

________________________________ Chief Executive Officer

*HUNTER BELGRAVE ADAMSON*
*CHARTERED ACCOUNTANTS*

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION



## STATEMENT OF CASH FLOW

## YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Working capital from operations | | |
| Excess of revenue over expenditures | **$ 76,816** | $ 9,220 |
| Items not requiring an outlay of cash | | |
| Depreciation and amortization | **20,590** | 10,035 |
| Amortization of goodwill | **-** | 8,292 |
| | **97,406** | 27,547 |
| Net change in non-cash operating working capital balances | | |
| Accounts receivable | **(11,355)** | (28,230) |
| Investments | **(510,135)** | 407,615 |
| Prepaid expenses | **(2,125)** | - |
| Accounts payable and accrued liabilities | **48,973** | 80,000 |
| Grants payable | **(175,904)** | (158,714) |
| Deferred revenue | **102,860** | - |
| | **(450,280)** | 328,218 |
| **INVESTING ACTIVITIES** | | |
| Additions to capital assets | **(104,754)** | (4,854) |
| Purchase of goodwill | **-** | (8,292) |
| INCREASE (DECREASE) IN CASH | **(555,034)** | 315,072 |
| CASH, BEGINNING OF YEAR | **591,637** | 276,565 |
| **CASH, END OF YEAR** | **$ 36,603** | $ 591,637 |

## 1. DESCRIPTION OF ENTITY

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22), was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act, the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health outcome research, health public policy research and medical research.

The accompanying financial statements include only the assets and operations of the Foundation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

### Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as income is earned.

### Financial Instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments, grants payable and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values unless otherwise noted.

### Investments

Investments are valued at the lower of cost and quoted market value if there is a permanent decline in value.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation's management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from these estimates.

### Property, Plant and Equipment

Property, plant and equipment are recorded at cost, and are amortized using the declining balance method except for leasehold improvements, which are amortized by the straight-line method over the term of the lease with a full year of amortization recorded in the year of acquisition.

## 3. DISTRIBUTION OF FUNDING

The annual provincial grant made to the Foundation is provided from funds appropriated by the Nova Scotia legislature. The distribution of the funding is outlined in the Health Research Foundation Regulations, as amended by Cabinet on August 5, 2005. The Regulations specify that funding shall be distributed in accordance with the objects of the Foundation as follows:

a) 30% shall be spent on medical research;
b) 10% shall be spent on health-outcome research;
c) 10% shall be spent on health-services research;
d) 10% shall be spent on health public-policy research;
e) a minimum of 20% may be spent on any or all of the following:
    (i) innovative health research programming and capacity development,
    (ii) increasing the public knowledge and awareness of the Foundation,
    (iii) communicating research findings,
    (iv) targeting health research priorities; and
f) a maximum of 20% may be spent on administering the Foundation.

If in any of the categories a) through d), less than the total money allocated is spent, the remaining portion shall be reallocated to one of the remaining categories a) through d) in a manner determined by the Baord.

## 3. DISTRIBUTION OF FUNDING (continued)

Prior to the amendment by Cabinet on August 5, 2005, the regulations specified the following allocation of the annual grant:

a) 40% shall be spent on medical research
b) 15% shall be spent on health-outcome research
c) 15% shall be spent on health-services research
d) 15% shall be spent on health public-policy research
e) a maximum of 15% may be spent on the administration of the Foundation, and 5% of the total amount spent on administration shall be spent on increasing the public knowledge and awareness of the Foundation.

## 4. INVESTMENTS

The Foundation has an investment policy in place which restricts the types of investments it can hold. The Foundation is not permitted to invest in unsecured instruments or non-interest bearing accounts. The Foundation is not permitted to invest directly in mortgages, equities, real estate, foreign investments, and derivative securities. The Foundation is permitted to invest in mutual funds that hold these classes of investment investments.

At year end the Foundation's investments consisted of cash, fixed income investments, and equity mutual funds. At March 31, 2006 the total market value of the investments was $4,682,821 (2005- $3,940,346) and the book value of the investments was $4,439,636 (2005 - 3,929,501).

## 5. PROPERTY, PLANT AND EQUIPMENT

| | | **2006** | | 2005 | |
|---|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | **Net Book Value** | **Rates** |
| Computer | $ 69,975 | $ 23,612 | **$ 46,363** | $ 11,048 | 30% |
| Equipment and furniture | 63,535 | 23,427 | **40,108** | 16,477 | 20% |
| Leasehold improvements | 50,358 | 10,563 | **39,795** | 14,577 | 10 yrs |
| | $ 183,868 | $ 57,602 | **$ 126,266** | $ 42,102 | |

## 6. SPECIAL PROJECT FUNDING AND EXPENDITURES

The Foundation received funding from the Nova Scotia Ministry of Health to create and implement the Atlantic National Collaborating Centre on Social Determinants of Health. Funding of $445,500 was received from the Government of Nova Scotia to finance all costs associated with the project. Under the terms of the funding agreement, any amounts that remain unspent at the conclusion of the project must be returned to the Province. Management anticipates that the project will be complete by July, 2006.

For the year ended March 31, 2006, the foundation has incurred project expenses totalling $297,833, and capital expenditures of $44,807. The unspent balance of $102,860 has been recorded as deferred revenue, and will be taken into income as additional project expenditures are incurred.

## 7. INCOME TAX STATUS

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

## 8. ECONOMIC DEPENDENCE

The Province of Nova Scotia provides the Foundation with funding necessary to provide grant support. The Foundation's ability to issue research grants is currently dependant on receiving adequate funding from the Province of Nova Scotia.

## 9. CHANGE IN ACCOUNTING POLICY

The Foundation had previously presented its financial statements using the restricted fund method of accounting for contributions, and accordingly presented its financial statements for the Administration & Programs Fund, and the Research Awards Fund.

In the current year, management determined that the deferral method of accounting for contributions was more representative of the conditions attached to the funding, and more reflective of the Foundation's activities. This accounting policy has been adopted for the current year, and prior periods have been restated to reflect this change. The assets, liabilities and net assets of the funds previously disclosed have been combined in the statement of financial position, and are shown as unrestricted.

## 10. LEASE COMMITMENTS

The company leases office space under an operating lease arrangement. Minimum lease payments are as follows:

| | |
|---|---|
| 2007 | **$ 110,565** |
| 2008 | **110,565** |
| 2009 | **110,565** |
| 2010 | **107,128** |
| 2011 | **105,982** |
| | **$ 544,805** |

## 11. PENSION OBLIGATIONS

The Foundation participates in a pension plan sponsored and administered by the Nova Scotia Association of Health Organizations, a multiemployer plan available to all its members. Contributions to the pension fund by the Foundation are matched by contributions by the employees, and are based on 7.45% of pensionable earnings. In the year, the Foundation contributed $14,666 to the pension.

An actuarial valuation for funding purposes was performed at December 31, 2003. At this time, the fund was fully funded.

## 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## SCHEDULE OF ADMINISTRATIVE EXPENSES

## YEAR ENDED MARCH 31, 2006

| | **2006** | 2005 |
|---|---|---|
| Salaries and benefits | **488,686** | 299,346 |
| Consulting fees | **121,429** | 41,468 |
| Rent | **89,348** | 31,391 |
| Travel and meetings | **25,467** | 22,510 |
| Office supplies | **24,322** | 18,595 |
| Printing and promotional materials | **22,452** | 8,292 |
| Depreciation | **20,590** | 10,035 |
| Telephone, fax and website maintenance | **10,929** | 21,045 |
| Networking and promotion | **8,280** | 8,614 |
| Professional development | **6,672** | 4,512 |
| Meeting costs | **1,799** | - |
| Insurance | **770** | 771 |
| Miscellaneous expenses | **333** | - |
| | **$ 821,077** | $ 466,579 |

*Consolidated Financial Statements of*

# NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

*March 31, 2006*

Deloitte.

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# Auditors' Report

To the Members of the Legislative Assembly: and
To the Minister of Community Services

We have audited the consolidated balance sheet of The Nova Scotia Housing Development Corporation as at March 31, 2006 and the consolidated statement of revenues and expenses for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 16, 2006

# NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
## Table of Contents
**March 31, 2006**

# NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
## Consolidated Balance Sheet
**March 31, 2006**

| | | **2006** | | 2005 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash, accounts receivable and accrued interest | **$** | **13,485,010** | $ | 10,546,670 |
| Current portion of mortgages receivable (Note 7) | | **3,152,295** | | 3,042,954 |
| | | **16,637,305** | | 13,589,624 |
| Mortgages receivable (Note 7) | | **54,556,630** | | 43,925,161 |
| Investment in land and social housing (Note 8) | | **341,345,829** | | 354,698,017 |
| Fund for future social housing expenditures (Note 4) | | **33,447,936** | | 27,256,473 |
| | **$** | **445,987,700** | $ | 439,469,275 |
| **LIABILITIES** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | **$** | **15,408,697** | $ | 11,908,360 |
| Current portion of long-term debt (Note 9) | | **12,058,257** | | 12,353,623 |
| Deferred federal contributions (Note 4) | | **33,447,936** | | 27,256,473 |
| | | **60,914,890** | | 51,518,456 |
| Long-term debt (Note 9) | | **306,938,089** | | 314,084,585 |
| Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 10) | | **17,585,060** | | 11,380,847 |
| Partner's equity and minority interest (Note 12) | | **2,580,522** | | 4,750,674 |
| Housing Development Corporation Fund (Note 6) | | **57,969,139** | | 57,734,713 |
| | **$** | **445,987,700** | $ | 439,469,275 |

Commitments and contingencies (Note 10)

………………………..……………Deputy Minister of Community Services

# NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
## Consolidated Statement of Revenues and Expenses
**Year ended March 31, 2006**

| | **2006** | 2005 |
|---|---|---|
| Revenue | | |
| Rental revenue | **$ 50,645,514** | $ 50,385,637 |
| Interest revenue | **2,898,055** | 2,765,857 |
| Land sales | **1,330,780** | 4,918,147 |
| Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 4) | **61,788,081** | 53,997,234 |
| Recoveries from provincial government departments and municipalities (Note 5) | **45,817,730** | 38,721,160 |
| | **162,480,160** | 150,788,035 |
| Expenses | | |
| Administration fee (Note 3) | **2,221,527** | 1,981,410 |
| Amortization of investment in social housing | **13,086,899** | 11,807,275 |
| Cost of land sales | **424,676** | 5,890,852 |
| Operating costs, Housing Authorities (Note 13) | **70,783,928** | 66,202,669 |
| Interest on long-term debt | **27,440,241** | 28,969,561 |
| Housing Renovation and Affordable Housing | **15,088,957** | 11,350,241 |
| Transfer to Housing Services | **29,341,230** | 24,905,797 |
| Increase (decrease) in provision for doubtful accounts, recoveries and reserves | **4,092,702** | (319,770) |
| | **162,480,160** | 150,788,035 |
| Excess of revenues over expenses | **$ -** | $ - |

### 1. STATUS OF THE CORPORATION

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

**BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Housing Authorities which are controlled by the Corporation including all program recoveries and expenses administered under the Social Housing Agreement, the Housing Renovation Agreement and the Affordable Housing Agreement.

Transactions and account balances between the Corporation and the Housing Authorities have been eliminated in these consolidated financial statements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The policies used in preparing the Corporation's consolidated financial statements are in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

*Statement of cash flows*

Except for funds held by the Regional Housing Authorities, the Housing Development Corporation holds no cash. All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A Statement of Cash Flows has not been provided as it would not provide meaningful additional information.

*Mortgages receivable*

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 7 to the financial statements.

A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgages receivable portfolio. These insurance fees are retained as reserves and are charged with the losses on bad debts when realized.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

*Investment in Land and Social Housing*

Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration and interest during construction less accumulated amortization.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

In accordance with amendments to Section 1150 of the CICA Public Sector Accounting Handbook, effective April 1, 2005 the corporation changed the amortization method for buildings from the sinking fund method to straight-line over the collective estimated remaining useful life of the properties. The change in accounting policy was applied prospectively.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

The Corporation has established reserves for risks associated with the reduction in the value of land developments.

*Recoveries from CMHC*

| | **2006** | 2005 |
|---|---|---|
| Social Housing | **$ 50,120,158** | $ 45,760,816 |
| Housing Renovation and Affordable Housing | **11,667,923** | 8,236,418 |
| | **$ 61,788,081** | $ 53,997,234 |

*Social Housing*

Pursuant to the Social Housing Agreement executed by the Corporation and the Canada Mortgage and Housing Corporation (CMHC) which took effect October 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

*Housing Renovations and Affordable Housing*

Pursuant to the Home Renovation and Affordable Housing Agreements executed by the Corporation and CMHC, contributions made by CMHC are used by the Corporation to meet expenses of these programs.

*Forgivable Loans*

The Corporation has chosen to account for all forgivable loans as mortgages receivable net of an equivalent amount of reserves.

*Use of Accounting Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods significant estimates. Actual results could differ from those estimates.

### 3. ADMINISTRATION FEE

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

### 4. FUND FOR FUTURE SOCIAL HOUSING EXPENDITURES

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures (FFSHE) and Deferred Federal Contributions (DFC).

| | **2006** | 2005 |
|---|---|---|
| Opening balance, April 1st | **$ 27,256,473** | $16,499,773 |
| Gross public housing and other eligible | | |
| expenditures per Department of Community Services | **(86,762,321)** | (80,645,216) |
| Less: Provincial contribution | **29,971,900** | 28,764,757 |
| Less: Municipal contribution | **6,670,263** | 6,119,643 |
| Expenses withdrawn from FFSHE | **(50,120,158)** | (45,760,816) |
| CMHC social housing transfer per agreement | **55,417,910** | 55,849,027 |
| | **5,297,752** | 10,088,211 |
| Interest earned by the fund | **893,711** | 668,489 |
| Net increase in the fund | **6,191,463** | 10,756,700 |
| Closing Balance, March 31st | **$ 33,447,936** | $27,256,473 |

Recoveries from CMHC are subject to an independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

### 5. RECOVERIES FROM PROVINCIAL GOVERNMENT DEPARTMENTS AND MUNICIPALITIES

Costs incurred by the Corporation for Housing Renovation and Affordable Housing Agreements and the amortization of the provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department or municipality:

## 5. RECOVERIES FROM PROVINCIAL GOVERNMENT DEPARTMENTS AND MUNICIPALITIES (continued)

| | **2006** | 2005 |
|---|---|---|
| Department of Community Services | | |
| Social Housing | **$ 29,971,900** | $28,764,757 |
| Home Renovation and Affordable Housing | **4,921,072** | 3,113,822 |
| Recoveries for land losses and bad debts | **3,039,511** | (1,011,813) |
| Department of Justice | **214,984** | 1,164,324 |
| Service Nova Scotia | **1,000,000** | 570,427 |
| Municipal share of public housing costs | **6,670,263** | 6,119,643 |
| | **$ 45,817,730** | $38,721,160 |

## 6. HOUSING DEVELOPMENT CORPORATION FUND

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to $175 million.

## 7. MORTGAGES RECEIVABLE

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately $275,826 including interest. Interest rates vary from 4.5% to 13.05%, with renewal dates ranging from April 1, 2006 to October 1, 2016. The mortgages are secured by registered first mortgages on the related properties.

| | **2006** | 2005 |
|---|---|---|
| Mortgages receivable | **$ 59,227,816** | $ 49,317,902 |
| Less: current portion due within one year | **3,152,295** | 3,042,954 |
| provision for concessionary assistance and doubtful recoveries | **1,518,891** | 2,349,787 |
| | **4,671,186** | 5,392,741 |
| | **$ 54,556,630** | $ 43,925,161 |

Estimated principal repayments for the next four years are as follows:

### 7. MORTGAGES RECEIVABLE (continued)

| | |
|---|---|
| 2008 | $ 2,955,911 |
| 2009 | 2,979,792 |
| 2010 | 3,039,710 |
| 2011 | 3,124,012 |
| | $ 12,099,425 |

### 8. INVESTMENT IN LAND AND SOCIAL HOUSING

| | **2006** | 2005 |
|---|---|---|
| Investment in land | **$ 2,341,152** | $ 2,420,646 |
| Investment in social housing | **343,934,004** | 358,624,438 |
| | **346,275,156** | 361,045,084 |
| Less: provision for doubtful land recoveries | **381,875** | 2,795,792 |
| provision for fire and liability losses | **4,547,452** | 3,551,275 |
| | **4,929,327** | 6,347,067 |
| | **$ 341,345,829** | $ 354,698,017 |

### 9. LONG-TERM DEBT

| | **2006** | 2005 |
|---|---|---|
| Notes payable | **$ 254,732,106** | $ 257,581,282 |
| Mortgages payable | **64,264,240** | 68,856,926 |
| | **318,996,346** | 326,438,208 |
| Less: current portion due within one year | **12,058,257** | 12,353,623 |
| | **$ 306,938,089** | $ 314,084,585 |

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly instalments of interest and principal.

Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2006 to January 1, 2034.

Estimated principal repayments for the next four years are as follows:

## 9. LONG-TERM DEBT (continued)

| | |
|---|---|
| 2008 | $ 12,763,168 |
| 2009 | 13,053,542 |
| 2010 | 13,578,041 |
| 2011 | 14,091,264 |
| | $ 53,486,015 |

## 10. COMMITMENTS AND CONTINGENCIES

Pursuant to October 1, 1997 Social Housing Agreement, CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2006 there were 488 loans with an approximate outstanding balance of $144,093,882 (2005 - $150,349,118). In the event of default the Corporation would gain title to the assets and act toward mitigation of any loss. The Corporation has reserved for any possible losses as noted.

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2006 a total of 17 (2005 – 22) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $12,468,250 (2005 - $14,183,098).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of $17,585,060 (2005 - $11,380,847) which includes a reserve for risks associated with interest fluctuation of $3,200,000 (2005 - $3,200,000). In addition, the Corporation has a provision of $4,000,000 (2005 - $3,000,000) for self insurance which is included in the provision for fire and other social housing losses as disclosed in Note 8.

There are various claims, which certain Housing Authorities are involved with arising out of the ordinary course of operations. Management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty. The Corporation has established a provision for fire and liability losses as disclosed in Note 8 of these consolidated financial statements.

## 11. RELATED PARTY TRANSACTIONS

Included in Note 5 of these consolidated financial statements are recoveries from various Nova Scotia government departments and municipalities related to the Corporation by virtue of common control. Included in the long-term debt of the Corporation are notes payable owing to the Department of Finance totalling $35,357,985.

## 12. PARTNERS' EQUITY (DEFICIENCY) AND MINORITY INTEREST

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services – Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustees, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.

## 13. OPERATING COSTS (HOUSING AUTHORITIES AND RURAL AND NATIVE)

| | 2006 | 2005 |
|---|---|---|
| Administration | $ 10,727,703 | $ 10,795,936 |
| Maintenance | 18,799,761 | 16,907,628 |
| Modernization and improvements | 9,349,473 | 7,653,570 |
| Municipal taxes | 7,834,591 | 7,678,391 |
| Other operating | 7,708,442 | 8,086,436 |
| Utilities | 16,363,958 | 15,080,708 |
| | $ 70,783,928 | $ 66,202,669 |

## 14. EMPLOYEE FUTURE BENEFITS

The Housing Authorities each have defined contribution pension plans available to eligible employees.

In 2006, an actuarial valuation of the Public Service award liability was performed. As at March 31, 2006 the Corporation has recorded the actuarial liability for Public Service awards of $1,839,967 accruing to employees in the Regional Housing Authorities at retirement.

## 15. TANGIBLE CAPITAL ASSETS

The investment in social housing disclosed in Note 8 of $343,934,004 (2005 - $358,624,438) includes social housing properties acquired through the Social Housing Agreement from the Housing Development Fund and from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included the cost of land and buildings. Net book value was previously amortized over the years. Management has estimated the portion assigned to land and buildings because historical information related to the original cost of land versus buildings is not available.

New construction and or acquisitions are separated as to land and building at the time of construction or acquisition.

The tangible capital assets consolidated from the Housing Authorities' financial statements are included in the net book value above. The rates and methods of depreciation used to amortize these assets over their estimated useful lives are as follows:

| | | |
|---|---|---|
| Buildings | 5% | declining balance |
| Equipment | 20% | declining balance |
| Computer equipment | 30% | declining balance |
| Vehicles | 30% | declining balance |
| Computer software | 25% | declining balance |

## 15. TANGIBLE CAPITAL ASSETS (continued)

The following information on cost, accumulated amortization and net book value is available for those assets:

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Buildings | **$ 7,409,323** | **$ 2,462,518** | **$ 4,946,805** | $ 4,970,681 |
| Equipment | **93,680** | **79,180** | **14,500** | 18,340 |
| Vehicles | **1,795,978** | **1,384,420** | **411,558** | 248,691 |
| Computer software | **6,151,513** | **3,556,344** | **2,595,169** | 3,460,226 |
| | **$ 15,450,494** | **$ 7,482,462** | **$ 7,968,032** | $ 8,697,938 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA INNOVATION CORPORATION
# CONSOLIDATED FINANCIAL STATEMENTS
# MARCH 31, 2006

# Contents

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## Auditor's Report

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of the Office of Economic Development

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2006 and the consolidated statements of loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 30, 2006

# Province Of Nova Scotia
# Nova Scotia Innovation Corporation
# Consolidated Balance Sheet

| March 31 | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and cash equivalents | $ 1,511,935 | $ 856,065 |
| Receivables and prepaid | 1,302,500 | 1,271,325 |
| Inventories | 70,825 | 77,488 |
| Current portion of leasehold improvements and inducements (Note 7) | 111,173 | 111,173 |
| | 2,996,433 | 2,316,051 |
| Assets held for resale (Note 4) | 186,591 | 202,288 |
| Receivables (Note 5) | 21,985 | 85,803 |
| Property and equipment (Note 6) | 7,256,305 | 6,792,204 |
| Leasehold improvements and inducements (Note 7) | 1,046,836 | 1,087,410 |
| Investments and funds | | |
| Nova Scotia First Fund (Note 8) | 16,249,625 | 16,876,385 |
| Research Endowment Fund (Note 9) | 661,182 | 661,182 |
| Other investments (Note 10) | 633,931 | 766,992 |
| Land held for future development (Note 11) | 201,745 | 355 |
| Goodwill (Note 3) | 385,862 | - |
| | 26,457,471 | 26,270,331 |
| | $ 29,640,495 | $ 28,788,670 |

| | | |
|---|---|---|
| **Liabilities** | | |
| Current | | |
| Payables and accruals | $ 696,055 | $ 1,525,305 |
| Payable to Province of Nova Scotia | 3,634,973 | 3,109,824 |
| Deferred revenue and leasehold inducements | 222,848 | 83,403 |
| Current portion of long term debt (Note 13) | 86,883 | 100,535 |
| | 4,640,759 | 4,819,067 |
| Employee future benefits (Note 12) | 781,684 | 706,683 |
| Long term debt (Note 13) | 10,647,975 | 9,999,311 |
| Deferred revenue and leasehold inducements | 489,822 | 1,818 |
| Deferred capital contributions | 1,466,459 | 1,450,967 |
| | 18,026,699 | 16,977,846 |
| Non-controlling interest | 7,972 | - |
| **Equity** | | |
| Capital stock and contributed surplus (Note 15) | 19,110,755 | 19,110,755 |
| Deficit | (7,504,931) | (7,299,931) |
| | 11,605,824 | 11,810,824 |
| | $ 29,640,495 | $ 28,788,670 |

Commitments and contingency (Notes 8 and 21)
Subsequent events (Note 20)

ON BEHALF OF THE BOARD

Colin Latham

Chair

Jun 30/06

Chief Executive Officer

See accompanying notes to the consolidated financial statements.

# Province Of Nova Scotia
# Nova Scotia Innovation Corporation
# Consolidated Statements Of Loss And Deficit

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Revenues and contributions | | |
| Government contributions (Note 14) | $ 2,935,250 | $ 2,082,312 |
| Mentoring | 208,588 | 357,420 |
| Incubation | 1,119,234 | 776,237 |
| Investment | 8,466 | 7,500 |
| Product engineering | 278,479 | 336,298 |
| Software sales and services (Note 3) | 423,122 | - |
| | 4,973,139 | 3,559,767 |
| Expenses | | |
| Mentoring | 589,181 | 761,704 |
| Incubation | 1,174,749 | 1,024,985 |
| Investment | 404,221 | 340,453 |
| Product engineering | 222,380 | 282,579 |
| Software sales and services (Note 3) | 376,655 | - |
| Corporate services | 1,387,636 | 1,491,374 |
| | 4,154,822 | 3,901,095 |
| Operating income (loss) | 818,317 | (341,328) |
| Depreciation and amortization | (478,329) | (365,128) |
| Interest expense | (431,488) | (380,676) |
| Employee future benefit expense | (205,421) | (269,535) |
| Investment income (loss) | | |
| Nova Scotia First Fund | (90,474) | 438,803 |
| Other | 91,366 | 80,226 |
| | (1,114,346) | (496,310) |
| Loss before unusual item and discontinued operations | (296,029) | (837,638) |
| Unusual item (Note 16) | 100,000 | - |
| Loss before discontinued operations | (196,029) | (837,638) |
| Discontinued operations (Note 17) | (8,971) | 62,640 |
| Net loss | $ (205,000) | $ (774,998) |

| | | |
|---|---|---|
| Deficit, beginning of year | $ (7,299,931) | $ (6,524,933) |
| Net loss | (205,000) | (774,998) |
| Deficit, end of year | $ (7,504,931) | $ (7,299,931) |

See accompanying notes to the consolidated financial statements.

# Province Of Nova Scotia
# Nova Scotia Innovation Corporation
# Consolidated Statement Of Cash Flows

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operating** | | |
| Net loss | $ **(205,000)** | $ (774,998) |
| Depreciation and amortization | **478,329** | 365,128 |
| Deferred capital assistance recognized | **(147,046)** | (130,740) |
| Unusual item (Note 16) | **(100,000)** | - |
| Nova Scotia First Fund (income) loss | **90,474** | (438,803) |
| Increase in employee future benefits | **75,001** | 151,878 |
| Tenant leasehold inducements recognized | **77,111** | - |
| Landlord lease inducements recognized | **(70,598)** | - |
| Accrued interest on Province of Nova Scotia – NSFF loan | **333,977** | 318,501 |
| (Gain) loss on disposal of assets | **(5,538)** | 66,157 |
| Minority interest | **7,972** | - |
| Bad debts and investment writedowns | **88,764** | 1,880 |
| | **623,446** | (440,997) |
| Change in non-cash operating working capital (Note 18) | **(178,155)** | (54,116) |
| | **445,291** | (495,113) |
| **Investing** | | |
| Proceeds from NSFF portfolio investments | **1,146,671** | 1,106,234 |
| Acquisitions of NSFF investments | **(1,159,997)** | (1,106,234) |
| Additions to NSFF portfolio | **-** | (82,221) |
| Cash acquired on acquisition | **267,543** | - |
| Long term receivable payments received | **63,818** | 24,492 |
| Property and equipment purchases | **(1,039,506)** | (2,014,144) |
| Assets held for resale purchases | **-** | (255,118) |
| Increase in leasehold improvements and inducements | **-** | (636,950) |
| Additions to long term receivables | **-** | (85,803) |
| Proceeds from sale of assets held for resale | **-** | 157,439 |
| | **(721,471)** | (2,892,305) |
| **Financing** | | |
| Long term debt repayments | **(100,535)** | (67,199) |
| Deferred revenue and capital contributions | **469,775** | 1,154,992 |
| Leasehold inducements | **161,250** | - |
| Decrease in equipment lease obligation | **-** | (5,618) |
| Loan from Province of Nova Scotia | **401,560** | 1,800,000 |
| | **932,050** | 2,882,175 |
| Increase (decrease) in cash and cash equivalents | **655,870** | (505,243) |
| Cash and cash equivalents, Beginning of year | **856,065** | 1,361,308 |
| End of year | $ **1,511,935** | $ 856,065 |

See accompanying notes to the consolidated financial statements.

## 1. Authority

The Nova Scotia Innovation Corporation (In*NOVA*corp) was established on February 6, 1995 by the Innovation Corporation Act and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. In*NOVA*corp is exempt from income tax under Section 149 of the Income Tax Act.

## 2. Summary of significant accounting policies

In*NOVA*corp's financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

### a. Principles of consolidation

The consolidated financial statements include the accounts of In*NOVA*corp and its wholly owned subsidiaries, 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited and its 83% owned subsidiary, 3039255 Nova Scotia Limited.

### b. Use of estimates

In preparing In*NOVA*corp's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

### c. Revenue recognition

Mentoring revenue includes consulting services provided and is recorded as the services are provided.

Incubation revenue is recorded as earned and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administrative services.

Investment revenue includes interest on cash balances, short term investments and bonds receivable, including imputed interest on zero coupon bonds and residuals, dividends and capital gains and losses. Interest income is accrued daily, dividend income is recorded on the ex-dividend date, and capital gains and losses are recognized on the date of sale.

Product engineering includes engineering services and products provided to third parties by In*NOVA*corp staff and products manufactured for resale. Engineering services revenue is recorded as the related services are performed. Work in process is recorded monthly based on percentage complete. Product sales are recorded on the earlier of the date of shipment to the customer or the transfer of title to the customer.

Software sales and services revenue includes communication marketing software, multi-channel communications capabilities and web hosted services. Software sales and services revenue is recognized when payment is received which is coincident with the delivery of products and services.

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

### d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

### e. Inventory

Inventory is valued at the lower of cost and net realizable value.

### f. Long term investments

Venture capital investments made through the Nova Scotia First Fund are carried at lower of cost and net realizable value, except for those in which a controlling interest is held that effective April 1, 2005 are consolidated.

Investments are written down to recognize the loss where management has determined a decline in value that is considered to be other than temporary. Fixed income investments of the Nova Scotia First Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

### g. Property and equipment

The cost of property and equipment are depreciated over their estimated lives at the following rates:

| | |
|---|---|
| Buildings | 4% declining balance |
| Machinery and equipment | 20% declining balance |
| Computer equipment | 30% declining balance |
| Furniture and fixtures | 20% declining balance |
| Site improvements | 8% declining balance |
| Management information system | 10% straight line |
| Leased equipment | 25% straight line |
| Leasehold improvements | term of lease, straight line |

### h. Donated assets

The donation of assets to In*NOVA*corp is recorded as a capital contribution. These assets are recorded at their fair market value with an increase to contributed surplus. These assets are depreciated over their estimated economic life as described in Note 2(g) above. There were no assets donated in 2005 or 2006.

### i. Capital cost contributions

Contributions used for the acquisition of property and equipment are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

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

### j. Translation of foreign currencies

Monetary assets and liabilities are translated at the year end rate of exchange. Revenue and expenses are translated at the rates prevailing when the transaction occurred. Non-monetary assets and liabilities, as well as revenue and expense transactions denominated in foreign currencies, are translated at the rate prevailing at the time of the transaction. Translation gains and losses are recognized as income or loss in the period in which they occur.

### k. Landlord leasehold improvements and inducements

Costs incurred or paid to tenants to renovate premises are recorded as deferred leasehold improvements and amortized over the life of the lease. Free or reduced rents provided to tenants during the period are recorded as deferred lease inducements and amortized over the life of the lease.

### l. Tenant leasehold improvements and inducements

Costs incurred or paid by landlords to renovate premises occupied by In*NOVA*corp are recorded as deferred leasehold improvements and amortized over the life of the lease. Free or reduced rents provided by landlords during the period are recorded as deferred leasehold inducements and amortized over the life of the lease.

### m. Employee future benefits

InNOVAcorp has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

In*NOVA*corp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

In*NOVA*corp accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The cost of the benefits earned by employees is determined annually using the projected benefit method pro rated on service and actuarial assessment and best estimate of probability of retirement, retirement ages and expected health care costs.

- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years (2005 – 10.93 years).

- The transitional obligation resulting from the implementation of the policy is amortized over the average remaining service period of active employees at inception, which is 9.6 years.

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

### m. Employee future benefits (continued)

Employees of In*NOVA*corp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions and the employer's contributions are included in the expenses of In*NOVA*corp. The Province of Nova Scotia administers the Public Service Superannuation Fund and is responsible for any unfunded liability.

In*NOVA*corp has an unfunded Supplementary Employee Retirement Plan covering its permanent employees whose salaries exceed the maximum on which contributions to a registered pension plan may be deducted. Eligible employees receive an amount equivalent to the registered pension they would have earned on any excess earnings upon retirement on the same terms as are contained in the Province's registered pension plan.

### n. Financial instruments

In*NOVA*corp's financial instruments consist of cash and cash equivalents, receivables, investments and funds, payables, and long term debt. It is management's opinion that In*NOVA*corp is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, except for the venture capital investments, and the Province of Nova Scotia loans (Note 13) for which it is not practical to determine market value.

### o. Non-monetary transactions

Certain companies in which In*NOVA*corp holds investments through the NSFF provide shares in exchange for consulting and mentoring services. The value of the transaction is established by the fair value of fees charged for such services and is agreed by both parties. The number of shares is determined by share prices confirmed through third party transactions. There were no non-monetary transactions in the current year.

## 3. Changes in accounting policies

In*NOVA*corp adopted prospectively CICA recommendations on accounting for subsidiaries for venture investments in which it holds a controlling interest. The new standards do not permit the non-consolidation of investments purchased with the intention of disposition in the foreseeable future, such as venture investments. Therefore, 3039255 Nova Scotia Limited (Mailworkz) has been consolidated in the 2006 financial statements.

In prior years, venture investments in which In*NOVA*corp held a controlling interest were accounted for at the lower of cost and net realizable value.

As a result of the adoption of the new recommendations, net income is $118,174 higher than it would have been had the venture investment not been consolidated. $18,174 of this amount represents In*NOVA*corp's proportionate share of the consolidated income of the investee in which it holds a controlling interest. The remaining $100,000 represents a gain on the retirement of that investee's debt (see Note 16).

## 3. Changes in accounting policies (continued)

As a result of the adoption of the new recommendations, on April 1, 2005 venture investments were reduced by $530,000 and goodwill of $385,862, fair market value adjustments of $41,500, and assets and liabilities of the investee in which In*NOVA*corp has a controlling interest with a net book value of $202,641 were recognized.

## 4. Assets held for resale

In 2005, InNOVAcorp purchased assets from a receivership sale for $255,119. A portion of these assets were sold for nil proceeds to a third party.

InNOVAcorp agreed with a tenant to purchase the remaining assets. The details of the purchase were finalized subsequent to year end as set out in Note 20. The resulting gain on this sale has not been reported in these financial statements.

## 5. Receivables

| | **2006** | 2005 |
|---|---|---|
| Leases receivable | **$ 85,803** | $ 177,748 |
| Current portion | **63,818** | 91,945 |
| | **$ 21,985** | $ 85,803 |

In*NOVA*corp leases equipment under agreements with terms of three to six years. The leases, which transfer substantially all of the risks and benefits incidental to ownership, have been accounted for as sales.

The leases are non-interest bearing and are payable in monthly instalments. The leases are scheduled to be repaid by July 1, 2007 respectively.

## 6. Property and equipment

| | | | **2006** | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | **Carrying Value** | Carrying Value |
| Land | $ 356,507 | $ - | **$ 356,507** | $ 350,700 |
| Buildings and site improvements | 8,440,350 | 2,127,529 | **6,312,821** | 6,115,070 |
| Machinery, equipment and leased equipment | 1,001,109 | 841,338 | **159,771** | 188,160 |
| Computer equipment | 645,941 | 577,969 | **67,972** | 43,226 |
| Furniture and fixtures | 287,103 | 187,025 | **100,078** | 64,836 |
| Leasehold improvements | 198,382 | 15,260 | **183,122** | - |
| Management information system | 1,247,856 | 1,171,822 | **76,034** | 30,212 |
| | $ 12,177,248 | $ 4,920,943 | **$ 7,256,305** | $ 6,792,204 |

## 7. Leasehold improvements and inducements

| | **2006** | 2005 |
|---|---|---|
| Leasehold improvements and inducements | **$ 1,347,128** | $ 1,276,531 |
| Accumulated amortization | **(189,119)** | (77,948) |
| | **1,158,009** | 1,198,583 |
| Less: current portion | **111,173** | 111,173 |
| | **$ 1,046,836** | $ 1,087,410 |

## 8. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

During 1996-97, In*NOVA*corp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to In*NOVA*corp. Fund activity during the current year is summarized below:

| | Portfolio Investments | Fund Investments | Valuation Adjustment | **2006 Fund Balance** | 2005 Fund Balance |
|---|---|---|---|---|---|
| Beginning, balance | $ 11,577,984 | $11,328,524 | $(6,030,123) | **$16,876,385** | $ 16,355,361 |
| Add (Deduct): | | | | | |
| Consolidation adjustment | | (548,174) | - | **(548,174)** | - |
| Equity investments | (1,210,000) | 1,210,000 | - | **-** | - |
| Income | 601,716 | 20,984 | - | **622,700** | 438,803 |
| Additions and transfers | 66,139 | (66,139) | - | **-** | 82,221 |
| Write-down | (6,286) | - | (695,000) | **(701,286)** | - |
| Ending balance | $ 11,029,553 | $11,945,195 | $(6,725,123) | **$16,249,625** | $ 16,876,385 |

In*NOVA*corp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred.

As at March 31, 2006 there were $815,000 (2005 - $625,000) approved commitments for the NSFF.

In 2005, InNOVAcorp's Board approved a $500,000 allocation to a High Performance Incubation fund. On February 9, 2006, In*NOVA*corp's Board allocated an additional $500,000 to this fund. Investments made through this fund range from $50,000 to $150,000 and are targeted at earlier stage opportunities rather than through the NSFF historically. As at March 31, 2006, $410,000 (2005 - $315,000) was invested in such companies.

### 8. Nova Scotia First Fund (continued)

In 2004, the Province advanced an additional $8,000,000 to In*NOVA*corp for the purpose of the NSFF with terms as described in Note 13. Income earned on these funds is included as income of the NSFF. Interest of $333,977 (2005 - $318,500) accrued for the year on this advance has been recorded as interest expense and charged to InNOVAcorp's general operations.

As at March 31, 2006, the market value of the portfolio investments was $11,390,794.

### 9. Research Endowment Fund

The Research Endowment Fund was transferred to In*NOVA*corp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by In*NOVA*corp. The Fund can be used for purposes consistent with the objectives of In*NOVA*corp.

The funds have been invested in bonds and debentures and their fair market value approximates cost.

### 10. Other investments

| | 2006 | 2005 |
|---|---|---|
| Amirix Systems Inc. | | |
| 490,000 3%, non-cumulative preferred shares | **$ 490,000** | $ 490,000 |
| PlantSelect Biotechnology Systems Limited | **99,615** | 199,230 |
| The Decision Point | | |
| 100,000 common shares and intellectual property | **-** | 3 |
| Other investments, at cost | **10,000** | 10,000 |
| Other investments, at net realizable value | **34,316** | 67,759 |
| | **$ 633,931** | $ 766,992 |

In 2006, the advances to PlantSelect Biotechnology Systems Limited and another investment previously included in current receivables were reclassified to reflect management's intention with respect to the time frame for which they will be held.

The Decision Point is accounted for using the equity method of accounting. The balance has been written down to reflect the estimated net realizable value.

### 11. Land held for future development

The Province of Nova Scotia approved by order in council 2005-43 dated January 27, 2005 amendment of order in council 2001-523 transferring approximately 132 acres of real property located in the Woodside Industrial Park in Dartmouth, Nova Scotia to In*NOVA*corp, at $115. Approximately 125 acres of this land was undeveloped. In*NOVA*corp's intention for this undeveloped land is to develop it as a Knowledge Park creating a technology cluster. In*NOVA*corp has completed a conceptual design for the planned development. Costs incurred to date include engineering, construction and legal fees.

### 12. Employee future benefits

| | 2006 | 2005 |
|---|---|---|
| Long term service award | **$ 246,245** | $ 262,805 |
| Post retirement benefits | **441,632** | 350,367 |
| Supplementary employee retirement plan | **93,807** | 93,511 |
| | **$ 781,684** | $ 706,683 |

Employees of In*NOVA*corp are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an imputed interest charge on the average unfunded liability throughout the period, and an accrual for the awards earned by employees during the period. During the year, the services of an actuary were obtained to develop the balances.

The post retirement benefits obligation, based on actuarial assumptions and calculation, is as follows:

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 350,367** | $ 230,188 |
| Current service cost | **14,836** | 27,237 |
| Interest cost | **63,884** | 27,653 |
| Amortization of actuarial loss | **29,192** | 78,041 |
| Amortization of transitional obligation | **29,723** | 29,723 |
| Less: payments made during the year | **(46,370)** | (42,475) |
| Balance, end of year | **$ 441,632** | $ 350,367 |

### 12. Employee future benefits (continued)

The significant assumptions adopted by management in measuring the post retirement benefits obligation are as follows:

| | | |
|---|---|---|
| Discount rate | **6.05** | 5.21 |
| Assumed health care cost trend increase | **9.00 – 5.00**[1] | 11.00 |

[1] Health costs are assumed to increase at a decreasing rate, with 9.00% being assumed for 2006, with increases reducing by 1.00% each subsequent year until they stabilize at 5.00%.

In*NOVA*corp's net post retirement benefit expense for the year was $137,135 (2005 - $162,655).

### 13. Long term debt

| | 2006 | 2005 |
|---|---|---|
| Nova Scotia Business Inc. (NSBI) | **$ -** | $ 17,181 |
| Equipment lease obligations | **1,005** | 3,118 |
| Province of Nova Scotia - NSFF | **8,652,478** | 8,318,500 |
| Province of Nova Scotia – capital project | **1,679,814** | 1,761,047 |
| Province of Nova Scotia – land transfer | **401,561** | - |
| | **10,734,858** | 10,099,846 |
| Less: Current portion | **86,883** | 100,535 |
| | **$ 10,647,975** | $ 9,999,311 |

The Province of Nova Scotia advanced $8,000,000 in 2004 to the Nova Scotia First Fund, bearing interest at 3.94%. The loan plus accrued interest is repayable on March 19, 2009 unless In*NOVA*corp elects to extend the term for another five years. In the event of a term extension, interest for the next five years will be based on the prevailing market rates and the loan will mature on March 19, 2014.

The equipment lease obligations bear interest of 10.8% and 13.99% and are repayable in monthly principal instalments of $136 to January, 2007.

In 2005, the Province of Nova Scotia advanced $1,800,000 to In*NOVA*corp to fund building improvements. The loan bears interest at 5.6% and is repayable in blended quarterly payments of $44,541 to 2019.

In 2006, Nova Scotia Business Inc., a party related by virtue of common ownership, transferred land and buildings in exchange for assumption of $401,561 of debt owed to the Province of Nova Scotia, an amount equal to the net book value of the assets transferred at the time of the transfer. At present, the loan bears no interest and has no fixed repayment schedule.

Principal repayments on long term debt for the next five years are as follows:

| | |
|---|---|
| 2007 | $ 86,883 |
| 2008 | $ 90,789 |
| 2009 | $ 8,748,459 |
| 2010 | $ 101,470 |
| 2011 | $ 107,273 |

## 14. Government contributions

In*NOVA*corp receives an annual contribution from the Province of Nova Scotia as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special projects funding. Included in Contributions received – Province of Nova Scotia is $300,000 of compensatory funding related to the increased occupation at 101 Research Drive by In*NOVA*corp's major tenant at that facility for no incremental rent. This deal was part of an agreement between the Province of Nova Scotia and the tenant for the construction of new manufacturing facilities in the Woodside Industrial Park in Dartmouth, Nova Scotia. As a result of the tenant's increased occupation, In*NOVA*corp no longer occupies any of its facility at 101 Research Drive, the cost of which is included in property and equipment in these consolidated financial statements.

Funding related to the acquisition of capital assets is deferred as disclosed in Note 2(i).

| Details of funding for the year are as follows: | **2006** | 2005 |
|---|---|---|
| Contributions received - Province of Nova Scotia | **$ 2,895,000** | $ 2,220,115 |
| Contributions used to finance property and equipment | **(105,659)** | (268,543) |
| Amortization of capital contributions | **86,073** | 84,282 |
| | **(19,586)** | (184,261) |
| Net contributions – Province of Nova Scotia | **$ 2,875,414** | $ 2,035,854 |
| Contributions received – Atlantic Canada Opportunities Agency | **$ -** | $ 886,022 |
| Contributions used to finance property and equipment | **-** | (886,022) |
| Amortization of capital contributions | **59,836** | 46,458 |
| | **59,836** | (839,564) |
| Net contributions – Atlantic Canada Opportunities Agency | **$ 59,836** | $ 46,458 |
| Net government contributions | **$ 2,935,250** | $ 2,082,312 |

## 15. Capital stock and contributed surplus

| | **2006** | 2005 |
|---|---|---|
| Capital stock – authorized, issued and outstanding | | |
| 75 Class A common shares, par value $1 | **$ 75** | $ 75 |
| Principal share, par value $1 | **1** | 1 |
| | **76** | 76 |
| Contributed surplus | | |
| Nova Scotia First Fund | **11,110,791** | 11,110,791 |
| Nova Scotia Research Foundation Corporation | **7,509,888** | 7,509,888 |
| Amirix Systems Inc. (Note 10) | **490,000** | 490,000 |
| | **19,110,679** | 19,110,679 |
| | **$ 19,110,755** | $ 19,110,755 |

### 16. Unusual item

| | 2006 | 2005 |
|---|---|---|
| Gain on debt retirement – consolidation of investee | **$ 100,000** | $ - |

Effective April 1, 2005 InNOVAcorp adopted the policy of consolidating venture investments in which it has a controlling interest. As a result of consolidating 3039255 Nova Scotia Limited, an 83% subsidiary, the intercompany debt owed by it to InNOVAcorp was retired from the perspective of the consolidated entity. As a result of differences in the respective carrying values of the debt in the accounts of InNOVAcorp and 3039255 Nova Scotia Limited, a $100,000 gain on debt retirement was recorded.

### 17. Discontinued operations

| | 2006 | 2005 |
|---|---|---|
| Environmental Simulation Lab | | |
| Net (loss) earnings for the year | **$ (8,391)** | $ 66,978 |
| Loss on disposal of assets | **-** | (13,328) |
| | **(8,391)** | 53,650 |
| Nova Magnetics Limited | | |
| Net (loss) earnings for the year | **(580)** | 8,990 |
| | **$ (8,971)** | $ 62,640 |

These divisions were sold in 2001 and 2002 respectively.

The activity in Nova Magnetics Limited during the year related to sales to third parties of inventories consigned to Nova Magnetics Limited.

In fiscal 2004, the assets of Environmental Simulation Lab were reacquired by In*NOVA*corp and the agreement to resell these assets to a third party was finalized in August 2004. The activity in the Environmental Simulator Lab includes secondment of an employee to May 2005.

## 18. Supplemental cash flow information

| | 2006 | 2005 |
|---|---|---|
| Change in non-cash operating working capital: | | |
| Receivables | $ **24,029** | $ 25,381 |
| Inventories | **6,663** | 9,038 |
| Payables and accruals | **(829,250)** | 886,448 |
| Payable to Province of Nova Scotia | **525,149** | (857,634) |
| Deferred revenue, current | **94,254** | (117,349) |
| | $ **(178,155)** | $ (54,116) |

## 19. Related party transactions

| Entity | Relationship | Purchases From | Revenues Generated | Year End Receivable |
|---|---|---|---|---|
| PlantSelect Biotechnology Systems Limited | 50% investee | $ - | $ 88 | $ 398,546 |
| The Decision Point | 30% investee | - | 687 | 89,266 |
| BioScience Enterprise Centre | Managed Incubator | 6,556 | 6,040 | 115,823 |
| NSFF Investments | Investees | - | 119,991 | 186,416 |

Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost. During the year, net advances of $Nil were made to PlantSelect Biotechnology Systems Limited. The receivable is offset by an allowance for doubtful accounts of $298,844.

During the year, net re-payments of $67,383 were made from the BioScience Enterprise Centre.

The Decision Point receivable is fully offset by an allowance for doubtful accounts.

During the year, net advances of $36,671 were made to NSFF investees.

Sales to NSFF investees are at the same prices and terms as with unrelated parties.

Contributions were received from the Province of Nova Scotia as set out in Note 14.

## 20. Subsequent events

Subsequent to year end, In*NOVA*corp transferred 12 acres of land in the Woodside Industrial Park to Ocean Nutrition Canada to construct production facilities for $1. The land transferred had a cost base of approximately $150,000. As improvements to the property had been funded by government contributions which had been deferred, the net result of the transfer is a loss of $11.

Subsequent to year end, In*NOVA*corp transferred title to assets held for resale to Ocean Nutrition Canada pursuant to a Leaseholds Agreement made with that company on January 21, 2004. In*NOVA*corp will receive $400,000 in 120 monthly installments, the first 60 of which will bear no interest and the last 60 of which will bear interest at the rate of RBC Prime plus 25 basis points. The receivable is secured by a first charge on the assets located at Ocean Nutrition Canada's facilities at 101 Research Drive. It is anticipated that this transaction will be accounted for as a sale, resulting in a gain of approximately $100,000.

## 21. Commitments

In*NOVA*corp has entered into operating lease arrangements for facilities and equipment. Future minimum annual lease payments under these leases are as follows:

| | |
|---|---|
| 2007 | $ 148,943 |
| 2008 | $ 148,943 |
| 2009 | $ 141,721 |
| 2010 | $ 123,077 |
| 2011 | $ 124,285 |

## 22. Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform to the financial statement presentation adopted for the current year.

# NOVA SCOTIA LEGAL AID COMMISSION

FINANCIAL STATEMENTS
MARCH 31, 2006

# INDEX

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## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Justice

I have audited the statement of financial position of Nova Scotia Legal Aid Commission as at March 31, 2006, and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
June 13, 2006

# NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2006

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Cash | **$ 4,979,368** | $ 1,376,962 |
| Marketable securities (note 2(f)) | **2,900,000** | 5,500,000 |
| Receivables | **314,114** | 607,333 |
| Prepaid expenses | **83,164** | 57,255 |
| | **8,276,646** | 7,541,550 |
| **Due from Department of Finance (note 2(g))** | **2,172,848** | 1,917,275 |
| **Property and equipment (note 3)** | **426,326** | 290,427 |
| **Trust Fund - long service awards (note 4)** | **1,946,723** | 1,846,178 |
| | **$ 12,822,543** | $ 11,595,430 |

## LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Payables and accruals (notes 5 and 6) | **$ 3,318,797** | $ 2,520,727 |
| Deferred contribution - special cases (note 7) | **595,395** | 643,778 |
| | **3,914,192** | 3,164,505 |
| **Long term** | | |
| Long service awards (note 8) | **1,946,723** | 1,846,178 |
| Employee future benefits (notes 2(g) and 9) | **2,172,848** | 1,917,275 |
| Deferred contributions - property and equipment (note 10) | **738,747** | 455,425 |
| | **8,772,510** | 7,383,383 |

## NET ASSETS

| | 2006 | 2005 |
|---|---|---|
| Unrestricted net assets (page 4) | **2,167,565** | 2,298,032 |
| Reserve for property and equipment expenditures (page 4 and note 11) | **-** | 43,055 |
| Net assets invested in capital assets (page 4) | **271,237** | 288,955 |
| Reserve for future case completion (page 4 and note 11) | **1,611,231** | 1,582,005 |
| | **4,050,033** | 4,212,047 |
| | **$ 12,822,543** | $ 11,595,430 |

Commitment and contingencies (note 13)
See accompanying notes

**On Behalf of the Board**

**Director** **Director**

## NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Operating grants - Province of Nova Scotia | **$ 17,769,351** | $ 17,111,521 |
| Employee future benefits grant - Province of Nova Scotia | **255,573** | 229,913 |
| Interest | **231,404** | 157,999 |
| Other income | **47,391** | 28,724 |
| | **18,303,719** | 17,528,157 |
| **Expenses (page 12)** | | |
| Amortization | **139,646** | 148,169 |
| Directors' fees | **15,411** | 19,038 |
| Equipment and maintenance | **309,810** | 206,135 |
| Library | **158,321** | 152,801 |
| Memberships, meetings and conferences | **364,998** | 284,483 |
| Office disbursements | **241,168** | 232,556 |
| Private solicitors' fees (note 6) | **3,746,234** | 3,207,541 |
| Professional and other fees | **397,515** | 286,791 |
| Salaries and benefits | **11,666,777** | 10,776,918 |
| Supplies and services | **1,256,412** | 1,041,556 |
| Travel | **169,441** | 182,674 |
| | **18,465,733** | 16,538,662 |
| **Excess (deficiency) of revenue over expenses before special cases** | **(162,014)** | 989,495 |
| **Special cases (note 7)** | | |
| Contribution from the Province of Nova Scotia | **85,283** | 128,343 |
| Contributions from clients | **13,190** | 12,543 |
| | **98,473** | 140,886 |
| Expenses, special cases | **98,473** | 140,886 |
| | **-** | - |
| **Excess (deficiency) of revenue over expenses** | **$ (162,014)** | $ 989,495 |

See accompanying notes

# NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2006

| | Unrestricted Net Assets | Reserve for Equipment Expenditures | Net Assets Invested in Equipment | Reserve for Future Case Completion | **2006** **Total** | 2005 Total |
|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 2,298,032 | $ 43,055 | $ 288,955 | $ 1,582,005 | **$ 4,212,047** | $ 3,222,552 |
| Excess (deficiency) of revenue over expenses | (162,014) | - | - | - | **(162,014)** | 989,495 |
| Purchase of property and equipment | (74,633) | (43,055) | 117,688 | - | **-** | - |
| Amortization, net | 135,406 | - | (135,406) | - | **-** | - |
| Transfer to reserve for future case completion | (29,226) | - | - | 29,226 | **-** | - |
| Balance, end of year | $ 2,167,565 | $ - | $ 271,237 | $ 1,611,231 | **$ 4,050,033** | $ 4,212,047 |

See accompanying notes

## NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Operating Activities** | | |
| Excess (deficiency) of revenue over expenses | **$ (162,014)** | $ 989,495 |
| Amortization | **139,646** | 148,169 |
| Amortization of deferred contributions - capital | **(66,679)** | (78,626) |
| | **(89,047)** | 1,059,038 |
| Net change in non-cash working capital balances related to operations (note 12) | **3,616,998** | 281,758 |
| | **3,527,951** | 1,340,796 |
| **Investing Activities** | | |
| Purchase of | | |
| Furniture and equipment | **(13,465)** | (14,355) |
| Computer equipment | **(262,080)** | (172,229) |
| Deferred capital grant | **350,000** | - |
| | **74,455** | (186,584) |
| **Increase in cash during year** | **3,602,406** | 1,154,212 |
| **Cash, beginning of year** | **1,376,962** | 222,750 |
| **Cash, end of year** | **$ 4,979,368** | $ 1,376,962 |

See accompanying notes

## 1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

## 2. Accounting Policies

(a) Cash

Cash consist of cash on hand and balances with banks.

(b) Amortization

Property and equipment are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

| | |
|---|---|
| Computer equipment | 33.33% per year |
| Furniture and equipment | 20% per year |
| Leasehold improvements | Over term of lease |
| Equipment under capital lease | 33.33% per year |

(c) Financial Instruments

The Commission's financial instruments consist of cash, investments, receivables and payables. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Commission estimates that the fair value of its cash, investments, receivables and payables approximate their carrying values due to the relatively short period to maturity of these financial instruments.

(d) Use of Estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

(e) Special Cases

Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of operations.

**2. Accounting Policies (cont'd)**

(f) Marketable Securities

Investments consist of guaranteed investment certificates and are valued at cost, which approximates market value. These guaranteed investment certificates bear interest in a range of 2.6% to 2.85% (2005 - 2.1% to 2.2%) and mature between 3 and 38 days (2005 - 32 and 125 days) after year-end.

(g) Employee Future Benefits

As at March 31, 2005, the Commission retroactively adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits other than pensions which are accrued over the periods in which the employees render services in return for these benefits. These benefits are for health insurance programs. A liability for employee future benefits of $2,172,848 (2005 - $1,917,275) has been included in the financial statements. The liability as at March 31, 2006 and 2005 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's expense incurred for these future employee benefits is $274,430 (2005 - $245,515).

(h) Revenue Recognition

Operating grants and other revenue are recorded on the accrual basis.

Contributions from the Province of Nova Scotia for the acquisition of property, plant and equipment are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each equipment acquired.

**3. Property and equipment**

| | **2006** | | | 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Leasehold improvements | **$ 106,769** | **$ 88,969** | **$ 17,800** | $ 31,669 |
| Furniture and fixtures | **164,985** | **110,380** | **54,605** | 72,333 |
| Computer equipment | **928,798** | **574,877** | **353,921** | 186,425 |
| | **$ 1,200,552** | **$ 774,226** | **$ 426,326** | $ 290,427 |

### 4. Trust Fund - Long Service Awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with fifteen years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. To date, six employees have received advances with two advances outstanding at year end. Advances plus accrued interest at March 31, 2006 totaled $37,606 (2005 - $51,185).

| | **2006** | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 1,846,178** | $ 1,714,342 |
| Add: Contribution from operating funds | **86,844** | 76,915 |
| Outstanding year end contribution | **52,665** | 138,159 |
| Interest on long service award advances | **1,235** | 2,723 |
| Interest on investments | **41,839** | 30,812 |
| | **182,583** | 248,609 |
| Less: Long service awards paid to retiring employees | **81,978** | 116,713 |
| Operating charge | **60** | 60 |
| | **82,038** | 116,773 |
| Balance, end of year | **$ 1,946,723** | $ 1,846,178 |
| Consisting of: | | |
| Cash | **$ 1,856,452** | $ 56,834 |
| Investments and accrued interest on investments | **-** | 1,600,000 |
| Receivable - long service award advances and accrued interest on advances | **37,606** | 51,185 |
| Contribution due from operating funds | **52,665** | 138,159 |
| | **$ 1,946,723** | $ 1,846,178 |

### 5. Payables and Accruals

| | **2006** | 2005 |
|---|---|---|
| Supplies and services | **$ 240,311** | $ 188,344 |
| Accrued private solicitors' fees (note 6) | **2,694,209** | 2,026,705 |
| Employee salaries and benefits | **384,277** | 305,678 |
| | **$ 3,318,797** | $ 2,520,727 |

## 6. Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2006, a liability of $2,694,209 (2005 - $2,026,705) was recorded, of which $2,197,594 (2005 - $1,734,270) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

## 7. Deferred Contribution - Special Cases

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia.

## 8. Long Service Awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

In 2006, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2006, the long service award trust funds of $1,946,723 (2005 - $1,846,178) are sufficient to fund the liability.

## 9. Employee future benefits

The Commission has provided for employee future benefits other than pensions for life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations are as follows:

| | |
|---|---|
| Discount rate | 5.25% |
| Expected health care costs trend rate | 10% in 2005 decreasing down to 4% per annum in and after 2011 |
| Retirement age assumption | 59 years |
| Participation | 90% of members are assumed to participate in the retiree health and dental programs |

**10. Deferred Contributions - Property and Equipment**

Deferred contributions relates to funding received from the Province of Nova Scotia to offset costs of upgrading the Commission's computer systems. The changes in the deferred contributions balance for the period are as follows:

| | **2006** | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 455,425** | $ 534,051 |
| Less: amounts amortized to revenue | **(66,678)** | (78,626) |
| Plus: contributions received | **350,000** | - |
| Balance, end of year | **$ 738,747** | $ 455,425 |

**11. Reserves**

**Reserve for Property and Equipment Expenditures**

The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the future capital expenditures that will be required to upgrade its management information systems.

**Reserve for Future Case Completion**

The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2006.

**12. Net change in non-cash working capital balances related to operations**

| | **2006** | 2005 |
|---|---|---|
| **Increase (decrease) in cash from changes in:** | | |
| Receivables | **$ 293,219** | $ (426,313) |
| Prepaid expenses | **(25,909)** | (22,268) |
| Payables and accruals | **798,071** | 909,215 |
| Deferred contributions - special cases | **(48,383)** | (128,876) |
| Marketable securities | **2,600,000** | (50,000) |
| | **$ 3,616,998** | $ 281,758 |

### 13. Commitments and Contingencies

(a) The Commission has entered into lease agreements for ten of its offices. The remaining three offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for the next five fiscal years, not including operating costs and taxes, are as follows:

| | | |
|---|---|---|
| 2007 | $ | 768,207 |
| 2008 | $ | 744,260 |
| 2009 | $ | 661,638 |
| 2010 | $ | 609,064 |
| 2011 | $ | 467,575 |

(b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of $69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2007.

(c) The Commission has been named a defendant in two separate actions. As of the audit report date, the outcome of these claims are not determinable, and accordingly, no provision has been made for them in the financial statements.

### 14. Client Trust Funds

On March 31, 2006, $16,148 (2005 - $15,614) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

### 15. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses in the amount of $624,179 (2005 - $571,432). The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

# NOVA SCOTIA LEGAL AID COMMISSION

EXPENSES
YEAR ENDED MARCH 31, 2006

| | Budget 2006 | **Actual 2006** | Actual 2005 |
|---|---|---|---|
| Amortization | $ 116,500 | **$ 139,646** | $ 148,169 |
| Directors' fees | 45,000 | **15,411** | 19,038 |
| Equipment and maintenance | | | |
| Leasehold improvements | 31,800 | **37,602** | 14,967 |
| Office furniture and equipment | 61,000 | **133,586** | 76,393 |
| Office machine leasing | 91,400 | **83,461** | 70,875 |
| Office machine maintenance | 76,700 | **55,161** | 43,900 |
| | 260,900 | **309,810** | 206,135 |
| Library | 205,000 | **158,321** | 152,801 |
| Memberships, meetings and conferences | | | |
| Memberships and dues | 208,000 | **218,587** | 166,434 |
| Meetings and conferences | 171,500 | **146,411** | 118,049 |
| | 379,500 | **364,998** | 284,483 |
| Office disbursements | | | |
| Civil and family | 150,000 | **105,926** | 102,606 |
| Criminal | 150,000 | **123,177** | 117,032 |
| Young offender | 22,000 | **12,065** | 12,918 |
| | 322,000 | **241,168** | 232,556 |
| Private solicitors' fees | | | |
| Civil and family - conflicts | 1,721,400 | **1,892,789** | 1,693,024 |
| Criminal - choice of counsel | 338,800 | **244,769** | 105,718 |
| Criminal - conflicts | 1,301,040 | **1,379,479** | 1,232,079 |
| Young offender - choice of counsel | 104,200 | **-** | 8,677 |
| Young offender - conflicts | 230,160 | **229,197** | 168,043 |
| | 3,695,600 | **3,746,234** | 3,207,541 |
| Professional and other fees | | | |
| Professional fees | 386,900 | **397,515** | 286,791 |
| Consultant fees | 50,000 | **-** | - |
| | 436,900 | **397,515** | 286,791 |
| Salaries and benefits | 11,801,000 | **11,666,777** | 10,776,918 |
| Supplies and services | | | |
| General cleaning and office expense | 79,500 | **94,969** | 85,064 |
| Heat, light and water | 30,000 | **25,886** | 26,669 |
| Miscellaneous | - | **-** | 3,665 |
| Printing and stationery | 108,000 | **111,119** | 97,906 |
| Rent, insurance and taxes | 852,100 | **814,447** | 638,552 |
| Telephone and postage | 215,000 | **209,991** | 189,700 |
| | 1,284,600 | **1,256,412** | 1,041,556 |
| Travel | 181,100 | **169,441** | 182,674 |
| | $ 18,728,100 | **$ 18,465,733** | $ 16,538,662 |

# Nova Scotia Liquor Corporation
# Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

**To the Members of the Board of**
**Nova Scotia Liquor Corporation**

We have audited the balance sheet of the **Nova Scotia Liquor Corporation** as at March 31, 2006 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Dartmouth, Nova Scotia
June 2, 2006

Grant Thornton LLP
Chartered Accountants

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# Nova Scotia Liquor Corporation
## Statements of Earnings and Retained Earnings

| Year Ended March 31, 2006 (in thousands) | 2006 | 2005 |
|---|---|---|
| Net sales | $ 486,084 | $ 450,955 |
| Cost of goods sold | 233,008 | 216,982 |
| | 253,076 | 233,973 |
| Store operating expenses | 45,876 | 41,994 |
| | 207,200 | 191,979 |
| Depreciation | 4,554 | 3,992 |
| Supply chain expense | 4,834 | 5,161 |
| Corporate services expense | 17,428 | 13,534 |
| Other revenue | (5,741) | (4,834) |
| Other expenses | 4,909 | 4,092 |
| | 25,984 | 21,945 |
| Net earnings | $ 181,216 | $ 170,034 |
| Retained earnings, beginning of year | $ - | $ - |
| Net earnings | 181,216 | 170,034 |
| Distributions to the Province | (181,216) | (170,034) |
| Retained earnings, end of year | $ - | $ - |

See accompanying notes to the financial statements.

# Nova Scotia Liquor Corporation
# Balance Sheet

| March 31 (in thousands) | | **2006** | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash | **$** | **2,478** | $ | 9,527 |
| Receivables | | **2,480** | | 3,080 |
| Inventories | | **30,011** | | 33,338 |
| Prepaids | | **771** | | 898 |
| | | **35,740** | | 46,843 |
| Property and equipment (Note 3) | | **26,604** | | 18,666 |
| Assets under capital lease, net of accumulated depreciation of $10,719 (2005 - $10,286) | | **112** | | 545 |
| | **$** | **62,456** | $ | 66,054 |
| **Liabilities** | | | | |
| Current | | | | |
| Payables and accruals | **$** | **31,573** | $ | 26,847 |
| Payable to Minister of Finance | | **8,275** | | 16,765 |
| Current portion of obligation under capital lease | | **737** | | 642 |
| Current portion of employee future benefit obligations | | **684** | | 635 |
| | | **41,269** | | 44,889 |
| Obligations under capital lease (Note 4) | | **5,313** | | 6,051 |
| Employee future benefit obligations (Note 5) | | **15,874** | | 15,114 |
| | **$** | **62,456** | $ | 66,054 |

Commitments and contingency (Note 6)

On behalf of the Board

The Honourable Peter L. McCreath, PC, MA, FRSA
Chair, Board of Directors

Mr. James G. MacLean, B.Sc., LL.B.
Audit Committee Chair

See accompanying notes to the financial statements.

# Nova Scotia Liquor Corporation
## Statement of Cash Flows

| March 31 (in thousands) | | 2006 | | 2005 |
|---|---|---|---|---|
| Increase (decrease) in cash and cash equivalents | | | | |
| **Operating** | | | | |
| Net earnings | **$** | **181,216** | $ | 170,034 |
| Depreciation | | **4,554** | | 3,992 |
| Loss on disposal of property and equipment | | **254** | | - |
| Increase in employee future benefit obligations | | **809** | | 816 |
| | | **186,833** | | 174,842 |
| Change in non-cash operating working capital (Note 7) | | **8,780** | | (6,367) |
| | | **195,613** | | 168,475 |
| **Financing** | | | | |
| Principal payments on obligations under capital lease | | **(643)** | | (558) |
| Remittances to Minister of Finance | | **(189,700)** | | (157,200) |
| | | **(190,343)** | | (157,758) |
| **Investing** | | | | |
| Proceeds on sale of property and equipment | | **566** | | - |
| Purchase of property and equipment | | **(12,885)** | | (6,775) |
| | | **(12,319)** | | (6,775) |
| (Decrease) increase in cash and cash equivalents | | **(7,049)** | | 3,942 |
| Cash and cash equivalents, beginning of year | | **9,527** | | 5,585 |
| Cash and cash equivalents, end of year | **$** | **2,478** | $ | 9,527 |

See accompanying notes to the financial statements.

### 1. Nature of operations

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate. The Corporation is exempt from income tax under Section 149 of the Income Tax Act.

### 2. Summary of significant accounting policies

**Inventories**
Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from a bonded warehouse.

**Depreciation**
Property and equipment are recorded at cost. Depreciation is provided on the straight-line basis at the following annual rates:

| | |
|---|---|
| Furniture, fixtures, portable equipment, other equipment and capital leasehold improvements | 10% |
| Computers – stand-alone | 33% |
| Computers – integrated systems | 20% |
| Land and buildings | 4% |

In the year of addition, depreciation is charged at the full annual rate.

Land costs, which normally would not be depreciated, are depreciated due to the retention of proceeds by the Province of Nova Scotia.

Work in progress includes assets not yet being used, but already purchased. These assets are depreciated when they are available for use.

**Assets under capital lease**
Assets under capital lease are depreciated over their estimated useful lives using the straight-line method.

**Employee future benefits**
The Corporation has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

The Corporation pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. This program is funded each year by the payment of the required premiums.

March 31, 2006 (in thousands)

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

**Employee future benefits (continued)**

The Corporation accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits. The Corporation has adopted the following policies.

- The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs.
- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

**Use of estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

**Financial instruments**

The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, payable to Minister of Finance and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximate their carrying values except for the obligation under capital lease. The fair value of the obligation under capital lease was not determinable because exit costs are not known. These exit costs would be a significant component of the fair value calculation, as the implicit rate of the lease of 13.8% is in excess of the current market cost of capital for the Corporation.

## 3. Property and equipment

| | 2006 | 2005 |
|---|---|---|
| Furniture and fixtures | $ **8,743** | $ 7,891 |
| Other equipment | **8,126** | 7,192 |
| Computers | **12,713** | 10,802 |
| Land and buildings | **11,673** | 13,508 |
| Capital and leasehold improvements | **32,639** | 28,190 |
| Work in progress | **5,790** | 2,614 |
| | **79,684** | 70,197 |
| Less: accumulated depreciation | **53,080** | 51,531 |
| | $ **26,604** | $ 18,666 |

March 31, 2006 (in thousands)

### 4. Obligation under capital lease

The Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The future minimum lease payments, together with the balance of the obligation under capital lease as of March 31, 2006, are as follows:

| | |
|---|---|
| 2007 | $ 1,536 |
| 2008 | 1,536 |
| 2009 | 1,536 |
| 2010 | 1,536 |
| 2011 | 1,536 |
| 2012 | 1,152 |
| Total minimum lease payments | 8,832 |
| Less: amount representing interest | 2,782 |
| Balance of obligation | 6,050 |
| Less: current portion of obligation | 737 |
| | $ 5,313 |

Corporate services expense includes interest of $895 (2005 - $978) related to this obligation.

### 5. Employee future benefits

The Corporation has two employee future benefit plans for which it is responsible as described in Note 2.

Information about these benefit plans, in aggregate, based on the April 1, 2005 actuarial valuation extrapolated to March 31, 2006 is as follows:

| | **2006** | 2005 |
|---|---|---|
| Accrued benefit obligation: | | |
| Balance, beginning of year | **$ 16,588** | $ 15,900 |
| Current service cost | **645** | 628 |
| Interest cost | **988** | 976 |
| Benefits paid | **(834)** | (795) |
| Past service costs | **-** | 100 |
| Actuarial loss (gain) | **212** | (221) |
| Balance, end of year | **17,599** | 16,588 |
| Less: current portion | **(684)** | (635) |
| Past service costs | **(90)** | (100) |
| Unamortized net actuarial loss | **(951)** | (739) |
| Accrued benefit liability | **$ 15,874** | $ 15,114 |

March 31, 2006 (in thousands)

## 5. Employee future benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

| | **2006** | 2005 |
|---|---|---|
| Discount rate | **5.95%** | 6.05% |
| Rate of compensation increase | **2.90%** | 2.90% |

The assumed health care cost trend rate at April 1, 2006 was 9%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense was $1,636 (2005 - $1,618).

## 6. Commitments and contingency

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2007 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following schedule approximates future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2006:

| | | |
|---|---|---|
| 2007 | $ | 3,987 |
| 2008 | $ | 3,045 |
| 2009 | $ | 2,572 |
| 2010 | $ | 2,170 |
| 2011 | $ | 1,444 |

There is a legal claim outstanding for which no accrual has been made as the outcome and any resulting liability is undeterminable at this time.

## 7. Supplemental cash flow information

| | | **2006** | | 2005 |
|---|---|---|---|---|
| Change in non cash operating working capital | | | | |
| Receivables | **$** | **600** | $ | (1,460) |
| Inventory | | **3,327** | | (2,387) |
| Prepaids | | **127** | | (69) |
| Payables and accruals | | **4,726** | | (2,451) |
| | **$** | **8,780** | $ | (6,367) |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand and balances with banks | **$** | **2,478** | $ | 9,527 |
| Interest and bank charges paid | **$** | **380** | $ | 237 |

## 8. Disposals

During the fiscal year, surplus properties were disposed resulting in a net loss of $254. Included in this amount is a loss of $700 resulting from a sale of property further to an Order in Council of the Province.

## 9. Comparative figures

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

# Nova Scotia Municipal Finance Corporation
# Financial Statements
# March 31, 2006

Grant Thornton

# Contents

Grant Thornton LLP
Chartered Accountants
Management Consultants

# Auditors' Report

**To the Directors of**
**Nova Scotia Municipal Finance Corporation**

We have audited the balance sheet of the **Nova Scotia Municipal Finance Corporation** as at March 31, 2006 and the statements of revenue, expenditure and reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

April 27, 2006
Dartmouth, Nova Scotia

Grant Thornton LLP
Chartered Accountants

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# Nova Scotia Municipal Finance Corporation
## Balance Sheet

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash | $ **21,820** | $ 16,658 |
| Short term investments, at cost | | |
| (market - $5,301,366; 2005 - $4,526,403 (Note 10)) | **5,301,366** | 4,526,403 |
| Accrued interest receivable | **9,883,629** | 9,989,752 |
| HST receivable | **673** | 495 |
| Principal due within one year on loans to units | **87,451,864** | 81,038,164 |
| | **102,659,352** | 95,571,472 |
| LONG-TERM | | |
| Loans to units (Note 3) | **621,331,159** | 590,320,848 |
| Less principal included in current assets | **87,451,864** | 81,038,164 |
| | **533,879,295** | 509,282,684 |
| Investments, at amortized cost | | |
| (market - Nil; 2005 - $445,213) | **-** | 441,811 |
| | **533,879,295** | 509,724,495 |
| DEFERRED CHARGES: | | |
| Discount on debenture debt | **2,388,291** | 2,388,291 |
| Less accumulated amortization | **1,847,055** | 1,658,139 |
| | **541,236** | 730,152 |
| | $ **637,079,883** | $ 606,026,119 |
| **LIABILITIES AND EQUITY** | | |
| CURRENT | | |
| Accounts payable | $ **32,413** | $ 34,472 |
| Due to municipal units | **140,402** | 136,217 |
| Accrued interest payable | **9,851,847** | 9,956,536 |
| Principal due within one year on debentures | **87,177,723** | 80,999,289 |
| | **97,202,385** | 91,126,514 |
| Employee obligations (Note 9) | **80,520** | 74,520 |
| LONG-TERM | | |
| Debentures payable (Note 5) | **621,069,953** | 590,021,242 |
| Less principal included in current liabilities | **87,177,723** | 80,999,289 |
| | **533,892,230** | 509,021,953 |
| DEFERRED CREDITS | | |
| Discount on loans to units | **2,381,966** | 2,381,966 |
| Less accumulated amortization | **1,844,595** | 1,656,296 |
| | **537,371** | 725,670 |
| **EQUITY** | | |
| Reserve Fund | **5,367,377** | 5,077,462 |
| | $ **637,079,883** | $ 606,026,119 |

See accompanying notes to the financial statements.

On behalf of the Board

________________________ Director ________________________ Director

## Nova Scotia Municipal Finance Corporation
## Statements of Revenue, Expenditure and Reserve Fund

| March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Interest on loans to units | $ | **32,778,611** | $ | 31,346,386 |
| Amortization of discount on loans to units | | **188,299** | | 216,518 |
| Interest on short term investments | | **163,390** | | 118,262 |
| Recovery of issue costs | | **369,393** | | 1,054,247 |
| Reserve fee | | **392,170** | | 419,184 |
| | | **33,891,863** | | 33,154,597 |
| **EXPENDITURE** | | | | |
| Interest on debenture debt and short term loans | | **32,763,270** | | 31,319,288 |
| Amortization of discount on debenture debt | | **188,917** | | 217,228 |
| Debenture issue expenses | | **367,209** | | 1,056,502 |
| Administrative expenses (Note 6) | | **282,552** | | 314,294 |
| | | **33,601,948** | | 32,907,312 |
| **NET REVENUE** | | **289,915** | | 247,285 |
| **RESERVE FUND, BEGINNING OF YEAR** | | **5,077,462** | | 4,830,177 |
| **RESERVE FUND, END OF YEAR** | $ | **5,367,377** | $ | 5,077,462 |

See accompanying notes to the financial statements.

# Nova Scotia Municipal Finance Corporation
## Statement of Cash Flows

| Year Ended March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| Cash provided by (used for) | | | | |
| **Operations** | | | | |
| Net revenue | $ | **289,915** | $ | 247,285 |
| Add (deduct) non-cash items | | | | |
| Amortization of discount on loans to units | | **(188,299)** | | (216,518) |
| Amortization of discount on debenture debt | | **188,917** | | 217,228 |
| Amortization of premiums on investments | | **8,811** | | 14,603 |
| Change in non-cash working capital (Note 8) | | **3,381** | | (486) |
| Increase in accrued public service award | | **6,000** | | 9,447 |
| | | **308,725** | | 271,559 |
| **Investments** | | | | |
| Issue of loans | | **(112,048,474)** | | (167,643,898) |
| Principal received on loans to units | | **81,038,164** | | 70,303,478 |
| Principal received on maturing investments | | **433,000** | | - |
| | | **(30,577,310)** | | (97,340,420) |
| **Financing** | | | | |
| Issue of debentures | | **112,048,000** | | 167,644,219 |
| Principal payments on debenture debt | | **(80,999,290)** | | (70,256,012) |
| | | **31,048,710** | | 97,388,207 |
| **INCREASE (DECREASE) IN CASH** | | **780,125** | | 319,346 |
| **CASH, BEGINNING OF YEAR** | | **4,543,061** | | 4,223,715 |
| **CASH, END OF YEAR** | $ | **5,323,186** | $ | 4,543,061 |

Cash includes cash and short term investments as follows:

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Cash | $ | **21,820** | $ | 16,658 |
| Short term investments | | **5,301,366** | | 4,526,403 |
| | $ | **5,323,186** | $ | 4,543,061 |

See accompanying notes to the financial statements.

The Corporation was created by the Municipal Finance Corporation Act which was proclaimed on July 31, 1979. The Corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The objective of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, regional school boards, and hospitals through a central borrowing authority.

### 1. Summary of significant accounting policies

A) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.

B) The Reserve Fund was created from accumulated surpluses and interest earnings on funds which had been advanced by the Province of Nova Scotia and interest on other surplus monies. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide funds which may be required for administrative purposes and timing differences.

C) Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management does not anticipate that actual results will differ materially from those estimates.

D) The Corporation recognizes income and expenses on an accrual basis.

E) Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less.

### 2. Financial instruments

**Fair value**

The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements. As the Corporation is a special purpose entity, and there is no comparable outside market, the fair value of the loans receivable and debentures payable was not determinable.

**Interest rate risk**

The Corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As the Corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect the differences.

## 2. Financial instruments (continued)

**Credit risk**
Due to existing statutory provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

It is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from financial instruments.

## 3. Loans to units

A) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.0% to 8.0%.

B) Principal payments receivable in each of the next five years are as follows:

| | |
|---|---|
| 2007 | $ 87,451,864 |
| 2008 | $ 84,011,391 |
| 2009 | $ 69,931,914 |
| 2010 | $ 65,351,824 |
| 2011 | $ 51,823,342 |

## 4. Trust funds under administration

The Corporation has no Trust Funds under its administration for the year ended March 31, 2006.

## 5. Debentures payable

A) The debenture debt outstanding at March 31, 2006 totalling $621,069,953 (2005 - $590,021,242) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia, with the exception of Series "AT" which is a private placement.

| Series | Date Issued | Maturity Date | Interest Rate | Debt Outstanding |
|---|---|---|---|---|
| AK * | May 14/96 | 2006 | 8.000 | $ 12,675,000 |
| AL | Oct. 28/96 | 2006 | 7.500 | 5,739,000 |
| AM * | May 12/97 | 2006 to 2007 | 7.000 | 14,758,000 |
| AN * | Oct. 17/97 | 2006 to 2007 | 6.000-6.250 | 17,215,000 |
| AP * | Jan. 30/98 | 2007 to 2019 | 5.625-6.125 | 34,114,000 |
| AQ | May 15/98 | 2006 to 2008 | 5.375-5.500 | 13,299,000 |
| AR * | Dec. 1/98 | 2006 to 2008 | 5.500-5.625 | 21,584,000 |
| AS * | May 17/99 | 2006 to 2009 | 5.250-5.375 | 21,869,000 |
| AT | May 28/99 | 2006 to 2015 | 1.000 | 1,687,500 |
| AU * | Dec. 22/99 | 2006 to 2009 | 6.625-6.750 | 19,141,000 |
| AV * | June 1/00 | 2006 to 2010 | 6.75-6.875 | 12,895,000 |
| AW * | Nov. 9/00 | 2006 to 2010 | 6.125-6.375 | 13,744,000 |
| AX * | May 29/01 | 2006 to 2011 | 5.625-6.250 | 19,886,000 |
| AY * | Nov. 7/01 | 2006 to 2011 | 5.000-6.000 | 12,297,000 |
| AZ * | May 15/02 | 2006 to 2012 | 5.125-6.125 | 39,387,000 |
| BA * | Nov. 7/02 | 2006 to 2017 | 4.375-6.000 | 22,615,000 |
| BB * | Jan. 9/03 | 2006 to 2023 | 5.913 | 10,184,453 |
| BC * | May 28/03 | 2006 to 2018 | 4.125-5.750 | 41,154,000 |
| BD * | Oct. 15/03 | 2006 to 2018 | 3.500-5.375 | 18,194,000 |
| BE * | June 10/04 | 2006 to 2019 | 3.250-5.750 | 24,027,000 |
| BF * | Sept 1/04 | 2006 to 2024 | 3.525-5.940 | 104,500,000 |
| BG * | Nov 25/04 | 2006 to 2019 | 3.475-5.325 | 28,057,000 |
| BH * | June 1/05 | 2006 to 2020 | 2.970-4.880 | 53,905,000 |
| BI * | Nov 22/05 | 2006 to 2020 | 3.630-4.830 | 58,143,000 |
| | | | | **$ 621,069,953** |

* Placed directly with the Province of Nova Scotia.

Interest is payable semi-annually, except for Series "AT", which is payable annually.

B) Principal payments due in each of the next five years are as follows:

| | |
|---|---|
| 2007 | $ 87,177,723 |
| 2008 | $ 83,987,383 |
| 2009 | $ 69,924,342 |
| 2010 | $ 65,404,679 |
| 2011 | $ 51,821,477 |

## 6. Administrative expenses

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Salaries and benefits | $ 229,145 | **$ 205,159** | $ 234,803 |
| Travel | 4,500 | **4,463** | 2,829 |
| Equipment and maintenance | 5,300 | **4,116** | 5,543 |
| Printing | 3,500 | **2,716** | 2,896 |
| Postage | 1,500 | **1,655** | 1,295 |
| Telecommunications | 4,565 | **3,732** | 3,161 |
| Stationery and supplies | 3,800 | **2,459** | 1,985 |
| Professional services | 24,550 | **24,380** | 24,270 |
| Bank charges | 3,200 | **2,804** | 2,897 |
| Directors' fees and expenses | 6,500 | **5,778** | 5,083 |
| Professional development | 7,400 | **6,057** | 6,784 |
| Dues and subscriptions | 2,650 | **1,792** | 2,487 |
| Insurance | 940 | **873** | 846 |
| Other | 500 | **28** | 412 |
| Special projects | 12,000 | **11,040** | 9,933 |
| Sponsorship projects | 8,000 | **5,500** | 2,000 |
| Debenture IT system | - | **-** | 7,070 |
| | $ 318,050 | **$ 282,552** | $ 314,294 |

## 7. Income taxes

The Corporation is not subject to provincial or federal income taxes.

## 8. Change in non-cash working capital

| | **2006** | 2005 |
|---|---|---|
| Accrued interest receivable | **$ 106,123** | $ 294,875 |
| HST receivable | **(179)** | (164) |
| Accounts payable | **(2,059)** | (4,955) |
| Accrued interest payable | **(100,504)** | (290,242) |
| | **$ 3,381** | $ (486) |

## 9. Employee obligations

**Public service awards**
As at March 31, 2006, the Corporation has recorded a liability in the amount of $80,520 (2005 - $74,520) in respect of the provincial public service award for the employees of the Corporation.

**Employee future benefits / pension**
Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

## 10. Investments

The Corporation holds short term investments. The investments mature at various intervals during 2006 with interest rates ranging from 3.550% to 4.50%.

**NOVA SCOTIA PENSION AGENCY**

These financial statements are unaudited

**Unaudited**

**NOVA SCOTIA PENSION AGENCY**

**Statement of Financial Position**
**As at March 31, 2006**

**ASSETS**

| | | 2006 |
|---|---|---|
| Current | | |
| Accrued Receivables - Pension Plans | | 2,442,825 |
| Total Assets | $ | 2,442,825 |

**LIABILITIES**

| | | |
|---|---|---|
| Current | | |
| Due to Province, advances | $ | 2,442,825 |

**EQUITY**

| | | |
|---|---|---|
| Contributed Surplus . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | | - |
| Total Liabilities and Equity . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | $ | 2,442,825 |

**Unaudited**

**NOVA SCOTIA PENSION AGENCY**

**Statement of Operations**
**Two Months Ending March 31, 2006**

| | | 2006 |
|---|---|---|
| Revenue | | |
| Recoveries from Pension Plans | $ | 2,442,825 |
| Total Revenue | | 2,442,825 |
| Operating Expenses (Schedule 1) | | |
| Salaries and Benefits | | 327,582 |
| Travel | | 3,398 |
| Professional Services | | 1,925,933 |
| Supplies and Services | | 101,637 |
| Other | | 84,275 |
| Total Expenses | | 2,442,825 |
| Surplus | $ | 0 |

**Unaudited**

**NOVA SCOTIA PENSION AGENCY**

**Schedule 1**
**Operating Expenses**
**Two Months Ending March 31, 2006**

| | | **2006** |
|---|---|---|
| Civil Servants | $ | 247,122 |
| Casual Employees | | 8,680 |
| Contract Employees | | 1,468 |
| O.I.C. Appointments | | 16,853 |
| Overtime | | 2,231 |
| Fringe Benefits | | 32,761 |
| PSSP Contributions | | 18,467 |
| **Total Salaries and Benefits** | | 327,582 |
| | | |
| Airfare/Accommodation - In Province | | 1,537 |
| Airfare/Accommodation - Out of Province | | 970 |
| Kilometers Traveled | | 281 |
| Travel - In Province | | 610 |
| **Total Travel** | | 3,398 |
| | | |
| Professional Service | | 1,858,521 |
| Honoraria | | 45,565 |
| Consulting Services | | 15,747 |
| Legal Services | | 4,962 |
| Clerical Services | | 1,138 |
| **Total Professional Services** | | 1,925,933 |
| | | |
| Equipment Repairs | | 198 |
| IT Operational | | 18,023 |
| IT Software Maintenance | | 25,863 |
| IT Software Purchase | | 787 |
| Misc. Office Expense | | 1,667 |
| Photocopy Charges | | 535 |
| Postage | | 40,484 |
| Printing/Stationery | | 7,052 |
| Taxi and Messenger | | 1,503 |
| Telecommunications | | 5,525 |
| **Total Supplies and Services** | | 101,637 |
| | | |
| Equipment Leases | | 44,647 |
| Equipment Purchases | | 2,457 |
| IT Hardware | | 30 |
| Meeting Expenses | | 506 |
| Membership Dues | | 3,250 |
| Office Rentals | | 26,407 |
| Other | | 155 |
| Parking | | 115 |
| Staff Training | | 4,274 |
| Subscriptions & Periodicals | | 2,434 |
| **Total Supplies and Services** | | 84,275 |
| | | |
| **Total Operating Expenses** | $ | 2,442,825 |

Unaudited

**NOVA SCOTIA PENSION AGENCY**

**Schedule 2**
**Operating Expenses - By Function**
**Two Months Ending March 31, 2006**

| | | 2006 |
|---|---|---|
| **Plan Administration** | | |
| Salaries and Benefits | $ | 24,993 |
| Professional Services | | 118 |
| Supplies and Services | | 414 |
| Other | | 3,188 |
| | | 28,713 |
| **Investment Expenses** | | |
| Salaries and Benefits | | 91,047 |
| Travel | | 1,485 |
| Professional Services | | 1,895,451 |
| Supplies and Services | | 4,579 |
| Other | | 58,655 |
| | | 2,051,217 |
| **Pension Services** | | |
| Salaries and Benefits | | 211,542 |
| Travel | | 1,913 |
| Professional Services | | 30,364 |
| Supplies and Services | | 96,644 |
| Other | | 22,432 |
| | | 362,895 |
| **Total Operating Expenses** | $ | 2,442,825 |

Unaudited

**NOVA SCOTIA PENSION AGENCY**

**Notes to the Financial Statements**
**March 31, 2006**

**1. Description of the Agency**

The Nova Scotia Pension Agency was established on February 10, 2006 pursuant to Order in Council 2006-97. The Agency is responsible for providing pension administration and investment services as directed by the Minister of Finance as trustee for the Public Service Superannuation Plan, Teachers Pension Plan, Members Retiring Allowance Plan and Sydney Steel Superannuation Fund.

**2. Significant accounting policies**

The policies used in preparing the Agency's financial statements are in accordance with generally accepted accounting principles. Expenses and recoveries are recognized on an accrual basis.

The Agency is funded from the pension plans on a full cost recovery basis. Transactions reported for the period February 10, 2006 - March 31, 2006 are derived from the Pensions and Investments Division accounts of the Department of Finance, Province of Nova Scotia. In future, the Agency will have separate reporting.

**3. Subsequent Event**

Effective April 1, 2006, the Teachers' Pension Plan Trustee Inc. (TPPTI) replaces the Minister of Finance as a new trustee of the Teachers Pension Plan (TPP). The Agency will be responsible for providing pension administration and investment services as directed by TPPTI for the TPP, in addition to its previous mandate for services to the Minister of Finance in respect of the other plans.

*Statement of Outstanding Debt and Defeasance Assets*

# NOVA SCOTIA POWER FINANCE CORPORATION

*March 31, 2006*

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
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Halifax NS  B3J 3R7
Canada

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www.deloitte.ca

# Auditors' Report

To the Board of Directors,
Nova Scotia Power Finance Corporation

We have audited the statement of outstanding debt and defeasance assets of Nova Scotia Power Finance Corporation as at March 31, 2006 and the statement of debt cash flows and funding for the year then ended. This financial information is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, these statements present fairly, in all material respects, the outstanding debt and defeasance assets of the Corporation as at March 31, 2006 and its debt cash flows and funding for the year then ended in accordance with the basis of accounting disclosed in Note 2.

Deloitte & Touche LLP

Chartered Accountants
April 17, 2006

# NOVA SCOTIA POWER FINANCE CORPORATION
## Table of Contents
**March 31, 2006**

# NOVA SCOTIA POWER FINANCE CORPORATION
## Statement of Outstanding Debt and Defeasance Assets
**March 31, 2006**
**(in thousands of dollars)**

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **DEBT (Schedule)** | | | | |
| Par value | $ | 1,050,130 | $ | 1,062,880 |
| Adjustment to market value | | 528,381 | | 546,493 |
| | | 1,578,511 | | 1,609,373 |
| Principal and coupon payments reacquired | | (1,092,553) | | (1,090,466) |
| Accrued interest on outstanding debt | | 19,747 | | 19,788 |
| Outstanding debt at market value | $ | 505,705 | $ | 538,695 |
| **DEFEASANCE ASSETS (Note 3)** | | | | |
| Cash | $ | 9,957 | $ | 12,746 |
| Government and government guaranteed securities | | 525,891 | | 549,096 |
| Defeasance assets at market value | $ | 535,848 | $ | 561,842 |

APPROVED BY THE BOARD

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

# NOVA SCOTIA POWER FINANCE CORPORATION
## Statement of Debt Cash Flows and Funding
**Year ended March 31, 2006**
**(in thousands of dollars)**

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Debt | | | | |
| Interest payments | $ | (53,798) | $ | (54,742) |
| Principal and coupon payments reacquired | | - | | (5,996) |
| | | (53,798) | | (60,738) |
| Funding | | | | |
| Investment revenues and maturities | | 50,968 | | 57,543 |
| Sales of investments | | - | | 6,113 |
| | | 50,968 | | 63,656 |
| Effect of exchange movements on U.S. dollar cash balances | | 41 | | (342) |
| Change in cash balance for the year | | (2,789) | | 2,576 |
| Cash, beginning of year | | 12,746 | | 10,170 |
| Cash, end of year | $ | 9,957 | $ | 12,746 |

### 1. REORGANIZATION AND PRIVATIZATION

In 1992, the Province of Nova Scotia (the "Province") passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation ("NSPC"). In effecting this, pursuant to an Asset Transfer Agreement and a Debt Restructuring Agreement effective August 10, 1992, NSPC transferred all of its existing assets, liabilities and equity, except for long-term debt and related sinking funds, to Nova Scotia Power Inc. ("NSPI") in exchange for:

a. matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and

b. 20,134,666 fully paid common shares of NSPI issued to the Province, which were subsequently sold on August 12, 1992 by the Province as a secondary offering.

Subsequent to the reorganization and privatization, the former business activities of NSPC continued under NSPI. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") which continued to hold the long-term debt and sinking fund assets and the matching notes receivable and notes payable.

On reorganization, NSPI and NSPFC committed, subject to certain conditions, to effect defeasance of NSPFC debt by December 31, 1998. Defeasance required qualifying assets to be set aside to be used solely for satisfying scheduled future payments of principal and interest of the outstanding debt. Defeasance of NSPFC's debt was achieved by December 31, 1998 and the matching notes receivable and notes payable of NSPI were exchanged for the portfolio of defeasance assets. The matching notes continue to be pledged by NSPI as collateral security for a Defeasance Indemnity. NSPI is responsible for managing the portfolio of defeasance assets and is obligated to match its cash inflows with the principal and interest streams of the related defeased debt. NSPI is obligated to indemnify NSPFC against all expense, cost, damage, etc. which NSPFC may suffer or incur as a consequence of a Defeasance Portfolio Deficiency as defined in the Debt Restructuring Agreement.

### 2. BASIS OF PRESENTATION

Debt and defeasance assets are reported at estimated market values.

### 3. DEFEASANCE ASSETS

The portfolio of assets held for the payment of principal and interest amounts on the NSPFC debt are held by RBC Global Services. All assets are held in securities issued or guaranteed by the Federal or Provincial Governments.

Included in defeasance assets is $39 million denominated in U.S. dollars ($46 million Canadian).

The estimated cash inflows generated from investment income on and maturities of the assets held exceed the estimated cash outflows on debt interest and principal repayments by approximately $90,000.

## 4. GENERAL AND ADMINISTRATIVE EXPENSES

Under the terms of the privatization agreement, NSPI is responsible for the payment of all reasonable operating costs of NSPFC. During the year, $123,230 (2005 - $121,195) of such costs were paid by NSPI.

# NOVA SCOTIA POWER FINANCE CORPORATION
## Schedule of Outstanding Debt
**March 31, 2006**
**(in thousands of dollars)**

| Series | Maturity Date | Rate | Par Value | Market Value | Principal and Coupon Payments Reacquired | Accrued Interest on Outstanding Debt | Outstanding Balance at Market Value |
|---|---|---|---|---|---|---|---|
| Debentures | | | | | | | |
| AH | November 15, 2012 | 10.875% | **$ 150,000** | **$ 203,950** | **$ 106,789** | **$ 5,365** | |
| AJ | April 27, 2014 | 11.250% | **200,000** | **289,730** | **124,880** | **8,330** | |
| AK | January 10, 2020 | 10.250% | **150,000** | **230,460** | **187,593** | **3,046** | |
| AM | February 26, 2031 | 11.000% | **200,000** | **377,644** | **225,902** | **1,520** | |
| AN | April 1, 2021 (US)(1) | 9.400% | **350,130** | **476,727** | **447,389** | **1,486** | |
| | | | **$ 1,050,130** | **$ 1,578,511** | **$ (1,092,553)** | **$ 19,747** | **$ 505,705** |

(1) *Amounts payable in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements ($300,000,000 US$ converted @ 1.1671 as of March 31, 2006).*

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2006

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# FINANCIAL STATEMENTS
# MARCH 31, 2006

## CONTENTS

NOVA SCOTIA
Office of the Auditor General



**AUDITOR'S REPORT**

To the Members of the Legislative Assembly; and

To the Minister of Natural Resources

I have audited the statement of financial position of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 2006 and the statements of revenues, expenses and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
June 14, 2006

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# STATEMENT OF FINANCIAL POSITION
# AS AT MARCH 31, 2006

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Cash | $ 200 | $ 200 |
| Advance on grant payment | 65,000 | 64,981 |
| Due from processors | 11,503 | 25,099 |
| Due from Province of Nova Scotia (Note 5) | 511,895 | 559,266 |
| | $ 588,598 | $ 649,546 |

## LIABILITIES AND FUND BALANCE

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Accounts payable | $ 250 | $ 1,700 |
| Due to bargaining agents | 390 | 11,304 |
| Due to Board members | 361 | - |
| | 1,001 | 13,004 |
| **Fund Balance** | 587,597 | 636,542 |
| | $ 588,598 | $ 649,546 |

Commitments (Note 3)

The accompanying notes are an integral part of these statements

Approved on behalf of the Board:

________________________________________

Chair

________________________________________

Member

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE
# FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenues** | | | |
| Charges against suppliers (Note 1) | | $ 210,619 | $ 274,064 |
| Less: Bargaining agents funding | | 68,111 | 111,113 |
| Charges for funding of Board operations | $ 180,000 | 142,508 | 162,951 |
| Interest on fund balance | 23,000 | 24,822 | 25,237 |
| | 203,000 | 167,330 | 188,188 |
| **Expenses** | | | |
| Board member per diems | 36,000 | 23,162 | 28,349 |
| Consulting fees (Note 3) | 25,000 | 16,417 | 55,350 |
| Equipment and maintenance (Note 2) | 2,000 | 3,718 | 2,434 |
| Grants | 80,000 | 64,981 | - |
| Lease payments – equipment | 2,000 | 1,589 | 1,361 |
| Lease payments – office space | 21,500 | 20,740 | 22,858 |
| Legal fees | 4,800 | 1,200 | 1,400 |
| Other expenses | 3,700 | 750 | 3,847 |
| Salaries | 54,000 | 58,232 | 52,343 |
| Supplies and services | 9,200 | 5,127 | 8,471 |
| Travel | 32,100 | 20,359 | 26,291 |
| | 270,300 | 216,275 | 202,704 |
| **Excess (Deficiency) of revenues over expenses** | $ (67,300) | (48,945) | (14,516) |
| **Fund balance,** beginning of year | | 636,542 | 651,058 |
| **Fund balance,** end of year | | $ 587,597 | $ 636,542 |

The accompanying notes are an integral part of these statements

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# STATEMENT OF CHANGES IN FINANCIAL POSITION
# FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Cash derived from operations | | |
| Excess (Deficiency) of revenues over expenses | $ (48,945) | $ (14,516) |
| Changes in non-cash operating working capital items | | |
| Advance on grant payment | (19) | (64,981) |
| Due from processors | 13,596 | 4,783 |
| Due from Province of Nova Scotia | 47,371 | 80,250 |
| Accounts payable | (1,450) | (6,122) |
| Due to bargaining agents | (10,914) | 586 |
| Due to Board members | 361 | - |
| | 48,945 | 14,516 |
| Increase (decrease) in cash | - | - |
| **Cash,** beginning of year | 200 | 200 |
| **Cash,** end of year | $ 200 | $ 200 |

The accompanying notes are an integral part of these statements

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2006

## 1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

## 2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are used.

a) In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

b) Payments of grants are recorded as expenses by the Board when the grant recipient incurs eligible expenditures.

## 3. Commitments

The Board remits monthly payments of $1,728 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires November 30, 2009

The Board engaged a consultant to survey and report prices for standing timber sales in Nova Scotia. As of March 31, 2006, the Board has paid $65,550 to the consultant. The Board is further committed to pay $19,100 in 2006-07.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2006

**4. Pensions and Post-retirement Benefits**

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Government of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the Province.

**5. Related Party Transactions**

The Board is related to other departments, agencies, commissions and boards of the Province of Nova Scotia. Transactions with Provincial entities were entered into in the normal course of business.

All funds received by the Board are deposited into an account of the Province of Nova Scotia and all expenditures are made out of the same account. The balance of funds held by the Province on behalf of the Board are presented as a receivable in the statement of financial position.

# NOVA SCOTIA PUBLIC SERVICE
# LONG TERM DISABILITY PLAN TRUST FUND

FINANCIAL STATEMENTS
*for the year ended December 31, 2005*

LYLE TILLEY DAVIDSON
Chartered Accountants

INTERNATIONAL

## AUDITOR'S REPORT

To the Board of Trustees of the **Nova Scotia Public Service Long Term Disability Plan Trust Fund**

We have audited the statement of financial position of the **Nova Scotia Public Service Long Term Disability Plan Trust Fund** as at December 31, 2005 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at December 31, 2005 and the statement of operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Lyle Tilley Davidson

**CHARTERED ACCOUNTANTS**

Halifax, Nova Scotia

February 1, 2006

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**NOVA SCOTIA PUBLIC SERVICE**
**LONG TERM DISABILITY PLAN TRUST FUND**
STATEMENT OF FINANCIAL POSITION
*as at December 31, 2005*

| | 2005 | 2004 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 3,501,101 | $12,012,705 |
| Accounts receivable | 1,597,211 | 910,732 |
| Investments (note 3) | 48,539,803 | 29,813,797 |
| Equipment and furnishings (note 4) | 33,496 | 19,435 |
| | $ 53,671,611 | $ 42,756,669 |
| **LIABILITIES** | | |
| Accounts payable | $ 1,128,202 | $ 2,498,755 |
| Accrued liability for benefits (note 6) | 76,800,000 | 66,582,761 |
| | 77,928,202 | 69,081,516 |
| **DEFICIENCY** | | |
| **DEFICIENCY** | (24,256,591) | (26,324,847) |
| | $ 53,671,611 | $ 42,756,669 |

*Signed on behalf of the Board of Trustees*

______________________ *Chair*

______________________ *Chief Executive Officer*

# NOVA SCOTIA PUBLIC SERVICE
# LONG TERM DISABILITY PLAN TRUST FUND
## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
*for the year ended December 31, 2005*

| | 2005 | 2004 |
|---|---|---|
| **REVENUE** | | |
| Premiums (note 5) | $19,018,441 | $18,031,595 |
| EI premium rebates | 1,106,812 | 1,020,905 |
| Investment income | 4,920,730 | 2,114,121 |
| | 25,045,983 | 21,166,621 |
| **EXPENSES** | | |
| Disability claims (schedule) | 10,992,886 | 12,008,715 |
| Program Administration (schedule) | 1,081,142 | 1,140,528 |
| Office Administration (schedule) | 457,635 | 411,952 |
| Investment expenses (schedule) | 131,748 | 98,191 |
| Trustee expenses | 97,077 | 23,701 |
| | 12,760,488 | 13,683,087 |
| **EXCESS OF REVENUE OVER EXPENSES** | 12,285,495 | 7,483,534 |
| **DECREASE (INCREASE) IN ACCRUED LIABILITIES FOR BENEFITS** (note 6) | ( 10,217,239) | 1,465,619 |
| **INCREASE IN NET ASSETS** | 2,068,256 | 8,949,153 |
| **NET ASSETS (DEFICIENCY) - BEGINNING OF YEAR** | (26,324,847) | (35,274,000) |
| **NET ASSETS (DEFICIENCY) - END OF YEAR** | $ (24,256,591) | $ (26,324,847) |

**NOVA SCOTIA PUBLIC SERVICE**
**LONG TERM DISABILITY PLAN TRUST FUND**
NOTES TO FINANCIAL STATEMENTS
*for the year ended December 31, 2005*

## 1. OVERVIEW

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the trustees.

The plan was established by Order in Council dated September 26, 1985.

The trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1,1985 for employees who, at that time, met prescribed eligibility requirements.

## 2. ACCOUNTING POLICIES

### Financial instruments

Unless otherwise indicated, it is management's opinion that the fund is not exposed to significant interest, currency or credit risks arising from their various financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

### Disability claims

Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

### Investments

Marketable securities are stated at market value.

### Amortization of equipment and furnishings

The fund records amortization of the equipment and furnishings at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

**NOVA SCOTIA PUBLIC SERVICE**
**LONG TERM DISABILITY PLAN TRUST FUND**
NOTES TO FINANCIAL STATEMENTS
*for the year ended December 31, 2005*

## 3. INVESTMENTS

Investments include marketable securities, accrued interest thereon and the custodian's account balance. The investments as at December 31, 2005 are recorded at market value of $48,539,803 (cost - $44,624,965) and at December 31, 2004 were recorded at market value of $29,813,797 (cost - $28,627,620).

## 4. EQUIPMENT AND FURNISHINGS

| | 2005 | | | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net | Net |
| Computer and office equipment | $ 81,646 | $ 49,449 | $ 32,197 | $ 17,579 |
| Software | 5,642 | 4,343 | 1,299 | 1,856 |
| | $ 87,288 | $ 53,792 | $ 33,496 | $ 19,435 |

## 5. PREMIUMS

| | 2005 | 2004 |
|---|---|---|
| Atlantic Provinces Special Education Authority Centres | $ 72,017 | $ 74,792 |
| Capital District Health Authority | 3,404,664 | 3,467,779 |
| District Health Authority 3 | 154,259 | 100,456 |
| District Health Authorities 4, 5 and 6 | 168,681 | 147,366 |
| District Health Authorities 7 and 8 | 219,859 | 208,495 |
| Nova Scotia Business Inc. | 87,859 | - |
| Nova Scotia Community College | 983,977 | 910,343 |
| Nova Scotia Government Employees Union | 98,196 | 92,106 |
| Nova Scotia Legal Aid | 274,224 | 249,494 |
| Nova Scotia Utility and Review Board | 56,029 | 46,910 |
| Other | 30,937 | 40,184 |
| Province of Nova Scotia Employees | 13,428,114 | 12,637,135 |
| Universite Sainte-Anne | 39,625 | 56,535 |
| | $19,018,441 | $18,031,595 |

**NOVA SCOTIA PUBLIC SERVICE**
**LONG TERM DISABILITY PLAN TRUST FUND**
NOTES TO FINANCIAL STATEMENTS
*for the year ended December 31, 2005*

## 6. ACTUARIAL VALUATION

The last actuarial valuation was completed as at December 31, 2003, which projected the present value of the fund liabilities for reported and estimated incurred but unreported claims to be $68,048,380. The actuarial value of the fund assets as at December 31, 2003 was $32,774,380, leaving an unfunded actuarial liability of $35,274,000.

As at December 31, 2004, the accrued liability for disability benefits of $66,582,701 was based on estimates provided by the plan administrators.

As at December 31, 2005, the accrued liability for disability benefits of $76,800,000 was based on estimates provided by the plan actuaries as described below.

The actuaries have estimated the actuarial liability of the Plan as at December 31, 2005 to be $76,800,000. This estimate has been calculated based on the results of the most recent actuarial valuation performed as at December 31, 2003, projected to December 31, 2005. The projection takes into consideration expected cost of benefits for new claimants (current service cost), actual disability claim payments and interest (at the assumed discount rate) since December 31, 2003.

The actuaries note that this projection does not reflect actual Plan experience such as new claimant costs and claim closure experience since the last valuation date. While a detailed analysis has not been performed, there are indicators that Plan experience may have been more favourable than assumed. The impact of plan experience will be quantified at the time of the next valuation, December 31, 2006.

The data and actuarial basis used for the valuation as at December 31, 2003 and for purposes of the projections is the same as that used in the Actuarial Report of the Nova Scotia Public Service Long Term Disability Plan as at December 31, 2003, and is described in Sections 2.0 and 4.0 of that report. The rate used to discount liabilities is 6.64% net of investment related expenses.

## NOVA SCOTIA PUBLIC SERVICE
## LONG TERM DISABILITY PLAN TRUST FUND
SCHEDULE OF DISBURSEMENTS AND EXPENSES
*for the year ended December 31, 2005*

| | 2005 | 2004 |
|---|---|---|
| **DISABILITY CLAIMS** | | |
| Disability benefits paid | $ 11,869,771 | $13,029,374 |
| CPP recoveries | (581,058) | (709,041) |
| Subrogation recoveries | (234,216) | (244,002) |
| WCB recoveries | (61,611) | (67,616) |
| | $10,992,886 | $12,008,715 |
| **PROGRAM ADMINISTRATION** | | |
| Plan administration services | $ 611,701 | $ 665,355 |
| Rehabilitation program | 319,623 | 370,742 |
| Legal - other | 78,986 | 31,707 |
| Legal - subrogation | 45,391 | 51,640 |
| Actuarial | 25,441 | 21,084 |
| | $ 1,081,142 | $ 1,140,528 |
| **OFFICE ADMINISTRATION** | | |
| General office and administration | $ 429,983 | $ 386,697 |
| Audit and accounting | 18,311 | 18,545 |
| Amortization | 9,341 | 6,710 |
| | $ 457,635 | $ 411,952 |
| **INVESTMENT EXPENSES** | | |
| Investment manager | $ 93,850 | $ 67,746 |
| Investment custodian | 37,898 | 30,445 |
| | $ 131,748 | $ 98,191 |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA PUBLIC SERVICE
# SUPERANNUATION FUND
# CONSOLIDATED FINANCIAL STATEMENTS
# MARCH 31, 2006

NOVA SCOTIA
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**Auditor's Report**

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2006 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2006 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

JR Lapointe

Jacques Lapointe, CA CIA
Auditor General

Halifax, Nova Scotia
June 5, 2006

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND**
**CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2006**

## CONTENTS

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND**
**CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS NET OF DEFICIENCY**
**AS AT MARCH 31, 2006**

| | **2006** | **2005** |
|---|---|---|
| | (000's) | (000's) |
| **NET ASSETS AVAILABLE FOR BENEFITS** | | |
| **Assets** | | |
| Investments (Note 3) | $ 3,582,798 | $ 3,202,226 |
| Contributions receivable | | |
| Employees' | 2,294 | 3,435 |
| Employers' | 2,638 | 4,084 |
| Accrued income | 15,857 | 14,833 |
| Net investment transactions outstanding | - | 5,838 |
| Prepayment and sundry receivables | 1,934 | 473 |
| Cash | 3,549 | 2,083 |
| Total assets | 3,609,070 | 3,232,972 |
| **Liabilities** | | |
| Real estate mortgages (Note 4) | 33,851 | 17,614 |
| Accounts payable | 31,191 | 26,522 |
| Net investment transactions outstanding | 2,264 | - |
| Total liabilities | 67,306 | 44,136 |
| **Net assets available for benefits** | 3,541,764 | 3,188,836 |
| Actuarial asset value adjustment (Note 5) | 276 | 411 |
| **Actuarial value of net assets available for benefits** | $ 3,542,040 | $ 3,189,247 |
| **ACCRUED PENSION BENEFITS NET OF DEFICIENCY** | | |
| Accrued pension benefits (Note 6) | $ 3,952,745 | $ 3,721,541 |
| Deficiency (Note 6) | (410,705) | (532,294) |
| **Accrued pension benefits net of deficiency** | $ 3,542,040 | $ 3,189,247 |

Approved:

Michael G Baker

Trustee - Minister of Finance

See accompanying notes to consolidated financial statements.

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND**
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**FOR THE YEAR ENDED MARCH 31, 2006**

| | 2006 | 2005 |
|---|---|---|
| **Increase In Assets** | (000's) | (000's) |
| Investment activities (Note 3) | $ 446,244 | $ 243,207 |
| Contributions | | |
| Employers' – matched | 47,807 | 43,860 |
| Employees' – matched | 47,807 | 43,860 |
| Employees' – unmatched | 2,073 | 1,205 |
| Interest on the purchase of prior years' service | 91 | 564 |
| Transfers from other pension plans | 1,380 | 810 |
| | 99,158 | 90,299 |
| Total increase in assets | 545,402 | 333,506 |
| **Decrease In Assets** | | |
| Benefits paid | 173,445 | 164,074 |
| Operating expenses (Note 7) | 8,548 | 8,233 |
| Refund of contributions and interest and transfers to other pension plans | 10,481 | 8,139 |
| Total decrease in assets | 192,474 | 180,446 |
| **Increase in Net Assets** | 352,928 | 153,060 |
| **Net Assets Available for Benefits at Beginning of Year** | 3,188,836 | 3,035,776 |
| **Net Assets Available for Benefits at End of Year** | $ 3,541,764 | $ 3,188,836 |

See accompanying notes to consolidated financial statements

## 1. Authority and Description of Plan

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "Plan"), a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Act and Regulations.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund, which is invested in federal, provincial, municipal and corporate securities that qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 6.4% (5.4% prior to June 2004) of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 8% (7% prior to June 2004) of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
- age 50 with an age plus pensionable service factor of 80 – "Rule of 80";
- age 55 with two years of service (reduced pension);
- age 60 with two years of service;
- age 65.

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to $16.6 million for the year ended March 31, 2006 (2005 - $16.6 million).

## 2. Summary of Significant Accounting Policies

(a) Basis of Presentation:

These consolidated financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation:

The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan and its subsidiaries.

(c) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the trade dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments:

(i) Investments are reported as of trade date and are stated at market value as at year end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Money market securities, fixed income securities and equities are valued at quoted market prices.

Private equity values are estimated with appropriate valuation techniques and best estimates of managers or appraisers.

(ii) The derivative contracts held by the Fund at year-end are valued using quoted market indices. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

**2. Summary of Significant Accounting Policies (continued)**

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired in the current fiscal year, properties, including real estate mortgages, are valued annually by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

The fair value of any real estate which has been recently acquired is based on the purchase price.

(e) Investment Income/Loss:

Investment income/loss includes interest, dividends and operating income/loss from real estate, which is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments, and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-investment Assets and Liabilities:

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

(g) Contributions:

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(h) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

## 2. Summary of Significant Accounting Policies (continued)

(i) Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(j) Financial Instruments

The Fund's financial instruments include cash, contributions receivable, receivable from the Province of Nova Scotia, investments, net investment transactions outstanding, accounts payable and real estate mortgages. It is management's opinion, unless otherwise noted, that the Fund is not exposed to significant interest, currency or credit risks from its financial instruments.

The Fund's short-term financial instruments, consisting of cash, contributions receivable, receivable from the Province of Nova Scotia, net investment transactions outstanding, and accounts payable are carried at cost which, due to their short-term nature, approximates their fair value. Investments and real estate mortgages are carried at fair value as described in note 2 and are subject to interest, currency and credit risks as described in note 3.

## 3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

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## 3. Investments and Derivatives continued

(a) Market value of investments and related income before allocating the effect of derivative contracts:

| | As at March 31, 2006 Asset | % | For the Year Income (Loss)* | As at March 31, 2005 Asset | % | For the Year Income (Loss)* |
|---|---|---|---|---|---|---|
| | (000's) | | (000's) | (000's) | | (000's) |
| Money market | $ 280,322 | 7.8 | $ 9,900 | $ 385,743 | 12.1 | $ 7,726 |
| Fixed income | | | | | | |
| - Canadian | 1,012,487 | 28.3 | 55,069 | 998,597 | 31.2 | 53,127 |
| - US Funds | 32,790 | 0.9 | 698 | 32,253 | 1.0 | (1,511) |
| Equities | | | | | | |
| - Canadian | 1,035,680 | 28.9 | 240,076 | 986,797 | 30.8 | 163,797 |
| - US | 544,140 | 15.2 | 31,957 | 490,238 | 15.3 | (3,288) |
| - Other foreign | 474,085 | 13.2 | 54,472 | 199,209 | 6.2 | (5,048) |
| Real Estate | | | | | | |
| - Canadian | 138,497 | 3.9 | 7,556 | 54,530 | 1.7 | 3,598 |
| - Pooled fund | 60,997 | 1.7 | 7,774 | 53,696 | 1.7 | 4,817 |
| Derivatives | 3,800 | 0.1 | 38,708 | 1,163 | 0.0 | 19,931 |
| Other | - | - | 34 | - | - | 58 |
| | $ 3,582,798 | 100.0 | $ 446,244 | $ 3,202,226 | 100.0 | $ 243,207 |

* Includes realized gains of $184.3 million ($86.1 million - 2005) and unrealized gains of $131.4 million ($52.8 million - 2005).

(b) Derivative Contracts:

Derivatives are financial contracts, the value of which is "derived" from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

## 3. Investments and Derivatives (continued)

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and
- enters into derivatives only for the purposes of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

The following table provides details of these derivative contracts outstanding as at March 31, 2006:

| Notional Principal | Original Term | Credit Rating of Counter-party | Equity Index | BA Index | Market Value |
|---|---|---|---|---|---|
| (000's) | | | | | (000's) |
| $ 66,766 | 1.0 yr | AA(low) | S&P/TSE60 | CAD-BA-CDOR | $ 2,243 |
| 107,460 | 1.0 yr | AA(low) | S&P/TSE60 | CAD-BA-CDOR | 1,557 |
| $ 174,226 | | | | | $ 3,800 |

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

## 3. Investments and Derivatives (continued):

(c) Market value of investments and related income after allocating the effects of derivative contracts:

| | As at March 31, 2006 Asset (000's) | % | For the Year Income* (000's) | As at March 31, 2005 Asset (000's) | % | For the Year Income * (000's) |
|---|---|---|---|---|---|---|
| Money market | $ 105,745 | 3.0 | $ 5,743 | $ 230,218 | 7.2 | $ 4,197 |
| Fixed income | | | | | | |
| - Canadian | 1,012,487 | 28.3 | 55,069 | 998,597 | 31.2 | 53,642 |
| - US Funds | 32,790 | 0.9 | 698 | 32,253 | 1.0 | (1,511) |
| Equities | | | | | | |
| - Canadian | 1,214,057 | 33.8 | 282,941 | 1,143,485 | 35.7 | 186,742 |
| - US | 544,140 | 15.2 | 31,957 | 490,238 | 15.3 | (3,288) |
| - Other foreign | 474,085 | 13.2 | 54,472 | 199,209 | 6.2 | (5,048) |
| Real Estate | | | | | | |
| - Canadian | 138,497 | 3.9 | 7,556 | 54,530 | 1.7 | 3,598 |
| - Pooled fund | 60,997 | 1.7 | 7,774 | 53,696 | 1.7 | 4,817 |
| Other | - | 0.0 | 34 | - | - | 58 |
| | $ 3,582,798 | 100.0 | $ 446,244 | $ 3,202,226 | 100.0 | $ 243,207 |

* Includes realized gains of $184.3 million ($86.1 million - 2005) and unrealized gains of $131.4 million ($52.8 million - 2005).

(d) Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

## 3. Investments and Derivatives (continued):

(i) Interest rate risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

The following breakdown of fixed income securities as at March 31, 2006 is summarized in the following table:

| | March 31, 2006 | | | | | | March 31, 2005 | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Total | Average effective yield | Total | Average effective yield |
| | (000's) | (000's) | (000's) | (000's) | (000's) | % | (000's) | % |
| Money market | $ 280,322 | - | - | - | $ 280,322 | 3.8 | $ 385,743 | 2.6 |
| Bonds and debentures | 15,306 | $ 333,263 | $ 203,250 | $ 332,715 | 884,534 | 5.3 | 878,104 | 5.3 |
| Real return bonds | - | - | - | 127,953 | 127,953 | 3.1 | 120,493 | 3.0 |
| US Fixed Income | 787 | 10,558 | 18,986 | 2,459 | 32,790 | 6.5 | 32,253 | 6.7 |
| Total | $ 296,415 | $ 343,821 | $ 222,236 | $ 463,127 | $ 1,325,599 | | $ 1,416,593 | |

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

(ii) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

## 3. Investments and Derivatives (continued):

The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's currency exposure from net investment assets as at March 31, 2006 is summarized in the following table.

| | **March 31, 2006** | **March 31, 2005** |
|---|---|---|
| **Currency** | (000's) | (000's) |
| Canada | $ 2,506,128 | $ 2,477,590 |
| United States | 610,995 | 551,936 |
| Euro Zone | 136,850 | 44,977 |
| Japan | 136,475 | 56,176 |
| United Kingdom | 78,455 | 26,911 |
| Other | 96,455 | 49,503 |
| Total | $ 3,565,358 | $ 3,207,093 |

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**4. Real Estate Mortgages:**

Real estate mortgages are carried at fair value and have various terms to maturity to 2018 with each mortgage secured by a specific real property. Nominal rates range from 5.2% to 7.0%

Scheduled principal repayments in each of the next five years, beginning April 1, 2006 are as follows:

| | |
|---|---|
| 2006 | $ 5,136 |
| 2007 | 1,618 |
| 2008 | 839 |
| 2009 | 5,517 |
| 2010 | 566 |
| Thereafter | 23,450 |
| Total | $ 37,126 |

The real estate mortgage payables are valued at fair value based on prevailing interest rates.

**5. Actuarial Asset Value Adjustment:**

The actuarial asset value adjustment is comprised of the following:

| | 2006 | 2005 |
|---|---|---|
| | (000's) | (000's) |
| Service Buy-Back Receivable | $ 276 | $ 411 |

This receivable represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

## 6. Accrued Pension Benefits and Deficiency:

Actuarial valuations of the Fund are carried out annually and provide an estimate of the accrued pension benefits ("Fund liabilities") calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer Human Resource Consulting, performed a valuation as at December 31, 2005 and issued their report in June 2006. The report indicated that the Plan had an unfunded liability of $471.8 million (December 31, 2004 - $542.7 million). A projection to March 31, 2006, applying the same assumptions, indicated an unfunded liability of $410.7 million (March 31, 2005 - $532.3 million).

At March 31, 2005, an amount of $7.7 million attributable to termination benefits was included in net assets available for benefits. The amount was also included in the actuarial valuation of accrued pension benefits. Consequently, the deficiency of the Fund included the amount twice. The accrued pension benefits and deficiency at March 31, 2005 have been reclassified in the current year's statements to properly reflect this amount. The reconciliation of changes in accrued pension benefits has also been adjusted to reflect this reclassification.

The following table reflects the unfunded liability as at March 31, 2006 and as at March 31, 2005 after the reclassification.

| | **2006** | **2005** |
|---|---|---|
| | (000's) | (000's) |
| Actuarial value of assets: | $ 3,542,040 | $ 3,189,247 |
| Accrued pension benefits: | 3,952,745 | 3,721,541 |
| Unfunded liability: | ($ 410,705) | ($ 532,294) |

| **Reconciliation of changes in accrued pension benefits:** | **2006** | **2005** |
|---|---|---|
| | (000's) | (000's) |
| Accrued pension benefits at beginning of year | $ 3,721,541 | $ 3,522,000 |
| Interest on accrued pension benefits at 7.38% | 274,557 | 259,836 |
| Contributions and transfers from other pension plans | 99,158 | 90,299 |
| Current service cost in excess of contributions | 11,545 | 18,500 |
| Net impact of experience gains and losses relating to accrued pension benefits | 29,870 | 3,119 |
| Benefits paid | (173,445) | (164,074) |
| Refunds of contributions and interest and transfers to other pension plans | (10,481) | (8,139) |
| Accrued pension benefits at end of year | $ 3,952,745 | $ 3,721,541 |

**6. Accrued Pension Benefits and Deficiency (continued):**

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five year average salary at the expected date of retirement. The actuaries have used the unit credit method of determining the current cost and actuarial liability.

The major economic and demographic assumptions used in the last valuation are as follows:

| | **Valuation December 31, 2005** | **Valuation December 31, 2004** |
|---|---|---|
| Inflation | 3.0% per annum | 3.0% per annum |
| Average Salary Increase | 0.5% per annum real plus merit ranging from 0.0% to 2.5% | 0.5% per annum real plus merit ranging from 0.0% to 2.5% |
| Real Rate of Return on Investment | 4.25% per annum | 4.25% per annum |
| Average Retirement Age | 20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service | 20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service |
| Mortality | 1994 Group Annuity Mortality Table projected to 2000 using scale AA | 1994 Group Annuity Mortality Table projected to 2000 using scale AA |

## 7. Operating Expenses:

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

| | 2006 | 2005 |
|---|---|---|
| | (000's) | (000's) |
| **Plan Administration** | | |
| Professional services | $ 165 | $ 322 |
| Salaries | 805 | 799 |
| Supplies and services | 167 | 303 |
| Travel | 6 | 7 |
| Other | 90 | 108 |
| | $ 1,233 | $ 1,539 |
| **Investment Expenses** | | |
| Investment management fees | $ 6,596 | $ 6,138 |
| Professional services | 57 | 60 |
| Salaries | 471 | 376 |
| Supplies and services | 114 | 90 |
| Travel | 12 | 12 |
| Other | 65 | 18 |
| | $ 7,315 | $ 6,694 |
| **Total Operating Expenses** | $ 8,548 | $ 8,233 |

## 8. Related Party Transactions:

Investments include debentures of the Province of Nova Scotia with total market value of $14.4 million (0.4% of total assets) as at March 31, 2006 ($18.3 million (0.6% of total assets) as at March 31, 2005).

# NOVA SCOTIA TALENT TRUST
# FINANCIAL STATEMENTS
# MARCH 31, 2006

# NOVA SCOTIA TALENT TRUST
# FINANCIAL STATEMENTS
# MARCH 31, 2006

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## AUDITOR'S REPORT

To the Chairperson and Members of the
Nova Scotia Talent Trust

I have examined the consolidated balance sheet of the Nova Scotia Talent Trust as at March 31, 2006 and the consolidated statement of revenue, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenue, excess (deficiency) of revenue over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenue referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA•CIA
Auditor General

June 12, 2006
Halifax, Nova Scotia

# NOVA SCOTIA TALENT TRUST
# CONSOLIDATED BALANCE SHEET
# AS AT MARCH 31, 2006

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Cash | $ 36,909 | $ 9,566 |
| Accounts receivable | - | 1,000 |
| Investments (Note 2) | | |
| General | 18,128 | 31,511 |
| Simpson | 5,822 | 5,997 |
| | 23,950 | 37,508 |
| | $ 60,859 | $ 48,074 |
| **Total Assets** | | |

## LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Accounts payable | $ - | $ 167 |

## FUND BALANCE

| | 2006 | 2005 |
|---|---|---|
| **Fund balance** | | |
| Unappropriated (Schedule 1) | 31,100 | 6,836 |
| Appropriated (Schedule 2) | 29,759 | 41,071 |
| | 60,859 | 47,907 |
| **Total Liabilities and Fund Balance** | $ 60,859 | $ 48,074 |

Approved on Behalf of the Trust

______________________________

Chairperson

______________________________

Treasurer

# NOVA SCOTIA TALENT TRUST
# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
# FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Grant – Province of Nova Scotia | $ 50,000 | $ 50,000 |
| Fund raising (Gala) (Note 3) | - | 16,854 |
| Fund raising activities (donations) | 4,680 | 2,325 |
| Investment income | 1,468 | 866 |
| Miscellaneous | 2,620 | - |
| | 58,768 | 70,045 |
| **Expenses** | | |
| Talent trust grants | 38,900 | 47,500 |
| Special Awards | 4,800 | 4,400 |
| Fundraising (Gala) costs | - | 15,026 |
| Administration expenses (Note 4) | 2,116 | 2,494 |
| | 45,816 | 69,420 |
| **Excess (deficiency) of revenue over expenses** | 12,952 | 625 |
| **Fund balance,** beginning of period | 47,907 | 47,282 |
| **Fund balance,** end of period | $ 60,859 | $ 47,907 |

**Schedule 1**

# NOVA SCOTIA TALENT TRUST
# OPERATING FUND BALANCE SHEET
# AS AT MARCH 31, 2006

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Cash | $ 36,909 | $ 9,566 |
| Accounts receivable | - | 1,000 |
| | 36,909 | 10,566 |
| **Other** | | |
| Due from Investment Fund | 4,500 | 5,000 |
| **Total Assets** | $ 41,409 | $ 15,566 |

## LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Accounts payable | $ - | $ 167 |
| Due to Investment Fund | 10,309 | 8,563 |
| **Total Liabilities** | 10,309 | 8,730 |
| **FUND BALANCE** | | |
| Fund balance – unappropriated (Schedule 3) | 31,100 | 6,836 |
| **Total Liabilities and Fund Balance** | $ 41,409 | $ 15,566 |

**Schedule 2**

# NOVA SCOTIA TALENT TRUST
# INVESTMENT FUND BALANCE SHEET
# AS AT MARCH 31, 2006

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Investments (Note 2) | | |
| General | $ 18,128 | $ 31,511 |
| Simpson | 5,822 | 5,997 |
| | 23,950 | 37,508 |
| Due from Operating | 10,309 | 8,563 |
| **Total Assets** | $ 34,259 | $ 46,071 |

## LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Long-Term** | | |
| Due to Operating Fund | $ 4,500 | $ 5,000 |

## FUND BALANCE

| | 2006 | 2005 |
|---|---|---|
| Fund balance – appropriated (Schedule 4) | 29,759 | 41,071 |
| **Total Liabilities and Fund Balance** | $ 34,259 | $ 46,071 |

**Schedule 3**

# NOVA SCOTIA TALENT TRUST
# OPERATING FUND
# STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
# FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Grant – Province of Nova Scotia | $ 50,000 | $ 50,000 |
| Fund raising (Gala) (Note 3) | - | 16,854 |
| Donations | 4,555 | 1,460 |
| Interest income | 25 | 20 |
| Miscellaneous | 2,620 | - |
| | 57,200 | 68,334 |
| **Expenses** | | |
| Talent Trust grants | 38,900 | 47,500 |
| Special Awards | 4,800 | 4,400 |
| Fundraising (Gala costs) | - | 15,026 |
| Administration expenses (Note 4) | 2,116 | 2,494 |
| | 45,816 | 69,420 |
| **Excess (deficiency) of revenue over expenses** | 11,384 | (1,086) |
| **Fund Balance,** beginning of period | 6,836 | 7,922 |
| | 18,220 | 6,836 |
| Transfers from Investment Fund | 12,880 | - |
| **Fund Balance,** end of period | $ 31,100 | $ 6,836 |

**Schedule 4**

# NOVA SCOTIA TALENT TRUST
# INVESTMENT FUND
# STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
# FOR THE YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Donations | $ 125 | $ 865 |
| Investment income | 1,443 | 846 |
| | 1,568 | 1,711 |
| **Expenses** | - | - |
| **Excess of revenue over expenses** | 1,568 | 1,711 |
| **Fund Balance,** beginning of period | 41,071 | 39,360 |
| | 42,639 | 41,071 |
| Transfers to Operating Fund | (12,880) | - |
| **Fund Balance,** end of period | $ 29,759 | $ 41,071 |

# NOVA SCOTIA TALENT TRUST
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2006

## 1. Authority

The Nova Scotia Talent Trust was established pursuant to the provisions of the Nova Scotia Companies Act and is a registered charitable organization. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the arts.

## 2. Investments

Short-term investments are recorded at the lower of cost and market value. Investments consist of four Royal Bank Mutual Funds – 2 RBC Canadian T-Bill Funds, RBC Monthly Income Fund, and RBC Balanced Fund. The market value of these investments as of March 31, 2006 was $26,471.

## 3. Government Grants

Fund raising activities in 2005 include a $5,000 grant from the Nova Scotia Department of Tourism, Culture and Heritage.

## 4. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Nova Scotia Department of Tourism, Culture and Heritage on behalf of the Trust.

## 5. Statement of Cash Flow

A Statement of Cash Flow is not provided as disclosure in the balance sheet and statement of revenue, expenses and fund balance and supporting schedules is considered adequate.

## 6. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism, Culture and Heritage. The Department provides the Trust with grants which account for approximately 87% of its annual revenue. These grants are needed to cover the Trust’s annual talent trust grant disbursements.

## 7. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA TEACHERS' PENSION FUND
# CONSOLIDATED FINANCIAL STATEMENTS
# DECEMBER 31, 2005

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# Auditor's Report

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Teachers' Pension Fund as at December 31, 2005 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at December 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

JR Lapointe

Jacques Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
April 13, 2006

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA TEACHERS' PENSION FUND**
**CONSOLIDATED FINANCIAL STATEMENTS**
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**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA TEACHERS' PENSION FUND**
**CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS NET OF DEFICIENCY**
**AS AT DECEMBER 31, 2005**

| | **2005** | **2004** |
|---|---|---|
| **NET ASSETS AVAILABLE FOR BENEFITS** | (000's) | (000's) |
| **Assets** | | |
| Investments (Note 4) | $ 4,410,160 | $ 3,882,820 |
| Receivable from the Province of Nova Scotia (Note 1) | 21,391 | 36,461 |
| Contributions receivable | | |
| Employees' | 810 | 1,276 |
| Employers' | 4,429 | 4,196 |
| Accrued income | - | 11,583 |
| Net investment transactions outstanding | 12,932 | 1,072 |
| Prepayment and sundry receivables | 2,332 | 546 |
| Cash | 3,041 | 1,963 |
| Total assets | 4,455,095 | 3,939,917 |
| **Liabilities** | | |
| Real estate mortgages (Note 5) | 42,071 | 14,728 |
| Accounts payable | 28,581 | 24,793 |
| Total liabilities | 70,652 | 39,521 |
| **Net assets available for benefits** | $ 4,384,443 | $ 3,900,396 |
| **ACCRUED PENSION BENEFITS NET OF DEFICIENCY** | | |
| Accrued pension benefits (Note 6) | $ 4,684,101 | $ 4,774,410 |
| Deficiency (Note 6) | (299,658) | (874,014) |
| **Accrued pension benefits net of deficiency** | $ 4,384,443 | $ 3,900,396 |

Approved:

Michael G Baker

Trustee - Minister of Finance

See accompanying notes to consolidated financial statements.

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA TEACHERS' PENSION FUND
# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
# FOR THE YEAR ENDED DECEMBER 31, 2005

| | 2005 | 2004 |
|---|---|---|
| | (000's) | (000's) |
| **Increase In Assets** | | |
| Investment activities (Note 4) | $ 489,036 | $ 323,776 |
| Interest - Receivable from Province of Nova Scotia | 2,230 | 3,657 |
| | 491,266 | 327,433 |
| Contributions | | |
| Employers' – matched | 56,217 | 55,323 |
| Employees' – matched | 56,217 | 55,323 |
| Employers' – unmatched – Province (Note 3) | 144,378 | - |
| Employees' – unmatched | 2,677 | 1,898 |
| Transfers from other pension plans | 1,379 | 1,576 |
| | 260,868 | 114,120 |
| Total increase in assets | 752,134 | 441,553 |
| **Decrease In Assets** | | |
| Benefits paid | 257,160 | 238,106 |
| Operating expenses (Note 7) | 9,261 | 9,194 |
| Refund of contributions and interest and transfers to other pension plans | 1,666 | 3,082 |
| Total decrease in assets | 268,087 | 250,382 |
| **Increase in Net Assets** | 484,047 | 191,171 |
| **Net Assets Available for Benefits at Beginning of Year** | 3,900,396 | 3,709,225 |
| **Net Assets Available for Benefits at End of Year** | $ 4,384,443 | $ 3,900,396 |

See accompanying notes to consolidated financial statements.

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA TEACHERS' PENSION FUND**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**DECEMBER 31, 2005**

## 1. Authority and Description of Plan

The Teachers' Pension Fund (the "Fund") was established by the Teachers' Pension Act (the "Act"). It is the funding vehicle for the Teachers' Pension Plan (the "Plan"), a pension plan which covers public school and community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan agreements.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 9.9% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
- 35 years of service;
- age 50 with 30 years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
- age 55 with two years of service (reduced pension);
- age 60 with 10 years of service;
- age 65 with two years of service.

On July 22, 1994 the Governor in Council authorized an early retirement program (ERP) for Plan members. Each employing school board and participating employer was required to pay into the Fund an amount in respect of each eligible teacher in the employ of the school board or participating employer who retired in accordance with these regulations. At December 31, 2005 the balance outstanding was $21.4 million (December 31, 2004 - $36.1 million). Order-in Council 2002-181 dated April 26, 2002 transferred responsibility for making these payments from the school boards to the Province. A new consolidated schedule of payments was set up retroactive to January 31, 2002. The last payment under this schedule will be made on July 31, 2008.

## 2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation

The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan, and its subsidiaries.

(c) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at the year-end date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments:

(i) Investments are reported as of trade date and are stated at market value as at year end. Market value is the amount of the consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

Money market securities, fixed income securities and equities are valued at quoted market prices.

Private equity values are estimated with appropriate valuation techniques and best estimates of managers or appraisers.

## 2. Summary of Significant Accounting Policies (continued)

(ii) The derivative contracts held by the Fund at year-end are valued using quoted market indices. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired, properties are valued annually, by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

The fair value of any real estate which has been recently acquired is based on the purchase price.

(e) Investment income/loss

Investment income/loss includes interest, dividends and operating income/loss from real estate, which is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-Investment Assets and Liabilities

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

(g) Contributions

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(h) Benefits

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

## 2. Summary of Significant Accounting Policies (continued)

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(j) Financial Instruments

The Fund's financial instruments include cash, contributions receivable, receivable from the Province of Nova Scotia, investments, net investment transactions outstanding, accounts payable and real estate mortgages. It is management's opinion, unless otherwise noted, that the Fund is not exposed to significant interest, currency or credit risks from its financial instruments.

The Fund's short-term financial instruments, consisting of cash, contributions receivable, receivable from the Province of Nova Scotia, net investment transactions outstanding, and accounts payable are carried at cost which, due to their short-term nature, approximates their fair value. Investments and real estate mortgages are carried at fair value as described in notes 2 and 5 and are subject to interest, currency and credit risks as described in note 4.

## 3. Agreement to Address Unfunded Liability

The Teachers' Pension Partners Board established a committee (2003 Review Committee) to undertake a review of the Plan's financial status. As a result of this review the Province and the Nova Scotia Teachers' Union signed an agreement on June 22, 2005 which tied future indexing provisions to the funded position of the Plan as determined by its actuarial funding valuation. The Province also agreed to contribute $142 million (plus interest from April 1, 2005) to the Fund. The funds were transferred on June 24, 2005 in the amount of $144,377,581.

## 4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

| | As at December 31, 2005 | | For the Year | As at December 31, 2004 | | For the Year |
|---|---|---|---|---|---|---|
| | Assets (000's) | % | Income * (000's) | Assets (000's) | % | Income * (000's) |
| Money market | $ 639,968 | 14.5 | $ 13,097 | $ 594,905 | 15.4 | $ 9,062 |
| Fixed income Canadian | 1,288,873 | 29.2 | 90,086 | 1,142,958 | 29.4 | 92,288 |
| Fixed income US fund | 39,643 | 0.9 | (13) | 39,878 | 1.0 | (1,436) |
| Equities | | | | | | |
| Canadian | 1,336,100 | 30.3 | 296,357 | 1,170,589 | 30.2 | 183,111 |
| US | 616,475 | 14.0 | 8,150 | 584,266 | 15.0 | 8,606 |
| Other foreign | 261,086 | 5.9 | 31,392 | 233,986 | 6.0 | 2,069 |
| Real estate – Canadian | 153,629 | 3.5 | 7,104 | 53,498 | 1.4 | 2,497 |
| Real estate – Pooled fund | 62,237 | 1.4 | 7,782 | 54,947 | 1.4 | 4,104 |
| Derivatives | 12,149 | 0.3 | 35,042 | 7,793 | 0.2 | 23,379 |
| Other | - | - | 39 | - | - | 96 |
| | $4,410,160 | 100.0 | $ 489,036 | $ 3,882,820 | 100.0 | $ 323,776 |

* Includes realized gains of $179.9 million ($120.7 million – 2004) and unrealized gains of $161.4 million ($76.0 million – 2004).

## 4. Investments and Derivatives (continued)

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

Bond futures are contractual agreements to buy or sell the financial instrument at the contracted date and price. Bond futures have been used to adjust duration and risk profile during the year.

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of “A” rating, as supported by a recognized credit rating agency; and

- enters into derivatives only for the purpose of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

**4. Investments and Derivatives (continued)**

The following table provides details of the derivative money market-to-equity swap contracts outstanding as at December 31, 2005.

| Notional Principal | Original Term | Credit Rating of Counterparty | Equity Index | BA Index | Market Value |
|---|---|---|---|---|---|
| (000's) | | | | | (000's) |
| $ 25,894 | 1.0 yrs | AA(low) | S&P/TSE60 | CAD-BA-CDOR | $ 1,312 |
| 53,546 | 1.0 yrs | AA(low) | S&P/TSE60 | CAD-BA-CDOR | 1,345 |
| 115,387 | 1.0 yrs | AA(low) | S&P/TSE60 | CAD-BA-CDOR | 9,492 |
| $ 194,827 | | | | | $ 12,149 |

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

## 4. Investments and Derivatives (continued)

(c) Market value of investments and related income after allocating the effect of derivative contracts.

| | As at December 31, 2005 | | For the Year | As at December 31, 2004 | | For the Year |
|---|---|---|---|---|---|---|
| | Assets (000's) | % | Income * (000's) | Assets (000's) | % | Income * (000's) |
| Money market | $ 444,324 | 10.1 | $ 8,996 | $ 375,437 | 9.7 | $ 5,269 |
| Fixed income Canadian | 1,288,873 | 29.2 | 90,086 | 1,142,958 | 29.4 | 92,427 |
| Fixed income US fund | 39,643 | 0.9 | (13) | 39,878 | 1.0 | (1,436) |
| Equities | | | | | | |
| Canadian | 1,543,893 | 35.0 | 335,500 | 1,397,850 | 36.1 | 210,144 |
| US | 616,475 | 14.0 | 8,150 | 584,266 | 15.0 | 8,606 |
| Other foreign | 261,086 | 5.9 | 31,392 | 233,986 | 6.0 | 2,069 |
| Real estate – Canadian | 153,629 | 3.5 | 7,104 | 53,498 | 1.4 | 2,497 |
| Real estate – Pooled fund | 62,237 | 1.4 | 7,782 | 54,947 | 1.4 | 4,104 |
| Other | - | - | 39 | - | - | 96 |
| | $ 4,410,160 | 100.0 | $ 489,036 | $ 3,882,820 | 100.0 | $ 323,776 |

Includes realized gains of $179.9 million ($120.7 million – 2004) and unrealized gains of $161.4 million ($76.0 million – 2004).

(d) Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

## 4. Investments and Derivatives (Continued)

(i) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

The following summarizes the maturities of fixed income securities as at December 31, 2005:

| | 2005 | | | | | | 2004 | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Total | Average effective yield | Total | Average effective yield |
| | (000's) | (000's) | (000's) | (000's) | (000's) | % | (000's) | % |
| Money market | $ 639,968 | - | - | - | $ 639,968 | 3.5 | $ 594,905 | 2.5 |
| Bonds and debentures | 21,126 | $ 407,639 | $ 340,421 | $ 375,911 | 1,145,097 | 5.1 | 1,010,779 | 5.5 |
| Real return bonds | - | - | - | 143,776 | 143,776 | 3.1 | 132,179 | 3.3 |
| Fixed income US Fund | 951 | 10,466 | 24,698 | 3,528 | 39,643 | 6.5 | 39,878 | 5.9 |
| Total | $ 662,045 | $ 418,105 | $ 365,119 | $ 523,215 | $ 1,968,484 | | $ 1,777,741 | |

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

## 4. Investments and Derivatives (continued)

(ii) Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's currency exposure from net investment assets as at December 31, 2005 is summarized in the following table:

| **Currency** | **2005** | **2004** |
|---|---|---|
| | (000's) | (000's) |
| Canada | $ 3,462,167 | $ 3,014,069 |
| United States | 689,787 | 658,464 |
| Euro zone | 50,445 | 49,882 |
| Japan | 90,068 | 69,134 |
| United Kingdom | 31,989 | 31,816 |
| Other | 59,555 | 59,051 |
| Total | $ 4,384,011 | $ 3,882,416 |

`

## 5. Real estate mortgages

Real estate mortgages have various terms to maturity to 2018 with each mortgage secured by a specific real property. Nominal rates range from 5.2% to 7.0%.

Scheduled principal repayments in each of the next five years, beginning January 1, 2006 are as follows:

| | |
|---|---|
| 2006 | $ 939 |
| 2007 | 1,974 |
| 2008 | 1,021 |
| 2009 | 6,739 |
| 2010 | 687 |
| Thereafter | 28,748 |
| Total | $ 40,108 |

The real estate mortgage payables are valued at fair value based on prevailing interest rates.

## 6. Accrued Pension Benefits

Actuarial valuations of the Fund are required every year by the Act, and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer Human Resources Consulting, performed a valuation as at December 31, 2005 and issued their report in May 2006. The report indicated that the Plan had an unfunded liability of $299.7 million (December 31, 2004 - $874.0 million).

The following table reflects the unfunded liability as at December 31, 2005 and as at December 31, 2004.

| | **2005** (000's) | **2004** (000's) |
|---|---|---|
| Actuarial value of assets: | $ 4,384,443 | $ 3,900,396 |
| Accrued pension benefits: | 4,684,101 | 4,774,410 |
| Unfunded liability: | ($ 299,658) | ($ 874,014) |

## 6. Accrued Pension Benefits (continued)

| **Reconciliation of changes in accrued pension benefits:** | **2005** (000's) | **2004** (000's) |
|---|---|---|
| Accrued pension benefits at beginning of year | $ 4,774,410 | $ 4,591,045 |
| Interest on accrued pension benefits at 7.38% | 352,232 | 338,704 |
| Contributions and transfers from other pension plans | 116,490 | 114,120 |
| Contributions in excess of current service cost | (10,752) | (10,829) |
| Refunds of contributions and interest and transfers to other pension plans | (1,666) | (3,082) |
| Benefits paid | (257,160) | (238,106) |
| Impact of new indexing arrangement on accrued pension benefits | (291,596) | - |
| Net impact of experience gains and losses relating to accrued pension benefits | 2,143 | (17,442) |
| Accrued pension benefits at end of year | $ 4,684,101 | $ 4,774,410 |

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability.

The major economic and demographic assumptions used in the valuation are as follows:

| | **Valuation December 31, 2005** | **Valuation December 31, 2004** |
|---|---|---|
| Inflation | 3.0% per annum | 3.0% per annum |
| Average Salary Increase | 0.5% per annum real plus merit ranging from 0.0% to 2.75% | 0.5% per annum real plus merit ranging from 0.0% to 2.75% |
| Real Rate of Return on Investments | 4.25% per annum | 4.25% per annum |
| Average Retirement Age | 60% - Retire at earliest date first eligible for an unreduced pension<br>40% - Retire at the earliest of:<br>- age 65;<br>- 35 years of service; or<br>- age 60 with 10 years of service | 60% - Retire at earliest date first eligible for an unreduced pension<br>40% - Retire at the earliest of:<br>- age 65;<br>- 35 years of service; or<br>- age 60 with 10 years of service |
| Mortality | 1994 Group Annuitant Mortality Table projected to 2000 using scale AA | 1994 Group Annuitant Mortality Table projected to 2000 using scale AA |

## 6. Accrued Pension Benefits (continued)

The major actuarial assumptions and methodology used for the 2005 valuation have remained the same as those used in the 2004 valuation with one exception. As a result of the agreement between the Province of Nova Scotia and the Nova Scotia Teachers' Union signed on June 22, 2005, indexing for pensions put in pay on or after August 1, 2006, as well as those of existing pensioners who opt for the new indexing arrangement, will depend on the funding level of the plan. If the funding level is less than 90%, no indexing will be provided. At a funding level of between 90% and 100%, indexing will be granted at 50% of the increase in the CPI, at the discretion of the Board of Trustees. If the funding level is greater than 100%, indexing will be provided at 100% of the increase in the CPI, to the extent that it does not reduce the funding level to below 100%, in which case pensions will be increased by at least 50% of the increase in the CPI. Regardless of the funding level, indexing credited in July 2006 and July 2007 is guaranteed to be at least 50% of the increase in the CPI. For the purposes of the valuation, it was assumed that indexing would not be paid in years in which it is discretionary.

## 7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

| | 2005 (000's) | 2004 (000's) |
|---|---|---|
| **Plan Administration** | | |
| Professional services | $ 219 | $ 270 |
| Salaries | 819 | 768 |
| Supplies and services | 226 | 215 |
| Travel | 14 | 10 |
| Other | 84 | 97 |
| | $ 1,362 | $ 1,360 |
| **Investment Expenses** | | |
| Investment management fees | $ 7,272 | $ 7,273 |
| Professional services | 53 | 70 |
| Salaries | 440 | 359 |
| Supplies and services | 105 | 104 |
| Travel | 13 | 11 |
| Other | 16 | 17 |
| | $ 7,899 | $ 7,834 |
| Total Operating Expenses | $ 9,261 | $ 9,194 |

## 8. Related Party Transactions

Investments held in the Fund include debentures of the Province of Nova Scotia with a total market value of $21.7 million (0.5% of total assets) as at December 31, 2005 ($34.7 million (0.9% of total assets) as at December 31, 2004).

## 9. Subsequent Event

As part of the June 22, 2005 agreement between the Province and the Nova Scotia Teachers' Union (see note 3), the Province and the Union agreed to joint and equal participation in the governance of the Plan including the sharing of any actuarial surpluses or deficits between the Province and the beneficiaries of the Fund upon the transfer of the Fund to the Trustee. The Teachers' Pension Plan Trustee Inc (TPPTI) was incorporated to act as trustee of the Fund and on April 1, 2006, TPPTI became the Trustee of the Nova Scotia Teachers' Pension Fund. As a result, the guarantee referenced in note 2(a) is no longer applicable.

# Nova Scotia Utility and Review Board

# Financial Statements

March 31, 2006

# Contents

Levy
Casey
Carter
MacLean
Chartered Accountants

# AUDITORS' REPORT

**TO THE CHAIR AND MEMBERS OF**
**NOVA SCOTIA UTILITY AND REVIEW BOARD:**

We have audited the balance sheet of Nova Scotia Utility and Review Board as at March 31, 2006 and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

C. Ross Casey Inc.
Terry Carter Ltd.
Stuart S. MacLean Inc.
J.E. Melvin Inc.
Greg T. Strange Inc.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year numbers were audited by another firm of chartered accountants.

Levy Casey Carter Maclean

Halifax, Nova Scotia
May 26, 2006

**LEVY CASEY CARTER MACLEAN**
**CHARTERED ACCOUNTANTS**



58 Bedford Highway
Halifax, Nova Scotia
B3M 2J2
Phone: (902) 445-4446
Fax: (902) 443-4846

# Nova Scotia Utility and Review Board
## Statement of Operations

| Year Ended March 31 | Budget | 2006 | 2005 |
|---|---|---|---|
| **Revenue** | | | |
| Grant from the Province of Nova Scotia (Note 2) | $ 3,087,000 | $ 3,087,000 | $ 2,882,000 |
| Recoveries (Notes 2 and 9) | 172,478 | 2,179,816 | 1,864,621 |
| Assessments to utilities (Note 2) | 1,320,122 | 1,320,123 | 1,134,817 |
| Interest | 16,000 | 29,539 | 15,980 |
| | 4,595,600 | 6,616,478 | 5,897,418 |
| **Expenses** | | | |
| Salaries, wages and benefits | 3,267,196 | 3,270,537 | 3,028,427 |
| Consulting and legal fees | 145,500 | 1,916,433 | 1,479,807 |
| Rent and business taxes (Note 10) | 504,671 | 501,399 | 431,263 |
| Travel | 289,633 | 216,601 | 167,056 |
| Transcribing and printing | 38,600 | 84,053 | 76,731 |
| Equipment (Note 3) | 38,100 | 80,753 | 101,763 |
| Advertising | 30,000 | 70,077 | 44,469 |
| Office supplies and services | 53,900 | 62,567 | 53,004 |
| Depreciation | 60,000 | 62,523 | 57,325 |
| Maintenance | 23,800 | 61,095 | 19,419 |
| Sundry expenses | 17,400 | 52,442 | 36,661 |
| Staff training and development | 33,600 | 33,789 | 14,171 |
| Dues and fees | 33,100 | 30,049 | 31,146 |
| Telecommunications | 30,700 | 26,775 | 20,626 |
| Postage and couriers | 14,400 | 17,424 | 17,112 |
| Books and reports | 15,000 | 16,336 | 13,590 |
| Bad debts | - | - | 3,120 |
| | 4,595,600 | 6,502,853 | 5,595,690 |
| Operating surplus for the year | $ - | $ 113,625 | $ 301,728 |

See accompanying notes to the financial statements.

# Nova Scotia Utility and Review Board
## Statement of Accumulated Surplus
Year Ended March 31

| | 2006 | | |
|---|---|---|---|
| | **Province of Nova Scotia** | **Public Utilities** | **Total** |
| **Restricted** (Note 12) | | | |
| Balance, beginning of year | **$ 473,955** | **$ 177,650** | **$ 651,605** |
| Transferred from general | **37,614** | **6,469** | **44,083** |
| Balance, end of year | **511,569** | **184,119** | **695,688** |
| **General** | | | |
| Balance, beginning of year | **-** | **-** | **-** |
| Operating surplus | **83,139** | **30,486** | **113,625** |
| Transferred to restricted | **(37,614)** | **(6,469)** | **(44,083)** |
| Balance, end of year | **45,525** | **24,017** | **69,542** |
| **Total accumulated surplus** | **$ 557,094** | **$ 208,136** | **$ 765,230** |

| | 2005 | | |
|---|---|---|---|
| | Province of Nova Scotia | Public Utilities | Total |
| **Restricted** (Note 12) | | | |
| Balance, beginning of year | $ 257,436 | $ 92,441 | $ 349,877 |
| Transferred from general | 216,519 | 85,209 | 301,728 |
| Balance, end of year | 473,955 | 177,650 | 651,605 |
| **General** | | | |
| Balance, beginning of year | - | - | - |
| Operating surplus | 216,519 | 85,209 | 301,728 |
| Transferred to restricted | (216,519) | (85,209) | (301,728) |
| Balance, end of year | - | - | - |
| **Total accumulated surplus** | $ 473,955 | $ 177,650 | $ 651,605 |

See accompanying notes to the financial statements.

# Nova Scotia Utility and Review Board
## Balance Sheet

| March 31 | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and cash equivalents (Notes 3, 5 and 13) | **$ 1,143,316** | $ 858,266 |
| Receivables (Note 4) | **709,436** | 1,080,805 |
| Inventory | **5,742** | 7,244 |
| Prepaid expenses | **40,370** | 44,490 |
| | **1,898,864** | 1,990,805 |
| Service award advances | | 2,351 |
| Capital assets (Page 5) | **211,338** | 66,647 |
| | **$ 2,110,202** | $ 2,059,803 |
| **Liabilities** | | |
| Current | | |
| Payables and accruals | **$ 263,798** | $ 421,058 |
| Due to related parties, non-interest bearing, no set terms of repayment | **163,904** | 102,840 |
| Advances for working capital (Note 7) | **125,000** | 125,000 |
| | **552,702** | 648,898 |
| Post retirement benefits liability (Note 8) | **792,270** | 759,300 |
| | **1,344,972** | 1,408,198 |
| **Surplus** (Note 2) | | |
| Restricted (Note 12) | **695,688** | 651,605 |
| General | **69,542** | - |
| | **765,230** | 651,605 |
| | **$ 2,110,202** | $ 2,059,803 |

Commitments (Note 10)

On behalf of the Board

______________________________ Chair

See accompanying notes to the financial statements.

# Nova Scotia Utility and Review Board
# Statement of Capital Assets
Year Ended March 31, 2006

| | Cost | | | | Accumulated Depreciation | | | | **2006 Net Book Value** | 2005 Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening | Additions | Disposals | Closing | Opening | Expense | Disposals | Closing | | |
| Furniture | $ 170,909 | $ 12,605 | | $ 183,514 | $ 144,019 | $ 7,351 | | $ 151,370 | $ **32,144** | $ 26,890 |
| Computer Equipment | 169,948 | | $ 18,524 | 151,424 | 148,907 | 18,468 | $ 18,524 | 148,851 | **2,573** | 21,041 |
| Computer Software | 37,640 | 2,763 | | 40,403 | 28,715 | 9,848 | | 38,563 | **1,840** | 8,925 |
| Leaseholds | | 156,607 | | 156,607 | | 16,631 | | 16,631 | **139,976** | |
| Equipment | 78,131 | 35,239 | | 113,370 | 68,340 | 10,225 | | 78,565 | **34,805** | 9,791 |
| Total | $ 456,628 | $ 207,214 | $ 18,524 | $ 645,318 | $ 389,981 | $ 62,523 | $ 18,524 | $ 433,980 | $ **211,338** | $ 66,647 |

See accompanying notes to the financial statements.

# Nova Scotia Utility and Review Board
## Statement of Cash Flows

| Year Ended March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| Increase (decrease) in cash and cash equivalents | | | | |
| **Operating** | | | | |
| Operating surplus | **$** | **113,625** | $ | 301,728 |
| Depreciation | | **62,523** | | 57,325 |
| | | **176,148** | | 359,053 |
| Change in non-cash operating working capital (Note 11) | | **283,146** | | 175,625 |
| | | **459,294** | | 534,678 |
| **Financing** | | | | |
| Increase in post retirement benefits | | **32,970** | | 70,400 |
| **Investing** | | | | |
| Purchase of capital assets | | **(207,214)** | | (16,375) |
| Net increase in cash and cash equivalents | | **285,050** | | 588,703 |
| Cash and cash equivalents (Note 13) | | | | |
| Beginning of year | | **858,266** | | 269,563 |
| End of year | **$** | **1,143,316** | $ | 858,266 |

See accompanying notes to the financial statements.

### 1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the *Utility and Review Board Act*, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

### 2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the *Utility and Review Board Act*. Section 15 of the *Public Utilities Act* requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Regulations made pursuant to Sections 41 and 42 of the *Gas Distribution Act* and Section 44 of the *Pipeline Act* allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

### 3. Summary of significant accounting policies

**General**
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

**Cash and cash equivalents**
Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

**Short term investments**
Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

**Capital assets**
Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

| | |
|---|---|
| Furniture | 10 years |
| Computer equipment | 3 years |
| Computer software | 3 years |
| Equipment | 5 years |

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

**Use of estimates**
In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition**
Revenue is recognized on an accrual basis. Recoveries revenue is recognized as the related expenditures occur.

**Inventory**
Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

## 4. Receivables

| | 2006 | 2005 |
|---|---|---|
| Due from related parties, non-interest bearing, no set terms of repayment | **$ 88,349** | $ 60,248 |
| Trade | **621,087** | 1,020,557 |
| | **$ 709,436** | $ 1,080,805 |

## 5. Financial instruments

**Credit facility**
The Board has an authorized line of credit of $150,000, at a rate of prime plus 1%, payable monthly. As security, the Board pledges short term investments. None of the line of credit is outstanding at March 31, 2006.

**Credit risk management**
The Board is exposed to credit risk on the accounts receivable from its clients. In order to reduce its credit risk, the Board has adopted credit policies to monitor its accounts receivable.

**Fair value of financial instruments**
The Board's estimate of the fair value of cash and cash equivalents, accounts receivable, payables and accruals and due to related parties approximate their carrying value due to their short-term nature.

## 6. Pensions

**Public service superannuation fund**
Pursuant to Section 10 of the *Utility and Review Board Act*, all full time employees of the Board are entitled to receive pension benefits under the *Public Service Superannuation Act*. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses and totalled $73,832 (2005 - $65,575). The Board is not responsible for any unfunded liability.

### 7. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

| | 2006 | 2005 |
|---|---|---|
| Province of Nova Scotia | **$ 125,000** | $ 125,000 |

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the *Public Utilities Act*. The advance is non-interest bearing, with no set terms of repayment.

### 8. Post Retirement Benefits

The Board sponsors two defined benefits programs for retirement benefits, other than pensions, for substantially all of its employees. Public Service Awards are paid on similar conditions to those found in the Civil Service Act to employees retiring from service. In addition, the Board contributes 65% of the cost of medical plan premiums on behalf of retiring employees and their survivors. The Board is responsible for funding and eventual payment of these benefits. The Board may fund post retirement benefit obligations through a combination of cash, investments and other assets. The liability is fully funded as at March 31, 2006.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2005. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

Information about the post retirement obligations as at March 31, 2006 is as follows:

| | 2006 | 2005 |
|---|---|---|
| Post retirement benefits liability | | |
| Accrued benefit obligation, beginning of year | **$ 759,300** | $ 688,900 |
| Retirement benefit service cost for the year | **86,811** | 84,900 |
| Interest on accrued benefit obligation | **20,200** | 18,900 |
| Benefits payment | **(74,041)** | (33,400) |
| Accrued benefit obligation, end of year | **792,270** | 759,300 |
| Funding of post retirement benefits | | |
| Market value of assets, beginning of year | **759,300** | 688,900 |
| Contributions from the Board for the year | **86,811** | 84,900 |
| Interest paid from the Board | **20,200** | 18,900 |
| Benefits payments | **(74,041)** | (33,400) |
| Market value of assets, end of year | **792,270** | 759,300 |
| Net post retirement benefits liability, end of year | $ **-** | $ - |

| | | **2006** | | 2005 |
|---|---|---|---|---|
| Post retirement benefit expense | | | | |
| Retirement benefit service cost for the year | $ | **86,811** | **$** | 84,900 |
| Interest on accrued benefit obligation | | **20,200** | | 18,900 |
| | $ | **107,011** | **$** | 103,800 |

The retirement benefit expense is included in the Statement of Operations as a component of salaries, wages and benefits expense.

The significant assumptions adopted in measuring the Board's accrued benefit obligations are as follows:

| | |
|---|---|
| Liability discount rate | 2.50% per annum |
| Expected return on plan assets | 2.50% per annum |
| Extended health care cost increases | 9.00% for period ending April 1, 2006; decreasing at 1% per annum to an ultimate rate of 5% per annum. |
| Rate of compensation increase | 3.25 to 5.75% depending on age |

**9. Recoveries**

Consultants are engaged by the Board to provide advice related to matters such as utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved. Expenses and recoveries relating to large hearings cannot be reasonably predicted or estimated in advance. Accordingly, no provision is made for these activities in the budget figures shown in the Statement of Operations.

The Board also recovers certain transcription, copying and other expenses from various sources.

### 10. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2014. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

| | |
|---|---|
| 2007 | $ 422,802 |
| 2008 | 422,802 |
| 2009 | 422,802 |
| 2010 | 422,802 |
| 2011 | 422,802 |
| Subsequently | 1,151,040 |
| | $ 3,265,050 |

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

### 11. Supplemental cash flow information

| | **2006** | 2005 |
|---|---|---|
| Change in non-cash operating working capital | | |
| Accounts receivable | **$ 371,369** | $ 279,529 |
| Inventory | **1,502** | 3,873 |
| Prepaid expenses | **4,120** | (29,060) |
| Service award advances | **2,351** | 2,315 |
| Payables, accruals and due to related parties | **(96,196)** | (81,032) |
| | **$ 283,146** | $ 175,625 |

### 12. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

| | Province of Nova Scotia | Public Utilities | **2006 Total** | 2005 Total |
|---|---|---|---|---|
| Leasehold Improvements | $ - | $ - | **$ -** | $ 300,000 |
| Working capital | 253,199 | 96,801 | **350,000** | 88,557 |
| Tangible capital assets | 151,216 | 60,122 | **211,338** | 66,647 |
| Deferred capital expenditures | 107,154 | 27,196 | **134,350** | 196,401 |
| | $ **511,569** | $ **184,119** | **$ 695,688** | $ 651,605 |

### 13. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

| | 2006 | 2005 |
|---|---|---|
| Cash on hand and balances with banks | **$ 59,616** | $ 60,744 |
| Short-term investments | **1,083,700** | 797,522 |
| | **$ 1,143,316** | $ 858,266 |

$792,270 (2005 - $759,300) has been restricted to fund the post-retirement benefit obligation (Note 8).

### 14. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating independently from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its duties pursuant to the *Liquor Control Act, Gaming Control Act* and *Theatre and Amusements Act* are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

| | 2006 | 2005 |
|---|---|---|
| Statement of Operations: | | |
| Grant from the Province of Nova Scotia | **$ 3,087,000** | $ 2,882,000 |
| Recoveries: | | |
| Premises sublet to Province | **25,149** | 25,727 |
| Alcohol, gaming and amusements adjudicative costs | **172,642** | 138,329 |
| Office supplies expense | **9,879** | 10,373 |
| Balance Sheet: | | |
| Receivables (Note 4) | **88,349** | 60,248 |
| Due to related parties | **163,904** | 102,840 |
| Advances for working capital (Note 7) | **125,000** | 125,000 |
| Surplus | **557,094** | 473,955 |

The transactions were recorded at the exchange amount which was the agreed upon amount by the parties.

# Pictou County Health Authority
# Financial Statements
March 31, 2006

Grant Thornton

# Contents

Grant Thornton LLP
Chartered Accountants
Management Consultants

# Auditors' Report

To the Board of Directors of
**Pictou County Health Authority**

We have audited the statement of financial position of **Pictou County Health Authority** as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Pictou County Health Authority** as at March 31, 2006, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Truro, Nova Scotia
May 24, 2006

Grant Thornton LLP
Chartered Accountants

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# Pictou County Health Authority

## Statement of Financial Position

March 31, 2006

| | Operating Fund | Capital Fund | Endowment Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current | | | | | |
| Cash and cash equivalents (Note 3) | $ 51,051 | $ 54,536 | $ 680,504 | **$ 786,091** | $ 1,149,339 |
| Investments | - | - | - | **-** | 1,120,232 |
| Receivables (Note 4) | 4,631,626 | 1,926,697 | - | **6,558,323** | 3,940,057 |
| Due from other funds | 1,216,589 | - | - | **1,216,589** | 860,926 |
| Inventories | 341,929 | - | - | **341,929** | 320,249 |
| Prepaids | 275,573 | - | - | **275,573** | 284,251 |
| | 6,516,768 | 1,981,233 | 680,504 | **9,178,505** | 7,675,054 |
| Other receivables (Note 5) | 5,612,348 | - | - | **5,612,348** | 5,252,579 |
| Capital assets (Note 6) | - | 42,144,865 | - | **42,144,865** | 41,084,805 |
| | $ 12,129,116 | $ 44,126,098 | $ 680,504 | **$ 56,935,718** | $ 54,012,438 |
| **Liabilities** | | | | | |
| Current | | | | | |
| Bank overdraft | $ 631,621 | $ - | $ - | **$ 631,621** | $ - |
| Payables and accruals (Note 7) | 6,341,462 | 518,737 | - | **6,860,199** | 6,102,408 |
| Due to other funds | - | 1,215,185 | 1,404 | **1,216,589** | 860,926 |
| Deferred revenue | 1,230,296 | 459,188 | - | **1,689,484** | 2,938,874 |
| | 8,203,379 | 2,193,110 | 1,404 | **10,397,893** | 9,902,208 |
| Retirement allowances (Note 8) | 4,019,462 | - | - | **4,019,462** | 3,659,693 |
| | 12,222,841 | 2,193,110 | 1,404 | **14,417,355** | 13,561,901 |
| **Fund balances (Page 4)** | | | | | |
| Restricted | - | - | 679,100 | **679,100** | 859,648 |
| Unrestricted | (93,725) | - | - | **(93,725)** | (1,232,474) |
| Investment in capital assets | - | 41,932,988 | - | **41,932,988** | 40,823,363 |
| | (93,725) | 41,932,988 | 679,100 | **42,518,363** | 40,450,537 |
| | $ 12,129,116 | $ 44,126,098 | $ 680,504 | **$ 56,935,718** | $ 54,012,438 |

Commitments (Note 11)

On Behalf of the Board

/ for. Chairman

Chief Executive Officer

See accompanying notes to the financial statements

# Pictou County Health Authority
## Statement of Operations – Operating Fund

| Year Ended March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Nova Scotia Department of Health | $ | **52,277,057** | $ | 46,757,002 |
| Charges to M.S.I. | | **3,060,638** | | 2,869,907 |
| Department of Veterans Affairs | | **1,860,222** | | 1,750,296 |
| In-patients | | **696,522** | | 781,048 |
| Out-patients | | **416,615** | | 316,042 |
| Rental income | | **286,954** | | 289,693 |
| Early Identification and Intervention program | | **-** | | 70,416 |
| Investment income | | **52,830** | | 66,717 |
| Laboratory | | **69,471** | | 62,116 |
| Project funding | | **37,362** | | 56,234 |
| Other income | | **159,018** | | 34,269 |
| | | **58,916,689** | | 53,053,740 |
| **Expenses** | | | | |
| In-patient services | | **22,180,628** | | 20,598,178 |
| Ambulatory services | | **10,610,283** | | 9,689,539 |
| Diagnostic and therapeutic services | | **8,348,870** | | 7,611,328 |
| Support services | | **14,140,844** | | 12,482,922 |
| Community health services | | **2,542,279** | | 2,431,654 |
| Rental expenses | | **232,098** | | 237,787 |
| Research | | **30,362** | | 39,028 |
| Education and library | | **243,692** | | 189,278 |
| Increase in vacation pay accrual | | **127,653** | | 304,345 |
| Retirement allowance benefits | | **557,485** | | 705,935 |
| | | **59,014,194** | | 54,289,994 |
| Net operating position before deficit funding | | **(97,505)** | | (1,236,254) |
| Operating deficit funding received from the Department of Health | | **1,236,254** | | - |
| Excess (deficiency) of revenues over expenses | $ | **1,138,749** | $ | (1,236,254) |

See accompanying notes to the financial statements

# Pictou County Health Authority

## Statement of Changes in Fund Balances

Year Ended March 31, 2006

| | Operating Fund | Capital Fund | Endowment Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|---|
| **Restricted** | | | | | |
| Balance, beginning of year | $ - | $ - | $ 859,648 | **$ 859,648** | $ 717,984 |
| Excess of revenues over expenses | - | - | 119,452 | **119,452** | 153,561 |
| Transfer to Capital Fund | - | - | (300,000) | **(300,000)** | - |
| Transfer to unrestricted | - | - | - | **-** | (11,897) |
| Balance, end of year | $ - | $ - | $ 679,100 | **$ 679,100** | $ 859,648 |
| **Unrestricted** | | | | | |
| Balance, beginning of year | $ (1,232,474) | $ 40,823,363 | $ - | **$ 39,590,889** | $ 40,813,202 |
| Transfer from restricted | - | - | - | **-** | 11,897 |
| Transfer to Capital Fund | - | - | - | **-** | (151,006) |
| Excess (deficiency) of revenues over expenses | 1,138,749 | 1,550 | - | **1,140,299** | (1,233,238) |
| Capital asset funding | | | | | |
| Department of Health | - | 1,854,170 | - | **1,854,170** | 1,417,290 |
| Foundations | - | 996,111 | - | **996,111** | 701,989 |
| Auxiliary | - | 51,881 | - | **51,881** | 62,795 |
| Endowment | - | 300,000 | - | **300,000** | 151,006 |
| Trust | - | 505,835 | - | **505,835** | - |
| Other | - | 54,866 | - | **54,866** | 111,785 |
| Amortization | - | (2,654,788) | - | **(2,654,788)** | (2,294,532) |
| Capital debt charges | - | - | - | **-** | (299) |
| Balance, end of year | $ (93,725) | $ 41,932,988 | $ - | **$ 41,839,263** | $ 39,590,889 |

See accompanying notes to the financial statements

## Pictou County Health Authority
### Statement of Cash Flows

| Year Ended March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| Increase (decrease) in cash and cash equivalents | | | | |
| **Operations** | | | | |
| Excess (deficiency) of revenues over expenses | | | | |
| – Operating Fund | $ | 1,138,749 | $ | (1,236,254) |
| Excess of revenues over expenses - Capital Fund | | 1,550 | | 977 |
| Excess of revenues over expenses - Endowment Fund | | 119,452 | | 155,600 |
| | | 1,259,751 | | (1,079,677) |
| Change in non-cash working capital | | | | |
| Receivables | | (2,618,266) | | (997,125) |
| Inventories | | (21,680) | | (14,671) |
| Prepaids | | 8,678 | | (33,380) |
| Payables and accruals | | 757,791 | | (204) |
| Deferred revenue | | (1,249,390) | | 113,468 |
| | | (1,863,116) | | (2,011,589) |
| **Financing and investing** | | | | |
| Capital asset funding | | 3,462,863 | | 2,293,859 |
| Capital debt charges | | - | | (299) |
| Bank indebtedness | | 631,621 | | - |
| Purchase of capital assets | | (3,714,848) | | (2,445,091) |
| Repayment long term debt and obligation under capital lease | | - | | (11,897) |
| | | 379,636 | | (163,428) |
| Net decrease in cash and cash equivalents | | (1,483,480) | | (2,175,017) |
| Cash and cash equivalents, beginning of year | | 2,269,571 | | 4,444,588 |
| Cash and cash equivalents, end of year | $ | 786,091 | $ | 2,269,571 |

See accompanying notes to the financial statements

### 1. Nature of operations

Pictou County Health Authority operates health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital, and Addictions Services and also offers related community health services.

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

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

### 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

**Use of estimates**

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

**Fund accounting**

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 authority's capital assets. Endowment contributions are reported in the Endowment Fund.

**Revenue recognition**

Pictou County Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the year in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

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

### Inventories

Inventories are recorded at the lower of average cost or replacement value.

### Capital assets

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

| | |
|---|---|
| Buildings | 50 years |
| Land improvements | 20 years |
| Equipment | 5-20 years |
| Equipment under capital lease | 5-20 years |

Amortization on construction in progress is not recorded until the projects are completed.

### Compensation accruals

Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

### Retirement allowances

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

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments.

### Financial instruments

The health authority's financial instruments consist of cash, receivables, bank overdraft, payable and accruals, and deferred revenue. 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.

### 3. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $38,625 (2005 - $45,903), held in trust on behalf of three employees deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

### 4. Receivables

| | Operating Fund | Capital Fund | **Total 2006** | Total 2005 |
|---|---|---|---|---|
| Charges to M.S.I. | $ 149,962 | $ - | **$ 149,962** | $ 144,345 |
| Foundation and Auxiliary | 14,530 | 963,937 | **978,467** | 815,926 |
| Harmonized sales tax | 352,262 | 182,875 | **535,137** | 281,397 |
| Patients | 97,402 | - | **97,402** | 407,322 |
| Veterans Affairs Canada | 245,750 | - | **245,750** | 205,421 |
| Other | 613,465 | 1,895 | **615,360** | 155,700 |
| | 1,473,371 | 1,148,707 | **2,622,078** | 2,010,111 |
| Nova Scotia Department of Health | | | | |
| Construction and equipment | - | 777,990 | **777,990** | 234,512 |
| Final settlement and other | 3,158,255 | - | **3,158,255** | 1,695,434 |
| | 3,158,255 | 777,990 | **3,936,245** | 1,929,946 |
| | $ 4,631,626 | $ 1,926,697 | **$ 6,558,323** | $ 3,940,057 |

### 5. Other receivables

| | Operating Fund | **Total 2006** | Total 2005 |
|---|---|---|---|
| Nova Scotia Department of Health | | | |
| Vacation pay | $ 1,592,886 | **$ 1,592,886** | $ 1,592,886 |
| Retirement allowances | 4,019,462 | **4,019,462** | 3,659,693 |
| | $ 5,612,348 | **$ 5,612,348** | $ 5,252,579 |

### 6. Capital assets

| | Cost | Accumulated Amortization | 2006 Net Book Value | 2005 Net Book Value |
|---|---|---|---|---|
| Land | $ 32,378 | $ - | **$ 32,378** | $ 32,378 |
| Land improvements | 399,698 | 156,666 | **243,032** | 263,017 |
| Buildings | 53,057,159 | 16,598,015 | **36,459,144** | 36,120,071 |
| Equipment | 15,512,554 | 10,215,372 | **5,297,182** | 4,461,179 |
| Equipment under capital lease | 557,675 | 545,711 | **11,964** | 23,055 |
| Construction in progress | 101,165 | - | **101,165** | 185,105 |
| | $ 69,660,629 | $ 27,515,764 | **$ 42,144,865** | $ 41,084,805 |

The Aberdeen Hospital Foundation and Aberdeen Hospital Trust have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The agreements specify that equipment purchased with funds provided by the foundation or the trust shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation or trust.

### 7. Payables and accruals

| | Operating Fund | Capital Fund | Total 2006 | Total 2005 |
|---|---|---|---|---|
| Trade | $ 3,815,082 | $ 518,737 | **$ 4,333,819** | $ 3,477,336 |
| Vacation pay | 2,526,380 | - | **2,526,380** | 2,625,072 |
| | $ 6,341,462 | $ 518,737 | **$ 6,860,199** | $ 6,102,408 |

### 8. Retirement allowances

Retirement allowances paid to employees upon retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation was conducted as at December 31, 2003.

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 13 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.

### 8. Retirement allowances (continued)

Information about the retirement allowance is as follows:

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **Accrued benefit obligation** | | | | |
| Balance, beginning of year | $ | 3,659,693 | $ | 3,148,958 |
| Current service cost | | 245,500 | | 229,000 |
| Plan amendment | | - | | 211,100 |
| Interest cost | | 241,700 | | 227,900 |
| Amortization of experience gains/losses | | 65,800 | | 37,935 |
| Other adjustments | | 4,485 | | - |
| Estimated benefits paid | | (197,716) | | (195,200) |
| Balance, end of year | $ | 4,019,462 | $ | 3,659,693 |
| | | | | |
| Funded status – plan deficit | $ | (4,366,784) | $ | (4,011,500) |
| Unamortized net actuarial loss | | 347,322 | | 351,807 |
| Accrued benefit liability recognized | $ | (4,019,462) | $ | (3,659,693) |

The health authority's net expense for the retirement allowance is as follows:

| | | | | |
|---|---|---|---|---|
| Retirement allowance | $ | 557,485 | $ | 705,935 |

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2006:

| | |
|---|---|
| Discount rate | 5.95% |
| Rate of compensation increase | 3.40 – 5.90% |
| Termination rates | 1.2 – 20% |

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

### 9. 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 Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2003 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, 2003. At this time, there was an unfunded liability. The Pictou County Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The health authority's pension expense for the year amounted to $1,814,924 (2005 - $1,678,093).

### 10. 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, 2006.

### 11. Commitments

Pictou County Health Authority has entered into an agreement to lease computer equipment. Minimum annual lease payments are as follows:

| | | |
|---|---|---|
| 2007 | $ | 95,011 |
| 2008 | $ | 17,635 |
| 2009 | $ | 4,021 |

### 12. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care 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, 2006 are available from the individual financial statements of the related entities.

Financial Statements

# Provincial Drug Distribution Program

March 31, 2006

# AUDITORS' REPORT

To the Board of Directors of
**Provincial Drug Distribution Program**

We have audited the statement of financial position of the **Provincial Drug Distribution Program** (the "PDDP") as at March 31, 2006 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the PDDP as at March 31, 2006 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 18, 2006 Chartered Accountants

**Provincial Drug Distribution Program**

# STATEMENT OF FINANCIAL POSITION

As at March 31
*(in thousands)*

| | Operating Fund $ | Capital Fund $ | Total 2006 $ | Total 2005 $ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | **1,865** | **—** | **1,865** | 484 |
| Accounts receivable *[note 3]* | **7,495** | **—** | **7,495** | 8,678 |
| Due from Capital District Health Authority | **—** | **—** | **—** | 609 |
| Inventories *[note 5]* | **3,269** | **—** | **3,269** | 2,720 |
| | **12,629** | **—** | **12,629** | 12,491 |
| Capital assets *[note 6]* | **—** | **69** | **69** | 93 |
| | **12,629** | **69** | **12,698** | 12,584 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **4,678** | **—** | **4,678** | 4,753 |
| Due to Capital District Health Authority | **178** | **—** | **178** | — |
| Deferred revenue | **—** | **—** | **—** | 182 |
| Customer rebates | **198** | **—** | **198** | 37 |
| | **5,054** | **—** | **5,054** | 4,972 |
| Due to Department of Finance *[note 4]* | **7,341** | **—** | **7,341** | 7,341 |
| | **12,395** | **—** | **12,395** | 12,313 |
| **Fund Balance** | | | | |
| Operating fund | **234** | **—** | **234** | 178 |
| Net assets | **—** | **69** | **69** | 93 |
| | **12,629** | **69** | **12,698** | 12,584 |

On behalf of the Board of Directors

_______________________________ _______________________________

**Provincial Drug Distribution Program**

# STATEMENT OF FUND BALANCES

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **OPERATING FUND** | | |
| **Balance, beginning of year** | **178** | 89 |
| Net revenues over expenditures | **56** | 271 |
| Transfer from operating to capital fund | **—** | (182) |
| **Balance, end of year** | **234** | 178 |
| **INVESTMENT IN CAPITAL ASSETS** | | |
| **Capital funding, beginning of year** | **93** | 139 |
| Amortization | **(24)** | (46) |
| **Balance, end of year** | **69** | 93 |

**Provincial Drug Distribution Program**

# STATEMENT OF REVENUES AND EXPENDITURES

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Operating** | | |
| Revenues *[Schedule A]* | **71,846** | 63,592 |
| Expenditures *[Schedule B]* | **71,790** | 63,321 |
| Net revenues over expenditures | **56** | 271 |

**Provincial Drug Distribution Program**

# STATEMENT OF CASH FLOW

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net revenues over expenditures | **56** | 271 |
| Items not requiring cash | | |
| Amortization | **24** | 46 |
| Amortization of capital fund | **(24)** | (46) |
| Changes in non-cash working capital items | **1,325** | (2,999) |
| **Cash provided by (used in) operating activities** | **1,381** | (2,728) |
| **FINANCING ACTIVITIES** | | |
| Transfer of equity to capital fund | **—** | (182) |
| **Cash used in financing activities** | **—** | (182) |
| **Net increase (decrease) during the year** | **1,381** | (2,910) |
| Cash, beginning of year | **484** | 3,394 |
| **Cash, end of year** | **1,865** | 484 |

*See accompanying notes*

**Provincial Drug Distribution Program**

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 1. Nature of Organization

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

## 2. Significant Accounting Policies

The PDDP follows the deferral method of accounting for contributions. These financial statements have been prepared in accordance with generally accepted accounting principles and include the following specific accounting policies.

**Fund accounting**
The Provincial Drug Distribution Program maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of the PDDP related to the distribution of drugs.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

**Revenue recognition**
The Provincial Drug Distribution Program uses the deferral method of accounting for contributions and revenue recognition. Revenue is recognized in the period in which the related expenses are incurred.

**Operating Costs**
These financial statements do not include certain expenses which are absorbed by the Capital District Health Authority.

**Capital Assets**
Capital assets are valued at cost and are amortized on a straight-line basis over the useful life of each asset.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 2. Significant Accounting Policies (cont'd)

**Inventory**
Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

**Financial instruments**
The organization's primary financial instruments consist of current receivables and payables. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments.

## 3. Accounts Receivable

| *(in thousands)* | **2006** $ | **2005** $ |
|---|---|---|
| Customer receivables | **7,247** | 8,439 |
| Out-dated drugs receivable | **248** | 239 |
| | **7,495** | 8,678 |

## 4. Due to Department of Finance

As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year-end. Repayment terms for this liability are not specified.

## 5. Inventories

Included in inventory in the current year, is inventory at no cost held for the Department of Health.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2006

## 6. Capital Assets

| | 2006 | | 2005 | |
|---|---|---|---|---|
| *(in thousands)* | **Cost** $ | **Accumulated Depreciation** $ | Cost $ | Accumulated Depreciation $ |
| Equipment | **184** | **115** | 184 | 91 |
| Less: accumulated depreciation | **115** | | 91 | |
| | **69** | | 93 | |

## 7. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

## 8. Medbuy Rebates and Co-marketing Rebates

The Provincial Drug Distribution Program (PDDP) is a member of a national purchasing organization called Medbuy. Medbuy distributes both rebates and co-marketing monies on a quarterly basis to PDDP. The PDDP then distributes these rebates and co-marketing monies to each District Health Authority. The following shows distributions by year:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| **District Health Authority** | **Rebates** $ | **Co-Marketing** $ | **Rebates** $ | **Co-Marketing** $ |
| DHA #1 | **58** | **5** | 65 | 13 |
| DHA #2 | **71** | **7** | 82 | 15 |
| DHA #3 | **77** | **8** | 90 | 19 |
| DHA #4 | **48** | **6** | 60 | 15 |
| DHA #5 | **31** | **4** | 39 | 9 |
| DHA #6 | **44** | **6** | 60 | 13 |
| DHA #7 | **57** | **5** | 63 | 11 |
| DHA #8 | **205** | **28** | 230 | 68 |
| DHA #9 | **519** | **109** | 621 | 248 |
| IWK | **48** | **8** | 58 | 19 |
| | **1,158** | **186** | 1,368 | 430 |

# SCHEDULE OF REVENUES

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Drugs | **71,278** | 62,830 |
| Department of Health | **320** | 329 |
| Other | **248** | 433 |
| Amortization | **24** | 46 |
| | **71,870** | 63,638 |
| Less: Amortization | **24** | 46 |
| | **71,846** | 63,592 |

# SCHEDULE OF EXPENDITURES

Year ended March 31
*(in thousands)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Drugs | **70,904** | 62,519 |
| Compensation | **664** | 633 |
| Fees | **177** | 142 |
| Plant maintenance supplies | **20** | 9 |
| Other | **18** | 15 |
| Amortization | **24** | 46 |
| Travel | **7** | 3 |
| | **71,814** | 63,367 |
| Less: Amortization | **24** | 46 |
| | **71,790** | 63,321 |

Financial Statements of

# PSS INVESTMENTS I INC.

Year ended December 31, 2005

**KPMG LLP**
**Chartered Accountants**
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

# AUDITORS' REPORT

To the Shareholder of PSS Investments I Inc.

We have audited the balance sheet of PSS Investments I Inc. as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

April 1, 2006

# PSS INVESTMENTS I INC.

Balance Sheet

December 31, 2005, with comparative figures for 2004

| | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| Income-producing properties (note 3) | $ 67,631,121 | $ 19,778,471 |
| Other assets (note 4) | 13,623,268 | 2,912,426 |
| Deferred recoverable costs (note 5) | 639,006 | 8,741 |
| Prepaid expenses | 223,815 | 88,222 |
| Accounts and other receivables | 888,853 | 104,192 |
| Cash | 1,392,486 | 382,813 |
| | $ 84,398,549 | $ 23,274,865 |
| **Liabilities and Shareholder's Equity** | | |
| Mortgages payable (note 6) | $ 23,545,914 | $ 5,489,680 |
| Promissory note payable (note 7) | 7,502,057 | – |
| Intangible liabilities (note 8) | 3,010,655 | 138,837 |
| Security deposits and prepaid rent | 211,791 | 36,759 |
| Accounts payable and accrued liabilities | 894,830 | 300,690 |
| Shareholder's equity: | | |
| Share capital (note 9) | 52,729,000 | 17,913,156 |
| Deficit | (3,495,698) | (604,257) |
| | 49,233,302 | 17,308,899 |
| Subsequent event (note 7) | | |
| | $ 84,398,549 | $ 23,274,865 |

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

# PSS INVESTMENTS I INC.

Statement of Operations and Deficit

Year ended December 31, 2005, with comparative figures for 2004

| | 2005 | 2004 |
|---|---|---|
| Property revenue | $ 6,347,345 | $ 1,994,047 |
| Property operating expenses | 2,394,687 | 542,110 |
| | 3,952,658 | 1,451,937 |
| Amortization | 5,182,381 | 1,104,349 |
| Interest | 917,262 | 143,843 |
| Net income (loss) from properties | (2,146,985) | 203,745 |
| Other expenses (income): | | |
| Investment income | (11,759) | (4,360) |
| Administrative costs | 48,054 | 15,629 |
| Asset management fees (note 11) | 259,380 | 81,694 |
| Performance fees (note 11) | 28,781 | 93,523 |
| Net income (loss) | (2,471,441) | 17,259 |
| Retained earnings (deficit), beginning of year | (604,257) | 178,484 |
| Dividends paid | (420,000) | (800,000) |
| Deficit, end of year | $ (3,495,698) | $ (604,257) |

See accompanying notes to financial statements.

# PSS INVESTMENTS I INC.

Statement of Cash Flows

Year ended December 31, 2005, with comparative figures for 2004

| | 2005 | 2004 |
|---|---|---|
| Operating activities: | | |
| Net income (loss) | $ (2,471,441) | $ 17,259 |
| Adjustments for: | | |
| Amortization: | | |
| Income-producing properties | 1,084,358 | 344,224 |
| Acquired in-place leases | 4,098,023 | 760,462 |
| Above and below market in-place leases, net | (246,137) | (9,481) |
| Deferred financing fees | 1,854 | – |
| Mortgage premium | (150,487) | (28,746) |
| Straight-line rent | (105,315) | (41,971) |
| | 2,210,855 | 1,041,747 |
| Change in the following: | | |
| Deferred recoverable costs | 36,993 | (8,741) |
| Prepaid expenses | (135,593) | (88,222) |
| Accounts and other receivables | (679,346) | (61,938) |
| Security deposits and prepaid rent | 175,032 | 36,759 |
| Accounts payable and accrued liabilities | 594,140 | 275,906 |
| Cash flows from operating activities | 2,202,081 | 1,195,511 |
| | | |
| Financing activities: | | |
| Issuance of common shares | 34,815,844 | 10,315,982 |
| Dividends paid | (420,000) | (800,000) |
| Repayment of mortgages payable | (340,634) | (59,906) |
| Increase in promissory note payable | 99,557 | – |
| Cash flows from financing activities | 34,154,767 | 9,456,076 |
| | | |
| Investing activities: | | |
| Additions to income-producing properties | (269,972) | (99,236) |
| Purchase of income-producing properties net of related debt (note 3) | (35,056,981) | (10,380,432) |
| Additions to other assets | (20,222) | – |
| Cash flows used in investing activities | (35,347,175) | (10,479,668) |
| | | |
| Increase in cash | 1,009,673 | 171,919 |
| | | |
| Cash, beginning of year | 382,813 | 210,894 |
| | | |
| Cash, end of year | $ 1,392,486 | $ 382,813 |
| | | |
| Supplementary cash flow information: | | |
| Interest paid | $ 951,488 | $ 147,380 |

See accompanying notes to financial statements.

**1. Operations:**

PSS Investments I Inc. (the company) was incorporated and registered June 6, 2003 under the *Nova Scotia Companies Act* by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Public Service Superannuation Fund.

The company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the *Income Tax Act*) that is real property or an interest in real property owned by the company, another corporation, described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the *Income Tax Act*, or a pension plan registered with the Minister of National Revenue pursuant to the *Income Tax Act*; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the *Income Tax Act* that is real property or an interest in real property owned by the partnership.

The company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the *Pension Benefits Standards Act*, 1985 or a similar law of a province.

The company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

The company is under the management of GWL Realty Advisors Inc. (GWLRA), a wholly-owned subsidiary of The Great-West Life Assurance Company, by way of management agreements between GWLRA and the company.

**2. Significant accounting policies:**

(a) Income-producing properties:

Income-producing properties are carried at cost less accumulated amortization. Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period. Building improvement costs are deferred and amortized on a straight-line basis over a 10 year period. Tenant inducements include leasing commissions, tenant improvements, and legal costs incurred to negotiate and execute lease agreements and are deferred and amortized on a straight-line basis over the term of the related tenant lease.

**2. Significant accounting policies (continued):**

The company capitalizes all direct costs relating to the acquisition of properties. For properties under development, initial acquisition costs, other direct costs, property taxes, initial leasing costs, incidental operating revenues and expenses and certain indirect costs and property taxes are capitalized until the property reaches its accounting completion date. Development properties reach accounting completion at the end of the month when the earliest of the following is achieved:

(i) break even in cash flow;

(ii) 75 percent occupancy by tenants who are paying rent; and

(iii) one year after substantial completion, or in the case of properties valued at more than $10 million, up to two years after completion.

(b) Acquisition of income-producing properties:

The purchase price of income-producing properties is allocated based on estimated fair market values to land, building, tenant improvements and intangible assets including the value of above and below market leases, the in-place leases and tenant relationships, if any.

The values of tenant improvements, above and below market leases, in-place leases and tenant relationships are amortized over the term of the lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written-off.

(c) Other assets:

Other assets consist of acquired in-place leases [note 2(b)], above market in-place leases [note 2(b)] and deferred financing fees.

Deferred financing fees represent costs such as CMHC premiums, legal fees, and application fees incurred to obtain mortgage financing and are amortized over the life of the applicable mortgage.

(d) Deferred recoverable costs:

Deferred recoverable costs consist of capital expenditures which are recoverable from tenants, are recorded at cost and amortized on a straight-line basis ranging up to a ten year period.

**2. Significant accounting policies (continued):**

(e) Long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicates that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

(f) Asset retirement obligation:

The fair value of a future asset retirement obligation is recognized as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets is incurred that results from the acquisition, construction, development, and/or normal use of the assets. The company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation, if any, is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

(g) Revenue recognition:

Property revenue includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expense are recognized in revenue in the period in which applicable expenses are incurred.

(h) Co-ownership interest:

The company records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the company has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

**2. Significant accounting policies (continued):**

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**3. Income-producing properties:**

The carrying value of the income-producing properties is comprised of:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | $ 12,018,475 | $ – | $ 12,018,475 | $ 3,101,203 |
| Building and building improvements | 54,784,326 | 1,235,272 | 53,549,054 | 16,258,127 |
| Tenant improvements | 2,253,873 | 256,888 | 1,996,985 | 419,141 |
| Tenant inducements | 68,515 | 1,908 | 66,607 | – |
| | $ 69,125,189 | $ 1,494,068 | $ 67,631,121 | $ 19,778,471 |

The income-producing properties balance represents two 45 percent co-ownerships, one 15 percent co-ownership, and one 11.25 percent co-ownership entered into during 2005, as well as three 45 percent co-ownerships entered into during 2004 and one 22.5 percent co-ownership entered into during 2003.

## 3. Income-producing properties (continued):

The net assets acquired during the year were as follows:

| | 2005 | 2004 |
|---|---|---|
| Land | $ 8,917,272 | $ 1,767,375 |
| Buildings | 38,010,687 | 10,199,867 |
| Tenant improvements | 1,786,920 | 466,952 |
| Acquired in-place leases | 14,520,759 | 3,494,984 |
| Above market in-place leases | 387,286 | 205,038 |
| Below market in-place leases | (3,235,503) | (175,452) |
| | 60,387,421 | 15,958,764 |
| Deferred recoverable costs acquired on acquisitions | 667,258 | – |
| | 61,054,679 | 15,958,764 |
| Less: | | |
| New or assumed mortgages | (17,340,887) | (5,121,542) |
| Premium on mortgages assumed | (1,254,311) | (456,790) |
| Promissory note payable | (7,402,500) | – |
| | (25,997,698) | (5,578,332) |
| Net assets acquired, satisfied by cash consideration | $ 35,056,981 | $ 10,380,432 |

## 4. Other assets:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Acquired in-place leases | $ 18,015,744 | $ 4,858,485 | $ 13,157,259 | $ 2,734,522 |
| Above market in-place leases | 592,324 | 144,683 | 447,641 | 177,904 |
| Deferred financing fees | 20,222 | 1,854 | 18,368 | – |
| | $ 18,628,290 | $ 5,005,022 | $ 13,623,268 | $ 2,912,426 |

## 5. Deferred recoverable costs:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Deferred recoverable costs | $ 783,156 | $ 144,150 | $ 639,006 | $ 8,741 |

### 6. Mortgages payable:

Mortgages payable bear interest at a weighted average rate of 6.45 percent (2004 - 6.81 percent) and are due at various dates to 2018.

Mortgages on income-producing properties assumed on acquisitions are adjusted to fair value using the market interest rate at the time of acquisition. The resulting premium or discount is amortized to interest expense over the remaining life of the mortgage. For the acquisitions to December 31, 2005, a premium aggregating $1,711,101 (2004 - $456,790) was recorded on acquisition with the unamortized premium at December 31, 2005 aggregating $1,484,025 (2004 - $428,044).

Principal payments, excluding the unamortized premium of $1,484,025 (2004 - $428,044), are due as follows:

| | |
|---|---|
| 2006 | $ 548,628 |
| 2007 | 1,382,627 |
| 2008 | 590,358 |
| 2009 | 5,254,283 |
| 2010 | 288,687 |
| Thereafter | 13,997,306 |
| | $ 22,061,889 |

### 7. Promissory note payable:

Effective September 23, 2005, the company entered into a promissory note as bridge financing on a certain commercial property in the amount of $7,402,500 payable on demand to its shareholder. Interest is calculated monthly at a rate of 4.93 percent per annum, with interest of $99,557 accrued to December 31, 2005 The promissory note will be paid in full at the time subsequent mortgage financing is obtained.

Subsequent to year end, the company entered into a mortgage agreement for one of its existing commercial properties by which $6,525,000 will be advanced in the form of a conventional first mortgage at an interest rate yet to be determined and maturing on June 1, 2011. It is the intent of the company to use the proceeds from this mortgage to repay the promissory note.

### 8. Intangible liabilities:

| | Cost | Accumulated amortization | 2005 Net book value | 2004 Net book value |
|---|---|---|---|---|
| Below market in-place leases | $ 3,410,956 | $ 400,301 | $ 3,010,655 | $ 138,837 |

### 9. Share capital:

The authorized capital of the company is 100,000 common shares without nominal or par value, with power to divide the shares into several classes and/or to attach thereto respectively any preferential, common deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the *Companies Act* and amendments thereto. Shares may be issued only to registered Canadian pension funds or other investors permitted under Section 149(1)(o.2) of the *Income Tax Act*. The sale, transfer or disposition of shares is restricted.

| | 2005 | | 2004 | |
|---|---|---|---|---|
| Issued | Number of shares | Amount | Number of shares | Amount |
| Share capital, beginning of year | 300 | $ 17,913,156 | 100 | $ 7,597,174 |
| Cash contributed as capital during the year | 400 | 34,815,844 | 200 | 10,315,982 |
| Share capital, end of year | 700 | $ 52,729,000 | 300 | $ 17,913,156 |

### 10. Financial instruments:

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The company manages its financial risks as follows:

(a) Interest rate risk:

Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

## 10. Financial instruments (continued):

(b) Credit risk:

Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The company mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

(c) Fair value:

The company has the following financial instruments: accounts and other receivables, cash, mortgages payable, promissory note payable and accounts payable and accrued liabilities. The carrying values of the accounts and other receivables, cash, promissory note payable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of the mortgages payable was approximately $23,778,000 (2004 - $5,671,000) at December 31, 2005 compared to a carrying value of $23,545,914 (2004 - $5,489,680). Fair value has been calculated using the future cash flows of the mortgages payable, discounted at current market rates available to the company for the same or similar instruments.

## 11. Advisor and property managers:

The company has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the company. GWLRA has also engaged third parties to manage and operate all of the multi-residential properties. Fees are charged to the property on the balance sheet or to property operating expenses, asset management fees or performance fees in the statement of operations as applicable.

## 11. Advisor and property managers (continued):

The following fees were incurred for the above services:

| | | 2005 | | 2004 |
|---|---|---|---|---|
| Asset management fees | $ | 259,380 | $ | 81,694 |
| Performance fees | | 28,781 | | 93,523 |
| Property management fees | | 128,034 | | 45,905 |
| Acquisition fees | | 293,175 | | 75,656 |
| Leasing fees | | 13,519 | | – |
| Financing fees | | 14,063 | | – |
| Project fees | | 5,469 | | 3,501 |
| GWLRA fees | | 742,421 | | 300,279 |
| Property management fees - third party | | 70,672 | | 18,126 |
| Leasing fees – third party | | 28,717 | | – |
| | $ | 841,810 | $ | 318,405 |

## 12. Income taxes:

The company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the *Income Tax Act* (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

## 13. Other information:

| Property Name | % Share | Cost | Acquisition Date | Appraisal Date | Value |
|---|---|---|---|---|---|
| 7070 Mississauga Road | 22.5 | $ 7,655,230 | August 1, 2003 | August 1, 2005 | $ 8,640,000 |
| 1730 St. Laurent Blvd. | 45.0 | 7,791,781 | June 1, 2004 | June 1, 2005 | 7,875,000 |
| Garrison Watch | 45.0 | 5,480,847 | June 30, 2004 | June 1, 2005 | 5,823,000 |
| Harbour Ridge | 45.0 | 2,466,460 | June 30, 2004 | June 1, 2005 | 2,524,500 |

During fiscal 2005, as disclosed in note 3, the company acquired two 45 percent co-ownerships, one 15 percent co-ownership, and one 11.25 percent co-ownership interest in income-producing properties. The aggregate purchase price for the company's interest in the income-producing properties was $60,387,421.

*Financial Statements of*

# PSS INVESTMENTS II INC.

*December 31, 2005*

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS  B3J 3R7
Canada

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# Auditors' Report

To the Shareholder of
PSS Investments II Inc.

We have audited the balance sheet and the statement of real property investments of PSS Investments II Inc. as at December 31, 2005 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's Advisor. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Advisor, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 29, 2006

# PSS INVESTMENTS II INC.
# Table of Contents
**December 31, 2005**

# PSS INVESTMENTS II INC.
## Balance Sheet
**December 31, 2005**

| | 2005 | 2004 |
|---|---|---|
| **ASSETS** | | |
| Real property investments | | |
| Real properties (Note 3) | **$ 34,535,233** | $ 17,617,830 |
| Deferred charges (Note 4) | **3,215,709** | 1,751,036 |
| | **37,750,942** | 19,368,866 |
| Cash | **681,505** | 533,253 |
| Accounts receivable | **437,384** | 59,203 |
| Prepaid expenses and other assets | **196,810** | 161,138 |
| | **$ 39,066,641** | $ 20,122,460 |
| **LIABILITIES** | | |
| Mortgages payable (Note 5) | **$ 12,102,424** | $ 6,378,541 |
| Accounts payable and accrued liabilities | **761,347** | 350,878 |
| | **12,863,771** | 6,729,419 |
| **SHAREHOLDER'S EQUITY** | | |
| Share capital (Note 7) | **25,918,713** | 13,038,152 |
| Retained earnings | **284,157** | 354,889 |
| | **26,202,870** | 13,393,041 |
| | **$ 39,066,641** | $ 20,122,460 |

APPROVED BY THE BOARD

………………………………………Director

………………………………………Director

# PSS INVESTMENTS II INC.
## Statement of Real Property Investments
**December 31, 2005**

| | 2005 | 2004 |
|---|---|---|
| 45% co-ownership interest - Summit Centre | | |
| 75th Street and Roper Road, Edmonton, Alberta, purchased January, 2004 | | |
| Land | **$ 2,968,875** | $ 2,968,875 |
| Building (net of accumulated depreciation of $453,656; 2004 - $219,048) | **8,915,105** | 8,542,862 |
| Deferred charges (net of accumulated amortization of $344,667; 2004 - $139,613) | **1,523,913** | 910,641 |
| | **13,407,893** | 12,422,378 |
| 45% co-ownership interest - Princess Auto Building | | |
| 2850 Hopewell Place NE, Calgary, Alberta, purchased March, 2004 | | |
| Land | **523,800** | 523,800 |
| Building (net of accumulated depreciation of $44,634; 2004 - $20,288) | **929,190** | 953,536 |
| Deferred charges (net of accumulated amortization of $27,818; 2004 - $12,644) | **197,252** | 212,425 |
| | **1,650,242** | 1,689,761 |
| 45% co-ownership interest - Mice Kadoke Building | | |
| 6225 Edwards Blvd, Mississauga, Ontario, purchased August, 2004 | | |
| Land | **1,419,863** | 1,419,863 |
| Building (net of accumulated depreciation of $107,862; 2004 - $26,965) | **3,127,997** | 3,208,894 |
| Deferred charges (net of accumulated amortization of $55,820; 2004 - $13,955) | **586,105** | 627,970 |
| | **5,133,965** | 5,256,727 |
| 45% co-ownership interest - Richview Square | | |
| 250 Wincott Drive, Toronto, Ontario, purchased October, 2005 | | |
| Land | **5,266,800** | - |
| Building (net of accumulated depreciation of $32,187) | **7,692,761** | - |
| Deferred charges (net of accumulated amortization of $61,515) | **625,306** | - |
| | **13,584,867** | - |
| 45% co-ownership interest - Summit Building B | | |
| 75th Street and Roper Road, Edmonton, Alberta, purchased December, 2005 | | |
| Land | **660,375** | - |
| Building (net of accumulated depreciation of $173) | **3,030,467** | - |
| Deferred charges (net of accumulated amortization of $1,548) | **283,133** | - |
| | **3,973,975** | - |

| | 2005 | 2004 |
|---|---|---|
| **SUMMARIZED AS FOLLOWS:** | | |
| Land | **10,839,713** | 4,912,538 |
| Building (net of accumulated depreciation of $638,512; 2004 - $266,301) | **23,695,520** | 12,705,292 |
| Deferred charges (net of accumulated amortization of $491,368; 2004 - $166,212) | **3,215,709** | 1,751,036 |
| | **$ 37,750,942** | $ 19,368,866 |

# PSS INVESTMENTS II INC.
## Statement of Operations and Retained Earnings
**Year Ended December 31, 2005**

| | **2005** | 2004 |
|---|---|---|
| Income from investments | | |
| Real property rental income | **$ 2,263,597** | $ 1,400,702 |
| Property expenses | | |
| Operating | **361,760** | 224,985 |
| Mortgage interest | **399,482** | 290,432 |
| Depreciation of real properties | **372,211** | 266,301 |
| Amortization of deferred charges | **325,156** | 166,212 |
| Real property net rental income | **804,988** | 452,772 |
| Interest income | **11,681** | 2,818 |
| | **816,669** | 455,590 |
| Expenses | | |
| Asset management fee (Note 6) | **115,322** | 76,707 |
| Performance fee (Note 6) | **101,636** | - |
| Audit and legal fees | **36,882** | 14,609 |
| Appraisal fees | **5,021** | - |
| Other | **24,752** | 9,385 |
| | **283,613** | 100,701 |
| Net income | **533,056** | 354,889 |
| Dividends | **(603,788)** | - |
| Retained earnings, beginning of year | **354,889** | - |
| Retained earnings, end of year | **$ 284,157** | $ 354,889 |

# PSS INVESTMENTS II INC.
## Statement of Cash Flows
**Year ended December 31, 2005**

| | **2005** | 2004 |
|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | |
| Operating | | |
| Net income for the year | **$ 533,056** | $ 354,889 |
| Non-cash items | | |
| Deferred rent | **(169,986)** | (55,901) |
| Depreciation of real properties | **372,211** | 266,301 |
| Amortization of deferred charges | **325,156** | 166,212 |
| Amortization of deferred financing costs | **8,170** | 2,551 |
| Deferred leasing costs | **(818,325)** | (359,199) |
| Net change in operating working capital | **189,251** | 259,939 |
| | **439,533** | 634,792 |
| Investing | | |
| Acquisition of real property investments | **(17,654,265)** | (19,442,180) |
| Additions to real property investments | **(606,853)** | - |
| | **(18,261,118)** | (19,442,180) |
| Financing | | |
| Capital contributions | **12,880,561** | 13,038,152 |
| Mortgage financing | **5,850,000** | 12,757,500 |
| Repayment of mortgage | **-** | (6,345,000) |
| Mortgage principal repayments | **(126,117)** | (33,959) |
| Dividends | **(603,788)** | - |
| Deferred financing costs | **(30,819)** | (76,052) |
| | **17,969,837** | 19,340,641 |
| Increase in cash during year | **148,252** | 533,253 |
| Cash, beginning of year | **533,253** | - |
| Cash, end of year | **$ 681,505** | $ 533,253 |
| SUPPLEMENTARY CASH FLOW INFORMATION: | | |
| Cash interest paid | **$ 405,519** | $ 235,502 |

## 1. FORMATION

PSS Investments II Inc. (the "Corporation") was incorporated under the laws of the Province of Nova Scotia on June 6, 2003 for the purpose of investing in real property, and is owned by pension funds which are registered pension plans in accordance with the Income Tax Act (Canada).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant policies are as follows:

*Investments in real property*

Real properties are stated at cost less accumulated depreciation. Real properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of real properties is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of a real property exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real properties to be disposed of are reported at the lower of carrying amount and fair value less costs to sell.

Acquisition costs are capitalized as part of the cost of real properties.

The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

The above-market and below-market in-place lease values for acquired properties are determined based on the present value of the difference between the contractual base rentals under the lease and fair market lease rates for similar in-place leases, measured from the date of acquisition to the end of the remaining lease term. The value of in-place leases is amortized over the remaining term of the associated leases.

Buildings are depreciated on a straight-line basis over forty years.

*Deferred leasing costs*

Leasing costs, including tenant inducements and leasing commissions incurred plus tenant inducements and lease origination costs acquired upon the purchase of real properties, are deferred and amortized on a straight-line basis over the term of the related leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Co-ownerships*

The Corporation records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the Corporation has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

*Revenue recognition*

Real property rental income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expenses are recognized in revenue in the period in which applicable expenses are incurred.

*Deferred financing costs*

Financing costs incurred, including financing fees to the Advisor, are deferred and amortized over the term of the related debt. The unamortized balance is included in prepaid expenses and other assets.

*Income taxes*

The Corporation conducts its affairs in order to qualify as a tax-exempt corporation under Section 149(1) (0.2) of the Income Tax Act (Canada).

*Advisor's fees*

The Corporation has entered into an advisory agreement with Roycom Inc. (the "Advisor"), whereby the Advisor is to provide investment advice and administrative services. The Advisor receives fees of 0.5% of real property cost on acquisitions, 0.5% of the real property sale proceeds on disposition, a financing fee of 0.25% of the principal amount of any mortgage financing, refinancing or renewal and a monthly asset management fee of 4.5% of net operating income provided that the minimum asset management fee shall not be less than 0.5% of the weighted monthly average of the appraised value of all the properties in any calendar year.

The Advisor also shall receive an annual performance fee equal to 10% of the amount by which the total net return exceeds the performance objective for the core portfolio multiplied by the appraised value of the core portfolio and 20% of the amount by which the total net return exceeds a rate of return that is 3% greater than the performance objective of the value-added portfolio multiplied by the appraised value of the value-added portfolio.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Management estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas of estimation include the amortization periods for real property and the allocation of purchase costs on the acquisition of real properties. Actual results could differ from those estimates.

## 3. REAL PROPERTIES

| | **2005** | 2004 |
|---|---|---|
| Land | **$ 10,839,713** | $ 4,912,538 |
| Building | **24,334,032** | 12,971,593 |
| Accumulated depreciation | **(638,512)** | (266,301) |
| | **$ 34,535,233** | $ 17,617,830 |

## 4. DEFERRED CHARGES

| | **2005** | 2004 |
|---|---|---|
| Deferred leasing costs | **$ 1,123,227** | $ 359,199 |
| Deferred leasing costs on acquisition of real properties | **2,583,850** | 1,558,049 |
| Accumulated amortization | **(491,368)** | (166,212) |
| | **$ 3,215,709** | $ 1,751,036 |

## 5. MORTGAGES PAYABLE

| | | **2005** | | 2004 |
|---|---|---|---|---|
| 45%, co-ownership interest -<br>Summit Centre, Edmonton, Alberta | | | | |
| First mortgage repayable in blended monthly payments of principal and interest of $28,828, at a rate of 5.907%, due July 1, 2014 to OMERS. | **$** | **4,426,097** | $ | 4,511,041 |
| 45%, co-ownership interest -<br>Mice Kadoke Building, Mississauga, Ontario | | | | |
| First mortgage, repayable in blended monthly payments of principal and interest of $11,227, at a rate of 5.341%, due January 1, 2015 to OMERS. | | **1,833,711** | | 1,867,500 |
| 45%, co-ownership interest -<br>Richview Square, Toronto, Ontario | | | | |
| First mortgage, repayable in blended monthly payments of principal and interest of $26,713, at a rate of 5.21%, due November 1, 2015 to CIBC. | | **4,492,616** | | - |
| 45%, co-ownership interest -<br>Summit Building B, Edmonton, Alberta | | | | |
| Interest only short term financing provided by Province of Nova Scotia at 5.75% payable upon completion of permanent financing. | | **1,350,000** | | - |
| | **$** | **12,102,424** | $ | 6,378,541 |

Principal payments required in each of the next five fiscal years are as follows:

| | |
|---|---|
| 2006 | $ 1,569,943 |
| 2007 | 232,698 |
| 2008 | 245,245 |
| 2009 | 258,971 |
| 2010 | 273,468 |
| | $ 2,580,325 |

## 6. TRANSACTIONS WITH ADVISOR

Included in expenses are advisory fees paid pursuant to the advisory agreement of $115,322 (2004 - $76,707) for asset management fees and $101,636 (2004 - $Nil) for performance fees. Amounts paid pursuant to the advisory agreement that were capitalized include $85,365 (2004 - $96,180) for acquisition fees, $11,250 (2004 - $16,031) for financing fees and $33,817 (2004 - $Nil) for leasing fees.

## 7. SHARE CAPITAL

| | **2005** | 2004 |
|---|---|---|
| Authorized: | | |
| An unlimited number of common shares | | |
| Issued: | | |
| 25,918,713 (2004 - 13,038,152) common shares | **$ 25,918,713** | $ 13,038,152 |

Capital contributions of $12,880,561 were received during the year for 12,880,561 common shares to finance the expansion of Summit Centre and the acquisitions of Richview Square Shopping Centre and Summit Building B.

## 8. FINANCIAL INSTRUMENTS

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The Corporation manages its financial risks as follows:

*Interest rate risk*

Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

*Credit risk*

Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The Corporation mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

*Fair value*

Fair values of financial instruments approximate amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instrument.

When available, public market information is used to express the fair value. When such information is not readily available, fair value is estimated using present value techniques and assumptions concerning the amount and timing of expected future cash flows and discount rates which reflect the appropriate level of risk for the instrument.

Accounts receivable, prepaid expenses and other assets, and accounts payable and accrued liabilities have fair values that approximate their carrying amounts due to their short-term nature.

Fair value of mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2005 market rates for debt of similar corresponding terms and risk. Based on these assumptions, the fair value of mortgages payable at December 31, 2005 has been estimated as $10,600,000 (2004 - $6,400,000).

### 9. APPRAISED VALUE

The properties are appraised on the anniversary date of their acquisition date. The Corporation's 45% interests in the appraised properties are as follows:

| Property | Appraisal Date | Appraisal Value |
|---|---|---|
| Summit Centre | January 5, 2005 | $ 13,455,000 |
| Princess Auto Building | March 1, 2005 | 1,788,750 |
| Mice Kadoke Building | August 26, 2005 | 5,985,000 |

# The Public Archives of Nova Scotia – Archival Ancillary and Trust Funds

Financial Statements
(Unaudited)
**March 31, 2006**

**PricewaterhouseCoopers LLP**
**Chartered Accountants**
1809 Barrington Street, Suite 600
Halifax, Nova Scotia
Canada B3J 3K8
Telephone +1 (902) 491 7400
Facsimile +1 (902) 422 1166

June 7, 2006

## Review Engagement Report

**To the Board of Trustees of**
**The Public Archives of Nova Scotia – Archival Ancillary and Trust Funds**

We have reviewed the balance sheet of **The Public Archives of Nova Scotia – Archival Ancillary and Trust Funds** (Archives) as at March 31, 2006 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants**

# The Public Archives of Nova Scotia – Archival Ancillary and Trust Funds

Balance Sheet
(Unaudited)
**As at March 31, 2006**

| | Endowment Fund, Collections $ | Archival Ancillary Fund $ | 2006 Total $ | 2005 Total $ |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | – | 38,039 | 38,039 | 75,812 |
| Marketable securities | 29,022 | – | 29,022 | 36,794 |
| Amount held in trust by Province of Nova Scotia | 53,750 | – | 53,750 | 53,935 |
| | 82,772 | 38,039 | 120,811 | 166,541 |
| **Equipment** (note 3) | – | 27,462 | 27,462 | 34,026 |
| | 82,772 | 65,501 | 148,273 | 200,567 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Amounts payable and accrued liabilities | – | 3,459 | 3,459 | 21,755 |
| Deferred revenue | – | 8,548 | 8,548 | 37,074 |
| | – | 12,007 | 12,007 | 58,829 |
| Deferred contributions (note 4) | – | 3,819 | 3,819 | – |
| | – | 15,826 | 15,826 | 58,829 |
| **Net assets** | | | | |
| Endowments | 66,100 | – | 66,100 | 66,100 |
| Earnings on endowments | 16,672 | – | 16,672 | 24,629 |
| Invested in equipment | – | 27,462 | 27,462 | 34,026 |
| Unrestricted | – | 22,213 | 22,213 | 16,983 |
| | 82,772 | 49,675 | 132,447 | 141,738 |
| | 82,772 | 65,501 | 148,273 | 200,567 |

**Approved by the Board of Trustees**

______________________ Chair ______________________ Vice Chair

# The Public Archives of Nova Scotia – Archival Ancillary and Trust Funds

Statement of Changes in Net Assets

(Unaudited)

**For the year ended March 31, 2006**

| | Endowment Fund, Collections $ | Archival Ancillary Fund $ | 2006 Total $ | 2005 Total $ |
|---|---|---|---|---|
| **Net assets – Beginning of year** | 90,729 | 51,009 | 141,738 | 111,727 |
| Excess of revenue over expenditures (expenditures over revenue) for the year | (7,957) | (1,334) | (9,291) | 30,011 |
| **Net assets – End of year** | 82,772 | 49,675 | 132,447 | 141,738 |

# The Public Archives of Nova Scotia – Archival Ancillary and Trust Funds

Statement of Revenue and Expenditures

(Unaudited)

**For the year ended March 31, 2006**

| | Endowment Fund, Collections $ | Archival Ancillary Fund $ | 2006 Total $ | 2005 Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Reprographic and other recoveries | – | 34,580 | 34,580 | 45,094 |
| Funding for special collections maintenance | – | 97,683 | 97,683 | 91,997 |
| Transfer from Endowment Fund | – | 8,203 | 8,203 | – |
| Interest | 1,996 | 231 | 2,227 | 1,694 |
| Amortization of deferred contributions | – | 424 | 424 | – |
| Other income | – | 3,000 | 3,000 | – |
| | 1,996 | 144,121 | 146,117 | 138,785 |
| **Expenditures** | | | | |
| Amortization | – | 11,368 | 11,368 | 13,137 |
| Conferences and seminars | – | 861 | 861 | 943 |
| Equipment repairs and maintenance | – | 2,238 | 2,238 | 80 |
| Freight and express | – | – | – | – |
| General operating | – | 1,896 | 1,896 | 3,416 |
| Membership dues | – | 300 | 300 | 650 |
| Miscellaneous | – | – | – | 230 |
| Other services | – | – | – | 910 |
| Professional services | – | 3,000 | 3,000 | 2,231 |
| Special collections maintenance | – | 108,116 | 108,116 | 83,345 |
| Subscriptions and periodicals | 1,750 | 11,475 | 13,225 | 821 |
| Transfer to Archival Ancillary Fund | 8,203 | – | 8,203 | – |
| Travel | – | 6,201 | 6,201 | 3,011 |
| | 9,953 | 145,455 | 155,408 | 108,774 |
| **Excess of revenue over expenditures (expenditures over revenue) for the year** | (7,957) | (1,334) | (9,291) | 30,011 |

## 1 Status and nature of activities

The Archives, a provincially-owned entity, is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province. The Archives is both a deposit library for publications of the Government of Nova Scotia and a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

## 2 Significant accounting policies

The accounting policies of the Archives for the Archival Ancillary and Trust funds are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

**Management estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

**Fund accounting**

The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Fund, Collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

**Financial instruments**

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximates their carrying values, due to the short-term nature of these instruments.

## 2 Significant accounting policies (continued)

### Revenue recognition

The Archives follows the restricted fund method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

### Equipment

Purchased equipment is recorded at cost. When an asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the following methods at the following rates:

| | |
|---|---|
| Computer software | straight-line 10 years |
| Computer and microfilm equipment | straight-line 5 years |
| Furniture and other office equipment | straight-line 10 years |

## 3 Equipment

| | | | 2006 | 2005 |
|---|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ | Net<br>$ |
| Computer software | 19,502 | 11,692 | 7,810 | 9,760 |
| Computer equipment | 32,440 | 23,085 | 9,355 | 11,176 |
| Microfilm equipment | 31,102 | 27,146 | 3,956 | 6,231 |
| Furniture | 7,721 | 3,508 | 4,213 | 4,985 |
| Other office equipment | 3,356 | 1,228 | 2,128 | 1,874 |
| | 94,121 | 66,659 | 27,462 | 34,026 |

## 4 Deferred contributions

Deferred contributions related to property, plant and equipment represent restricted contributions for the purchase of computer and other equipment. The changes in the deferred contributions balance for the year are as follows:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Add: Funding grant received during the year | 4,243 | – |
| Less: Amount amortized to revenue | (424) | – |
| Balance – End of year | 3,819 | – |

# PROVINCE OF NOVA SCOTIA
# PUBLIC TRUSTEE TRUST FUNDS
# FINANCIAL STATEMENTS
# MARCH 31, 2006

# PROVINCE OF NOVA SCOTIA
# PUBLIC TRUSTEE TRUST FUNDS
# FINANCIAL STATEMENTS
# MARCH 31, 2006

**CONTENTS**

NOVA SCOTIA
Office of the Auditor General



## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Justice

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2006 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2006 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA$CIA
Auditor General

Halifax, Nova Scotia
May 23, 2006

# PROVINCE OF NOVA SCOTIA
# PUBLIC TRUSTEE TRUST FUNDS
# BALANCE SHEET
# AS AT MARCH 31, 2006

## ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Estates and Trusts** | | |
| Cash | $ 1,444,803 | $ 559,520 |
| Securities, real estate and other assets (Note 3) | 25,249,251 | 23,442,947 |
| Common Fund securities (Note 4) | 1,995,464 | 2,074,695 |
| Accrued interest | 311,084 | 220,941 |
| | 29,000,602 | 26,298,103 |
| **Special Reserve Fund** (Note 5) | | |
| Cash and securities | 1,735,981 | 1,626,391 |
| Accrued interest | 40,059 | 36,474 |
| | 1,776,040 | 1,662,865 |
| | $ 30,776,642 | $ 27,960,968 |

## LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Estates and Trusts** | | |
| Estates and trusts balances | $ 29,000,602 | $ 26,298,103 |
| **Special Reserve Fund** (Note 5) | | |
| Restricted funds | 1,700,981 | 1,598,730 |
| Funds transferable to Province of Nova Scotia | 75,059 | 64,135 |
| | 1,776,040 | 1,662,865 |
| | $ 30,776,642 | $ 27,960,968 |

The accompanying notes are an integral part of these statements

Approved:

_______________________________

Public Trustee
M. Estelle Theriault, Q.C.

# PROVINCE OF NOVA SCOTIA
# PUBLIC TRUSTEE TRUST FUNDS
# STATEMENT OF CONTINUITY OF ASSETS
# FOR THE YEAR ENDED MARCH 31, 2006

| | Estates and Trusts | Special Reserve Fund | Fees Earned | 2006 Total | 2005 Total |
|---|---|---|---|---|---|
| **Balance,** beginning of year | $ 26,298,103 | $ 1,662,865 | $ - | $ 27,960,968 | $ 26,369,780 |
| Add: Assets acquired during the year | 13,007,964 | - | - | 13,007,964 | 15,645,530 |
| Net Income earned | 824,623 | - | - | 824,623 | 783,987 |
| Fees earned | - | - | 550,034 | 550,034 | 614,564 |
| Interest earned on Special Reserve Fund investments | - | 78,644 | - | 78,644 | 100,609 |
| Excess interest transferred from Common Fund | - | 98,666 | - | 98,666 | 102,941 |
| | 13,832,587 | 177,310 | 550,034 | 14,559,931 | 17,247,631 |
| Less: Distributions of estates and trusts | 11,111,487 | - | - | 11,111,487 | 14,329,052 |
| Transfers to the Province | | | | | |
| Fees | - | - | 550,034 | 550,034 | 614,564 |
| Undistributable estates and trusts (per Section 28) | 18,601 | - | - | 18,601 | 650,564 |
| Investment income earned on Special Reserve Fund | - | 64,135 | - | 64,135 | 62,263 |
| | 11,130,088 | 64,135 | 550,034 | 11,744,257 | 15,656,443 |
| **Balance,** end of year | $29,000,602 | $ 1,776,040 | $ - | $ 30,776,642 | $ 27,960,968 |

The accompanying notes are an integral part of these statements

# PROVINCE OF NOVA SCOTIA
# PUBLIC TRUSTEE TRUST FUNDS
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2006

## 1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

## 2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, modified by the following policies.

a) The Office of the Public Trustee uses a modified cash basis of accounting. These financial statements do not include certain receivables and payables.

## 3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities are valued in a manner which approximates market value at March 31, 2006.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of $1.

## 4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at market value as of March 31, 2006.

# PROVINCE OF NOVA SCOTIA
# PUBLIC TRUSTEE TRUST FUNDS
# NOTES TO FINANCIAL STATEMENTS
# MARCH 31, 2006

## 5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

## 6. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by the Nova Scotia Department of Justice and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

| | **2006** | **2005** |
|---|---|---|
| Department of Justice | | |
| - Salaries and benefits | $ 754,379 | $ 657,578 |
| - Other operating costs | 292,322 | 51,086 |
| - Rent | 56,839 | 58,910 |
| | 1,103,540 | 767,574 |
| Less transfers to Province | | |
| - Fees | 550,034 | 614,564 |
| - Special Reserve Fund income | 64,135 | 62,263 |
| | 614,169 | 676,827 |
| Net cost to the Province | $ 489,371 | $ 90,747 |

# Resource Recovery Fund Board Inc.

# Resource Recovery Fund

# Combined Financial Statements

March 31, 2006

Grant Thornton

RRFB

NOVA SCOTIA

# Contents

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

To the Board of Directors of the
**Resource Recovery Fund Board Inc.**

We have audited the combined statement of financial position of the **Resource Recovery Fund Board Inc.** as at March 31, 2006 and the combined statements of operations, changes in net resources and cash flows for the year then ended. These combined financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the combined financial position of the **Resource Recovery Fund Board Inc.** as at March 31, 2006 and the combined results of its operations, changes in net resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia
May 17, 2006

Grant Thornton LLP
Chartered Accountants

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# Resource Recovery Fund Board Inc.
# Resource Recovery Fund
## Combined Statement of Operations
Year Ended March 31, 2006

| | Budget 2006 | **2006** | 2005 |
|---|---|---|---|
| **Revenues** | | | |
| Deposits | $ 30,753,300 | **$ 32,198,896** | $ 30,886,475 |
| Sales of recyclable materials | 3,835,100 | **4,478,523** | 3,755,167 |
| Stewardship | 1,026,500 | **968,461** | 1,046,275 |
| Tire program | 3,306,100 | **3,309,572** | 3,215,205 |
| Rental Income | 201,600 | **201,600** | 184,800 |
| Investment and other income | 535,400 | **469,807** | 310,502 |
| **Total revenues** | 39,658,000 | **41,626,859** | 39,398,424 |
| **Expenses** | | | |
| Operating (Page 11) | 28,093,200 | **29,197,638** | 26,745,513 |
| Administrative (Page 12) | 1,624,800 | **1,384,779** | 1,572,324 |
| Other expenditures and allocations | | | |
| Approved program grants | 1,451,800 | **816,406** | 1,065,945 |
| Education and awareness | 1,659,000 | **1,522,619** | 1,435,595 |
| Regional committees | 250,000 | **242,178** | 250,000 |
| Derelict vehicle program | 100,000 | **59,863** | 55,776 |
| Household hazardous waste program | 70,000 | **69,443** | 70,000 |
| Municipal Solid Waste Diversion | 4,851,100 | **5,491,000** | 5,592,000 |
| Special municipal allocation | - | **700,000** | - |
| Province of Nova Scotia | 970,200 | **1,098,000** | 1,118,000 |
| Research, development and special projects | 350,000 | **-** | - |
| | 39,420,100 | **40,581,926** | 37,905,153 |
| Net revenue before equity earnings | 237,900 | **1,044,933** | 1,493,271 |
| Equity in net profit of a business enterprise | - | **38,564** | 44,056 |
| Gain on sale of interest in a business enterprise | - | **52,507** | - |
| Excess of revenues over expenditures | $ 237,900 | **$ 1,136,004** | $ 1,537,327 |

See accompanying notes to the combined financial statements

# Resource Recovery Fund Board Inc.
# Resource Recovery Fund
## Combined Statement of Changes in Net Resources

Year Ended March 31

| | Resource Recovery Fund: Invested in Capital Assets | Invested in Value-added Manufacturing | Restricted for Future Projects | Restricted for Approved Programs | Net Revenues | **2006 Total** | 2005 Total |
|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 1,950,386 | $ 285,179 | $ 1,995,344 | $ 5,951,179 | $ - | **$ 10,182,088** | $ 8,644,761 |
| Excess (deficiency) of revenue over expenses | (348,555) | 91,071 | - | - | 1,393,488 | **1,136,004** | 1,537,327 |
| Investment in capital assets | 410,768 | - | - | - | (410,768) | **-** | - |
| | 2,012,599 | 376,250 | 1,995,344 | 5,951,179 | 982,720 | **11,318,092** | 10,182,088 |
| Internal transfers from (to) | - | (376,250) | 376,250 | 5,491,229 | (5,491,229) | **-** | - |
| Derelict vehicle program | - | - | - | (59,863) | 59,863 | **-** | - |
| Education and awareness program | - | - | - | (1,522,619) | 1,522,619 | **-** | - |
| Household hazardous waste program | - | - | - | (69,443) | 69,443 | **-** | - |
| Nova Scotia Department of Environment and Labour | - | - | - | (1,098,000) | 1,098,000 | **-** | - |
| Approved programs | - | - | - | (816,406) | 816,406 | **-** | - |
| Regional committees | - | - | - | (242,178) | 242,178 | **-** | - |
| Special municipal allocation | - | - | - | (700,000) | 700,000 | **-** | - |
| Balance, end of year | $ 2,012,599 | $ - | $ 2,371,594 | $ 6,933,899 | $ - | **$ 11,318,092** | $ 10,182,088 |

Restricted for approved programs represented by:

| | |
|---|---|
| Committed funds (Note 7 (b)) | $ 1,418,278 |
| Uncommitted funds | 5,515,621 |
| | $ 6,933,899 |

See accompanying notes to the combined financial statements

# Resource Recovery Fund Board Inc.
# Resource Recovery Fund
## Combined Statement of Financial Position

| March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | **$** | **8,786,942** | $ | 14,535,054 |
| Receivables | | **3,229,451** | | 3,042,079 |
| Accrued receivable | | **320,681** | | 233,278 |
| Note receivable (Note 3) | | **32,507** | | 185,145 |
| Investment in a business enterprise, at equity | | **-** | | 285,179 |
| Investments, at cost which approximates fair market value | | **8,000,000** | | - |
| | | **20,369,581** | | 18,280,735 |
| **Financial liabilities** | | | | |
| Payables and accruals | | **1,791,110** | | 940,579 |
| Municipal solid waste diversion credits payable | | **5,491,000** | | 5,592,000 |
| Unearned revenue | | **4,036,800** | | 3,848,500 |
| | | **11,318,910** | | 10,381,079 |
| **Net financial resources** | | **9,050,671** | | 7,899,656 |
| **Non-financial assets** | | | | |
| Inventory | | **129,573** | | 141,308 |
| Prepaids | | **125,249** | | 190,738 |
| Property and equipment (Note 4) | | **1,978,865** | | 1,890,156 |
| Organizational costs, net of accumulated amortization | | **33,734** | | 60,230 |
| | | **2,267,421** | | 2,282,432 |
| **Net resources** (Note 7 and Page 3) | **$** | **11,318,092** | $ | 10,182,088 |

Commitments (Note 5)

On Behalf of the Board

_______________________________ Director      ___________________________ Director

See accompanying notes to the combined financial statements

# Resource Recovery Fund Board Inc.
# Resource Recovery Fund
## Combined Statement of Cash Flows

| Year Ended March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| Increase (decrease) in cash and cash equivalents: | | | | |
| **Operating** | | | | |
| Excess of revenues over expenditures | **$** | **1,136,004** | $ | 1,537,327 |
| Equity in net profit of a business enterprise | | **(38,564)** | | (44,056) |
| Gain on sale of interest in a business enterprise | | **(52,507)** | | - |
| Depreciation and amortization | | **360,249** | | 324,847 |
| Gain on sale of equipment | | **(11,694)** | | (16,091) |
| | | **1,393,488** | | 1,802,027 |
| Change in non-cash operating working capital | | | | |
| Receivables | | **(274,775)** | | (294,151) |
| Inventory | | **11,735** | | (57,190) |
| Prepaids | | **65,489** | | 59,833 |
| Payables and accruals | | **749,531** | | (934,574) |
| Unearned revenue | | **188,300** | | 67,900 |
| | | **2,133,768** | | 643,845 |
| **Investing** | | | | |
| Proceeds from sale of: | | | | |
| Equipment | | **36,000** | | 31,606 |
| Interest in a business enterprise | | **376,250** | | - |
| Purchase of: | | | | |
| Property and equipment | | **(446,768)** | | (1,436,085) |
| Marketable securities | | **(8,000,000)** | | - |
| Repayment of notes receivable, net | | **152,638** | | - |
| | | **(7,881,880)** | | (1,404,479) |
| Net decrease in cash and cash equivalents | | **(5,748,112)** | | (760,634) |
| Cash and cash equivalents, beginning of year | | **14,535,054** | | 15,295,688 |
| Cash and cash equivalents, end of year | **$** | **8,786,942** | $ | 14,535,054 |

See accompanying notes to the combined financial statements

### 1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit organization established by the Nova Scotia government to develop and administer industry stewardship programs that increase waste diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

Under regulation, all revenues earned are deposited to the Resource Recovery Fund, which is the property of the Province of Nova Scotia. All expenditures incurred by the Resource Recovery Fund Board Inc. to operate, administer and fulfil the mandates of the Province of Nova Scotia Solid Waste Management Strategy are expenditures of the Resource Recovery Fund. Accordingly all assets, liabilities and net resources reported in these financial statements are the property of the Resource Recovery Fund and are held on behalf of the Province of Nova Scotia by the Resource Recovery Fund Board Inc.

### 2. Summary of significant accounting policies

**Basis of presentation**

The combined financial statements include the accounts of the Resource Recovery Fund Board Inc. and the Resource Recovery Fund. Significant inter-entity loans and transactions have been eliminated in these combined financial statements. These combined financial statements are the representations of management prepared in accordance with generally accepted accounting principles for provincial governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires the organization'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.

**Revenue recognition**

Resource Recovery Fund follows the deferral method of accounting for revenue.

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

**Depreciation**

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

| | |
|---|---|
| Building | 5%, straight line |
| Field equipment | 20%, straight line |
| Leasehold improvements | 14.2%, straight line |
| Office and warehouse equipment | 20%, straight line |
| Computer hardware and software | 33 1/3%, straight-line |
| Containers | |
| - Bags | 33 1/3%, straight-line |
| - Tubs | 10%, straight-line |
| Vehicles | 33 1/3%, straight-line |

**Inventory**

Inventory is valued at the lower of cost and net realizable value.

**Unearned revenue**

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

**Organizational costs**

Organizational costs for new programs are amortized on a straight line basis over five years.

**Forgivable loans**

Forgivable loans for approved programs are shown as an expenditure when issued. If the terms and conditions of these loans are not met then any recovery would be recognized at that time. At March 31, 2006 the outstanding balance of forgivable loans is $197,157.

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

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

### Financial instruments

Financial instruments include cash and cash equivalents, receivables, note receivable, investments, payables and accruals, municipal solid waste diversion credits payable and unearned revenue. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments are at least equal to their carrying values.

### Income taxes

The organization is exempt from income taxes under Section 149(I)(d) of the *Canadian Income Tax Act*.

## 3. Note receivable

| | | **2006** | | 2005 |
|---|---|---|---|---|
| Note receivable repaid during the year. | **$** | **-** | $ | 185,145 |
| Non-interest bearing note receivable payable in equal monthly instalments, maturing in 2010. | | **32,507** | | - |
| | **$** | **32,507** | $ | 185,145 |

### 4. Property and equipment

| | Cost | Accumulated Depreciation | 2006 Net Book Value | 2005 Net Book Value |
|---|---|---|---|---|
| Land | $ 282,000 | $ - | **$ 282,000** | $ 282,000 |
| Field equipment | 469,706 | 226,604 | **243,102** | 68,037 |
| Building | 969,430 | 88,744 | **880,686** | 849,322 |
| Office and warehouse equipment | 99,679 | 93,261 | **6,418** | 9,997 |
| Containers | 1,266,245 | 839,119 | **427,126** | 582,782 |
| Leasehold improvements | 12,407 | 11,284 | **1,123** | 2,899 |
| Computer hardware and software | 525,624 | 467,306 | **58,318** | 39,452 |
| Vehicles | 130,640 | 50,548 | **80,092** | 55,667 |
| | $ 3,755,731 | $ 1,776,866 | **$ 1,978,865** | $ 1,890,156 |

### 5. Commitments

(a) The fund has entered into agreements to lease office space and a warehouse. Minimum monthly rent payable is $5,034. The lease is due to expire in May 2006. Management expects to renew its lease agreement upon expiration of the existing lease.

(b) The Resource Recovery Fund has entered into agreements with specific organizations and businesses to provide funding for various recycling programs across Nova Scotia. At March 31, 2006, $1,418,278 of the restricted for approved programs resources has been committed under these agreements.

## 6. Related party transactions

(a) During five months of the fiscal year, the fund had the following transactions with a commonly controlled business enterprise:

(i) sold plastic beverage bottles and other recyclable product in the amount of $382,759 (2005 - $795,682) to a business enterprise; and
(ii) received rental income of $84,000 from a business enterprise.

(b) The fund also paid $1,098,000 (2005 - $1,118,000) to the Nova Scotia Department of Environment and Labour as reimbursement of services and expenses incurred on the fund's behalf. Included in liabilities is a $298,000 relating to this reimbursement.

## 7. Restrictions on net resources

Net resources under the Resource Recovery Fund have been internally restricted for the following purposes:

(a) Restricted for future projects – represents the amount internally restricted for funding various future projects as approved by the board and in accordance with the goals and objectives of the Resource Recovery Fund.
(b) Restricted for approved programs – represents the amount internally restricted for various recycling programs and initiatives in accordance with the goals and objectives of the Resource Recovery Fund. Of the amount internally restricted, $1,418,278 has been committed by the board to assist in the funding of various recycling programs across Nova Scotia.

# Resource Recovery Fund Board Inc.
# Resource Recovery Fund
## Combined Statement of Operating Costs

| Year Ended March 31 | Budget 2006 | **2006** | 2005 |
|---|---|---|---|
| Inventory, beginning of year | $ 91,500 | **$ 141,308** | $ 84,118 |
| Deposit refunds | 13,273,300 | **13,468,047** | 12,805,916 |
| Enviro-Depot handling fees | 8,769,500 | **9,046,827** | 8,037,753 |
| Local cartage | 888,000 | **974,426** | 996,593 |
| Regional processing | 878,900 | **999,708** | 910,936 |
| Freight-in | 185,400 | **246,346** | 150,403 |
| Central processing expenses | | | |
| Building expenses | 39,000 | **39,341** | 37,241 |
| Depreciation | 277,400 | **228,601** | 197,392 |
| Insurance | 2,200 | **1,546** | 1,584 |
| Meetings and travel | 26,700 | **22,255** | 18,011 |
| Postage, delivery and office | 11,800 | **8,849** | 22,228 |
| Propane – forklift | 3,200 | **2,826** | 2,521 |
| Repairs and maintenance – bulk bags | 37,200 | **19,567** | 28,418 |
| Repairs and maintenance – equipment | 12,000 | **9,968** | 7,832 |
| Salaries and benefits | 279,700 | **261,912** | 265,232 |
| Shipping supplies | 15,000 | **71,519** | 49,566 |
| Telecommunications | 11,400 | **8,799** | 11,499 |
| Vehicle expense | 4,200 | **3,451** | 4,605 |
| Non-deposit materials | 33,200 | **44,298** | 40,436 |
| Used tires | 2,249,600 | **2,731,623** | 2,214,074 |
| Paint program | 1,095,500 | **995,994** | 1,000,463 |
| | 28,184,700 | **29,327,211** | 26,886,821 |
| Inventory, end of year | 91,500 | **129,573** | 141,308 |
| | $ 28,093,200 | **$ 29,197,638** | $ 26,745,513 |

# Resource Recovery Fund Board Inc.
# Resource Recovery Fund
## Combined Statement of Administrative Expenses

| Year Ended March 31 | | Budget 2006 | | **2006** | | 2005 |
|---|---|---|---|---|---|---|
| Bad debt | $ | 20,000 | **$** | **4,637** | $ | 27,689 |
| Bank charges and interest | | 9,000 | | **7,100** | | 8,354 |
| Board fees and expenses | | 76,000 | | **59,670** | | 70,470 |
| Building expenses | | 123,500 | | **85,760** | | 120,828 |
| Depreciation and amortization | | 118,800 | | **131,648** | | 127,455 |
| Dues and fees | | 8,300 | | **3,847** | | 8,900 |
| Equipment lease or rent | | 4,800 | | **6,118** | | 5,059 |
| Insurance | | 9,000 | | **6,913** | | 7,808 |
| Meetings and travel | | 79,000 | | **56,452** | | 73,673 |
| Office expense | | 21,000 | | **16,948** | | 20,104 |
| Postage and delivery | | 14,800 | | **7,503** | | 11,236 |
| Printing and stationery | | 4,400 | | **4,168** | | 4,131 |
| Professional fees | | 65,300 | | **131,064** | | 162,475 |
| Public relations | | 194,500 | | **107,351** | | 61,987 |
| Salaries and benefits | | 759,500 | | **647,194** | | 761,289 |
| Software development and support | | 61,500 | | **67,040** | | 60,879 |
| Telecommunications | | 29,000 | | **28,646** | | 28,466 |
| Training | | 24,000 | | **8,518** | | 7,303 |
| Vehicle expense | | 2,400 | | **4,202** | | 4,218 |
| | $ | 1,624,800 | **$** | **1,384,779** | $ | 1,572,324 |

*Financial Statements of*

# SHERBROOKE RESTORATION COMMISSION

*March 31, 2006*

Deloitte.

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
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# Auditors' Report

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 2006 and the statements of operations, fund balances, and cash flows for the year then ended. These financial statements have been prepared to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006, and the results of its operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the members of the Sherbrooke Restoration Commission and the Province of Nova Scotia to comply with accounting principles adopted for museum boards in Nova Scotia. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Deloitte & Touche LLP

Chartered Accountants
April 28, 2006

# SHERBROOKE RESTORATION COMMISSION
## Table of Contents
**March 31, 2006**

# SHERBROOKE RESTORATION COMMISSION
## Balance Sheet
**March 31, 2006**

| | 2006 | 2005 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents | **$ 17,625** | $ 32,566 |
| Guaranteed Investment Certificate (Note 3) | **24,932** | 34,763 |
| Accounts receivable | **121,472** | 42,448 |
| Inventory | **134,447** | 117,063 |
| Prepaid expenses | **2,126** | 2,235 |
| | **300,602** | 229,075 |
| Capital assets (Note 2) | **4,402,588** | 4,399,425 |
| | **$ 4,703,190** | $ 4,628,500 |
| **LIABILITIES AND EQUITY** | | |
| Current | | |
| Accounts payable | **$ 82,439** | $ 80,535 |
| Accrued benefit liability (Note 4) | **4,017** | 19,904 |
| | **86,456** | 100,439 |
| Equity | | |
| Investment in capital assets (Page 3) | **4,402,588** | 4,399,425 |
| Reserve for development (Page 3) | **24,932** | 34,763 |
| Operating fund surplus (Page 3) | **189,214** | 93,873 |
| | **4,616,734** | 4,528,061 |
| | **$ 4,703,190** | $ 4,628,500 |

APPROVED BY THE BOARD

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Director

# SHERBROOKE RESTORATION COMMISSION
## Statement of Operations
**Year ended March 31, 2006**

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Revenue | | | |
| Operating grants | | | |
| Board of Governors of the Nova Scotia Museum | **$ 947,015** | **$ 1,047,030** | $ 919,610 |
| Program revenue (Schedule 2) | **352,205** | **257,397** | 365,982 |
| Other | | | |
| Gate admissions | **126,500** | **105,883** | 122,478 |
| Government capital grants | **64,490** | **65,014** | 56,670 |
| Interest | **5,000** | **3,942** | 3,362 |
| Miscellaneous | **8,750** | **4,034** | 5,965 |
| | **204,740** | **178,873** | 188,475 |
| Total revenue | **1,503,960** | **1,483,300** | 1,474,067 |
| Expenditures | | | |
| General operating (Schedule 1) | **617,710** | **562,161** | 575,324 |
| Program (Schedule 2) | **821,760** | **773,650** | 848,114 |
| Capital | **64,490** | **62,834** | 47,128 |
| Total expenditures | **1,503,960** | **1,398,645** | 1,470,566 |
| Excess of revenue over expenditures | **$ -** | **$ 84,655** | $ 3,501 |

# SHERBROOKE RESTORATION COMMISSION
## Statement of Fund Balances
**Year ended March 31, 2006**

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **INVESTMENT IN CAPITAL ASSETS** | | | | |
| Balance, beginning of year | **$** | **4,399,425** | $ | 4,397,516 |
| Additions | | | | |
| Furnishings and equipment | | **3,163** | | 1,909 |
| Balance, end of year | **$** | **4,402,588** | $ | 4,399,425 |
| **RESERVE FOR DEVELOPMENT** | | | | |
| Balance, beginning of year | **$** | **34,763** | $ | 24,223 |
| Transfer (to) from operating fund surplus | | **(10,686)** | | 10,000 |
| Interest on GIC | | **855** | | 540 |
| Balance, end of year | **$** | **24,932** | $ | 34,763 |
| **OPERATING FUND SURPLUS** | | | | |
| Balance, beginning of year | | **93,873** | | 100,372 |
| Excess of revenue over expenditures | | **84,655** | | 3,501 |
| | | **178,528** | | 103,873 |
| Transfer from (to) reserve for development | | **10,686** | | (10,000) |
| Balance, end of year | **$** | **189,214** | $ | 93,873 |

# SHERBROOKE RESTORATION COMMISSION
## Statement of Cash Flows
**Year ended March 31, 2006**

| | | **2006** | | 2005 |
|---|---|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES** | | | | |
| Operating | | | | |
| Excess of revenue over expenditures | **$** | **84,655** | $ | 3,501 |
| Non-cash items: | | | | |
| Increase in reserve for development | | **(855)** | | 540 |
| Accrued benefit liability | | **(15,887)** | | (15,332) |
| Capital expenditures charged to operations | | **3,163** | | 1,909 |
| Changes in non-cash operating working capital (Note 5) | | **(94,395)** | | 7,214 |
| | | **(23,319)** | | (2,168) |
| Investing | | | | |
| Additions to capital assets | | **(3,163)** | | (1,909) |
| Investment in guaranteed investment certificate | | **-** | | (10,540) |
| Net proceeds from guaranteed investment certificate | | **10,686** | | - |
| | | **7,523** | | (12,449) |
| **NET CASH OUTFLOW** | | **(14,941)** | | (14,617) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | | **32,566** | | 47,183 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$** | **17,625** | $ | 32,566 |
| Represented by: | | | | |
| Cash | **$** | **17,625** | $ | 32,566 |

**1. DESCRIPTION OF OPERATIONS**

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

**2. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because amortization is not recorded on capital assets and capital expenditures are included in the statement of operations.

*Fund accounting*

The assets and liabilities of the Commission are segregated into three funds: Investment in capital assets, reserve for development and operating fund surplus. The operating fund assets and liabilities are those which are used for the general operations of the Commission. The investment in capital assets comprises assets of enduring benefit and any related debt.

*Cash and cash equivalents*

Cash and cash equivalents represent cash and investments on deposit with financial institutions.

*Inventory*

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and net realizable value.

*Capital assets*

Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

*Financial instruments*

The carrying values of the Commission's financial instruments approximate fair value due to the short-term maturity and normal credit terms of those instruments.

*Use of estimates*

The preparation of financial statements in conformity with accounting principles adopted for museum boards in Nova Scotia, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates used in these financial statements include the assessment of the allowance for doubtful accounts and the valuation of inventory. Actual results could differ from those estimates.

## 2. ACCOUNTING POLICIES (continued)

*Revenue recognition*

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

*Government grants*

Government grants relating to operations are reflected as revenue in operating fund.

## 3. GUARANTEED INVESTMENT CERTIFICATE

During the year, the Sherbrooke Restoration Commission had net redemptions of $9,831 (2005 - $10,540, net additions) in the Sherbrooke Village Development Fund. Total internally restricted cash at year-end is $24,932. This fund is for capital items that fulfil the long-term objectives of the Commission, such as enhancements.

## 4. PENSION PLAN

The Commission operates a defined benefit pension plan for all permanent employees which provides benefits to employees upon retirement based on length of service and average earnings during employment as defined. The most recent actuarial projection covered the financial position of the plan as at March 31, 2006. The next required actuarial valuation will be completed as at December 31, 2006.

Information about the Commission's pension plan is as follows:

| | **2006** | 2005 |
|---|---|---|
| Fair value of plan assets | **$ 1,163,827** | $ 1,008,255 |
| Accrued benefit obligation | **1,470,911** | 1,103,841 |
| Funded status - plan deficit | **(307,084)** | (95,586) |
| Accrued benefit liability | **$ 4,017** | $ 19,904 |

The significant actuarial assumptions adopted in valuing the plan are:

| | |
|---|---|
| Discount rate | 5.0% |
| Rate of compensation increase | 3.5% |
| Expected return on plan assets | 7.0% |

Other relevant disclosures include:

| | **2006** | 2005 |
|---|---|---|
| Plan contributions | **$ 53,801** | $ 50,350 |
| Benefits paid | **$ 13,483** | $ - |

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2006 is $37,914 (2005 - $35,018).

## 5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Accounts receivable | $ | **(79,024)** | $ | 6,666 |
| Inventory | | **(17,384)** | | 6,647 |
| Prepaid expenses | | **109** | | 2,241 |
| Accounts payable | | **1,904** | | (8,340) |
| | $ | **(94,395)** | $ | 7,214 |

## 6. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

## SCHEDULE 1

# SHERBROOKE RESTORATION COMMISSION
## General Operating Expenditures
**Year ended March 31, 2006**

| | **2006 Budget** | **2006 Actual** | 2005 Actual |
|---|---|---|---|
| Advertising and brochures | **$ 28,000** | **$ 16,543** | $ 20,712 |
| Bad debts | **-** | **-** | 201 |
| Freight | **1,000** | **389** | 748 |
| Heat, light and power | **74,000** | **67,251** | 68,242 |
| Insurance and taxes | **6,300** | **4,107** | 6,777 |
| Interest and bank charges | **2,000** | **2,332** | 1,746 |
| Maintenance supplies | **18,000** | **26,432** | 20,636 |
| Miscellaneous | **6,700** | **5,217** | 5,795 |
| Motor vehicles | **5,000** | **4,552** | 5,365 |
| Office supplies and postage | **13,700** | **12,595** | 16,036 |
| Professional fees | **9,000** | **9,602** | 11,086 |
| Property maintenance and security salaries | **105,385** | **112,489** | 105,457 |
| Pension plan and other benefits | **118,500** | **87,086** | 84,271 |
| Salaries and wages - Administration | **143,125** | **130,482** | 145,580 |
| Sewer and water | **34,000** | **25,292** | 35,276 |
| Staff and Commission training and travel | **19,000** | **22,017** | 15,618 |
| Special projects wages | **-** | **248** | 183 |
| Telephone | **16,000** | **19,205** | 15,213 |
| Workers' compensation | **18,000** | **16,322** | 16,382 |
| | **$ 617,710** | **$ 562,161** | $ 575,324 |

# SCHEDULE 2

# SHERBROOKE RESTORATION COMMISSION
## Program Revenue and Expenditures
**Year ended March 31, 2006**

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Ambrotype Studio | $ 10,560 | $ 15,662 | $ 11,549 |
| Blacksmith shop | 11,315 | 14,785 | 13,487 |
| Boat shop | 800 | - | - |
| Costume shop | 26,810 | 21,322 | 25,475 |
| Craft shop | 30,905 | 25,202 | 22,982 |
| Education program | (35,000) | (27,463) | (40,808) |
| Emporium (Schedule 3) | (47,790) | (4,586) | (27,054) |
| Exhibit operations | 1,200 | - | 74 |
| Future studies | - | - | 711 |
| Guides | 263,895 | 257,670 | 241,210 |
| Jordan barn | 35,855 | 41,639 | 46,406 |
| Pottery shop | 29,855 | 25,873 | 29,761 |
| Program management | 83,105 | 83,786 | 74,219 |
| Restaurant | (2,000) | (1,004) | (2,665) |
| Riverfront project, St. Mary's Boat Club | - | 540 | - |
| Print shop | 200 | 2,250 | (389) |
| Sawmill operations | 26,245 | 33,497 | 27,575 |
| Theatre program | 285 | (2,000) | (82) |
| Turner shop | 22,180 | 17,059 | 19,768 |
| Woodworking shop | 11,135 | 12,021 | 39,913 |
| | $ 469,555 | $ 516,253 | $ 482,132 |

| | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| Program expenditures | $ 821,760 | $ 773,650 | $ 848,114 |
| Less: Program revenue | 352,205 | 257,397 | 365,982 |
| Net expenditures | $ 469,555 | $ 516,253 | $ 482,132 |

## SCHEDULE 3

# SHERBROOKE RESTORATION COMMISSION
## Retail Operations - Emporium
**Year ended March 31, 2006**

| | 2006 | 2005 |
|---|---|---|
| Revenue | | |
| Sales | **$ 116,035** | $ 143,708 |
| Cost of goods sold | | |
| Merchandise inventory, opening | **37,752** | 34,110 |
| Purchases | **77,267** | 93,270 |
| Merchandise available for sale | **115,019** | 127,380 |
| Less: Merchandise inventory, ending | **39,877** | 37,752 |
| Cost of goods sold | **75,142** | 89,628 |
| Gross profit | **40,893** | 54,080 |
| Expenses | | |
| Salaries and wages | **29,163** | 21,837 |
| General expense | **7,144** | 5,189 |
| | **36,307** | 27,026 |
| Net retail income | **$ 4,586** | $ 27,054 |

*Financial Statements of*

# SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

*March 31, 2006*

Deloitte & Touche LLP
1969 Upper Water Street
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# Auditors' Report

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

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the South Shore District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South Shore District Health Authority as at March 31, 2006 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
June 14, 2006

# SOUTH SHORE DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH SHORE HEALTH
## Table of Contents
**March 31, 2006**

# SOUTH SHORE DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH SHORE HEALTH
## Statement of Financial Position
**March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash and cash equivalents | $ 3,107,802 | $ 429,555 | $ 3,537,357 | $ 4,082,313 |
| Accounts receivable (Note 3) | 5,110,901 | 3,798,797 | 8,909,698 | 8,133,986 |
| Inventory | 664,213 | - | 664,213 | 710,156 |
| Prepaid expenses | 380,564 | 20,000 | 400,564 | 409,428 |
| | 9,263,480 | 4,248,352 | 13,511,832 | 13,335,883 |
| Long-term assets (Note 4) | 4,487,211 | - | 4,487,211 | 4,280,334 |
| Property, plant and equipment (Note 5) | - | 29,944,923 | 29,944,923 | 28,954,024 |
| | $ 13,750,691 | $ 34,193,275 | $ 47,943,966 | $ 46,570,241 |
| **LIABILITIES** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (Note 7) | $ 7,453,485 | $ 1,242,068 | $ 8,695,553 | $ 10,357,493 |
| Revenue received in advance | 2,391,906 | - | 2,391,906 | 2,235,912 |
| | 9,845,391 | 1,242,068 | 11,087,459 | 12,593,405 |
| Employee future benefits (Note 12) | 4,334,322 | - | 4,334,322 | 4,042,641 |
| Deferred capital grants (Note 8) | - | 32,769,937 | 32,769,937 | 30,107,944 |
| | 14,179,713 | 34,012,005 | 48,191,718 | 46,743,990 |
| **FUND BALANCES (DEFICIENCY)** | | | | |
| Restricted | - | - | - | - |
| Unrestricted | (429,022) | 181,270 | (247,752) | (173,749) |
| | (429,022) | 181,270 | (247,752) | (173,749) |
| | $ 13,750,691 | $ 34,193,275 | $ 47,943,966 | $ 46,570,241 |

Commitments (Note 9)

APPROVED BY THE BOARD

.......................................Chair

# SOUTH SHORE DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH SHORE HEALTH
## Statement of Changes in Fund Balances
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Restricted fund balances | | | | |
| Balance, beginning of year | $ - | $ - | $ - | $ 8,364 |
| Transfer to unrestricted fund | - | - | - | (8,364) |
| Balance, end of year | - | - | - | - |
| Unrestricted fund balances | | | | |
| Balance, beginning of year | (249,687) | 75,938 | (173,749) | (123,096) |
| Transfer from restricted fund | - | - | - | 8,364 |
| (Deficiency) excess of revenues over expenses | (179,335) | 105,332 | (74,003) | (59,017) |
| Balance, end of year | (429,022) | 181,270 | (247,752) | (173,749) |
| Total fund balances | $ (429,022) | $ 181,270 | $ (247,752) | $ (173,749) |

# SOUTH SHORE DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH SHORE HEALTH
## Statement of Operations
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Revenue | | | | |
| Department of Health funding | $ 48,582,791 | $ - | $ 48,582,791 | $ 45,401,844 |
| Veterans Affairs Canada | 2,160,860 | - | 2,160,860 | 2,037,976 |
| Patient services | 1,447,647 | - | 1,447,647 | 1,543,306 |
| Program recoveries | 7,195,520 | - | 7,195,520 | 5,571,833 |
| Amortization of deferred capital grants | - | 2,489,159 | 2,489,159 | 2,308,362 |
| Other | 473,557 | 75,275 | 548,832 | 658,616 |
| | 59,860,375 | 2,564,434 | 62,424,809 | 57,521,937 |
| Expenses | | | | |
| Addiction | 1,731,442 | - | 1,731,442 | 1,755,396 |
| Administration and support | 1,742,610 | - | 1,742,610 | 1,425,738 |
| Amortization of property, plant and equipment | - | 2,384,293 | 2,384,293 | 2,296,791 |
| Diagnostic imaging | 2,869,997 | - | 2,869,997 | 2,796,473 |
| Employee future benefits | 504,319 | - | 504,319 | 509,827 |
| Environmental | 2,041,338 | - | 2,041,338 | 2,169,603 |
| Finance | 623,105 | - | 623,105 | 585,925 |
| Food and nutrition | 2,601,883 | - | 2,601,883 | 2,643,667 |
| Health registry | 1,779,587 | - | 1,779,587 | 1,601,338 |
| Human resources | 582,464 | - | 582,464 | 482,188 |
| Information services | 1,452,422 | - | 1,452,422 | 1,211,108 |
| Laboratory | 3,885,924 | - | 3,885,924 | 3,596,631 |
| Material management | 1,470,409 | - | 1,470,409 | 1,255,775 |
| Mental health | 3,917,589 | - | 3,917,589 | 3,547,775 |
| Nursing | 24,432,713 | - | 24,432,713 | 22,615,426 |
| Other programs | 2,126,622 | - | 2,126,622 | 1,687,300 |
| Pharmacy | 803,586 | - | 803,586 | 714,166 |
| Plant and support | 3,617,205 | - | 3,617,205 | 3,264,008 |
| Public health | 1,448,194 | - | 1,448,194 | 1,218,747 |
| Rehabilitation services | 927,815 | - | 927,815 | 928,407 |
| Sundry | 1,480,486 | 74,809 | 1,555,295 | 1,455,301 |
| | 60,039,710 | 2,459,102 | 62,498,812 | 57,761,590 |
| (Deficiency) excess of revenues over expenses | (179,335) | 105,332 | (74,003) | (239,653) |
| Applied funding for 2003 - 2004 operating deficiency | - | - | - | 180,636 |
| (Deficiency) excess of revenues over expenses | $ (179,335) | $ 105,332 | $ (74,003) | $ (59,017) |

# SOUTH SHORE DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH SHORE HEALTH
## Statement of Cash Flows
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | | | |
| Operating | | | | |
| (Deficiency) excess of revenues over expenses | $ (179,335) | $ 105,332 | $ (74,003) | $ (59,017) |
| Adjusted for: | | | | |
| Amortization of property, plant and equipment | - | 2,384,293 | 2,384,293 | 2,296,791 |
| Amortization of deferred capital grants | - | (2,489,159) | (2,489,159) | (2,308,362) |
| Employee future benefits (Note 12) | 504,319 | - | 504,319 | 509,827 |
| Payment of employee future benefits (Note 12) | (212,638) | - | (212,638) | (239,800) |
| Changes in non-cash working capital items (Note 11) | 1,045,363 | (3,272,214) | (2,226,851) | 1,435,397 |
| | 1,157,709 | (3,271,748) | (2,114,039) | 1,634,836 |
| Financing | | | | |
| Proceeds from capital grants (Note 8) | - | 5,151,152 | 5,151,152 | 4,675,180 |
| Investing | | | | |
| Investment in long-term assets | (206,877) | - | (206,877) | (366,303) |
| Acquisition of property, plant and equipment | - | (3,375,192) | (3,375,192) | (4,012,207) |
| | (206,877) | (3,375,192) | (3,582,069) | (4,378,510) |
| **NET CASH INFLOW (OUTFLOW)** | 950,832 | (1,495,788) | (544,956) | 1,931,506 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 2,156,970 | 1,925,343 | 4,082,313 | 2,150,807 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 3,107,802 | $ 429,555 | $ 3,537,357 | $ 4,082,313 |
| Supplemental cash flow information: | | | | |
| Interest received | $ 24 | $ 56,903 | $ 56,927 | $ 33,828 |

## 1. DESCRIPTION OF ORGANIZATION

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

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

The South Shore District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

## 2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

*Fund accounting*

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

*Revenue recognition*

The South Shore District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

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

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and balances with banks.

### 2. ACCOUNTING POLICIES (continued)

*Inventory*

Inventories are recorded at the lower of average cost and replacement cost and includes stores, pharmacy drugs, medical/surgical, and other general inventory.

*Property, plant and equipment*

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

| | |
|---|---|
| Land improvements | 5 – 10% |
| Building and building service equipment | 2.5 – 10% |
| Equipment | 5 – 33% |
| Equipment under capital lease | 5 – 20% |

*Deferred capital grants*

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

*Employee future benefits*

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

*Use of estimates*

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

## 3. ACCOUNTS RECEIVABLE

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Department of Health | | | | |
| - operating funding | $ 2,611,017 | $ - | $ 2,611,017 | $ 3,333,406 |
| - transition support program | 33,008 | - | 33,008 | 33,008 |
| - capital grants | - | 2,657,918 | 2,657,918 | 1,004,032 |
| Veterans Affairs Canada | 176,185 | - | 176,185 | 176,930 |
| Patient care | 541,700 | - | 541,700 | 726,883 |
| HST rebates | 226,401 | 175,202 | 401,603 | 365,256 |
| Extended care facilities | 29,195 | - | 29,195 | 60,714 |
| Homecare/VON | 37,255 | - | 37,255 | 12,897 |
| Charitable foundations | 21,553 | 941,393 | 962,946 | 387,939 |
| Psychiatric recoveries | 83,314 | - | 83,314 | 121,273 |
| Other | 1,351,273 | 24,284 | 1,375,557 | 1,911,648 |
| | $ 5,110,901 | $ 3,798,797 | $ 8,909,698 | $ 8,133,986 |

## 4. LONG-TERM ASSETS

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Payroll advances | $ 116,846 | $ - | $ 116,846 | $ 121,990 |
| Employee future benefits | 4,370,365 | - | 4,370,365 | 4,158,344 |
| | $ 4,487,211 | $ - | $ 4,487,211 | $ 4,280,334 |

## 5. PROPERTY, PLANT AND EQUIPMENT

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Land and land improvements | $ 1,156,210 | $ 716,763 | 439,447 | $ 427,916 |
| Building and building service equipment | 43,996,233 | 18,429,860 | 25,566,373 | 24,930,130 |
| Equipment | 30,127,125 | 26,188,022 | 3,939,103 | 3,570,418 |
| Equipment under capital lease | 1,313,838 | 1,313,838 | - | 25,560 |
| | $ 76,593,406 | $ 46,648,483 | $ 29,944,923 | $ 28,954,024 |

## 6. CREDIT FACILITIES

The South Shore District Health Authority has an available operating line of credit with a Canadian chartered bank totalling $3.55 million. As of March 31, 2006, interest charges on any overdraft accounts are at prime less .75%. There was no amount on the operating line as at March 31, 2006.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | Operating Fund | Capital Fund | Total | Total |
| Trade payables | $ 871,439 | $ (2,364) | $ 869,075 | $ 1,105,356 |
| Accrued liabilities | 875,109 | 1,244,432 | 2,119,541 | 3,168,254 |
| Vacation pay | 3,018,135 | - | 3,018,135 | 3,095,059 |
| Salary and benefits | 2,660,089 | - | 2,660,089 | 2,958,365 |
| Other | 28,713 | - | 28,713 | 30,459 |
| | $ 7,453,485 | $ 1,242,068 | $ 8,695,553 | $ 10,357,493 |

## 8. DEFERRED CAPITAL GRANTS

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | $ 30,107,944 | $ 27,741,126 |
| Grants received for: | | |
| Capital assets purchased | 4,853,504 | 1,802,457 |
| Future capital asset purchases | 297,648 | 2,872,723 |
| | 35,259,096 | 32,416,306 |
| Amortization of deferred capital grants | (2,489,159) | (2,308,362) |
| Balance, end of year | $ 32,769,937 | $ 30,107,944 |

## 9. COMMITMENTS

*Leases and purchase commitments*

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

## 9. COMMITMENTS (continued)

| | |
|---|---|
| 2007 | $ 803,163 |
| 2008 | 719,720 |
| 2009 | 515,336 |
| 2010 | 396,679 |
| 2011 | - |
| | $ 2,434,898 |

## 10. PENSION PLAN

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2003, which showed an unfunded liability for the entire plan of $ Nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2004. At that time, there was an unfunded liability. South Shore District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2006 was $ 1,912,319 (2005 - $1,755,457).

## 11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

| | **2006** | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Accounts receivable | **$ 1,339,093** | **$ (2,114,805)** | **$ (775,712)** | $ (168,626) |
| Inventory | **45,943** | **-** | **45,943** | (145,293) |
| Prepaid expenses | **(37,494)** | **46,358** | **8,864** | (40,542) |
| Accounts payable and accrued liabilities | **(458,173)** | **(1,203,767)** | **(1,661,940)** | 1,977,686 |
| Revenue received in advance | **155,994** | **-** | **155,994** | (187,828) |
| | **$ 1,045,363** | **$ (3,272,214)** | **$ (2,226,851)** | $ 1,435,397 |

## 12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the projected benefit method pro-rated on service".

## 12. EMPLOYEE FUTURE BENEFITS (continued)

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for post retirement benefits was in December 31, 2003.

| | **2006** | 2005 |
|---|---|---|
| Accrued benefit liability | | |
| Accrued benefit obligation | **$ 4,385,751** | $ 4,068,089 |
| Add unamortized actuarial experience gain | **(51,429)** | (25,448) |
| Accrued benefit liability on the statement of financial position | **$ 4,334,322** | $ 4,042,641 |
| Net benefit costs recognized | | |
| Current service costs | **$ 251,900** | $ 272,300 |
| Interest cost | **241,500** | 228,400 |
| Current year amortized actuarial loss | **10,919** | 9,127 |
| Employee future benefit expense on the statement of operations | **$ 504,319** | $ 509,827 |
| Payment of employee future benefits on the statement of cash flows | **$ (212,638)** | $ (239,800) |

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2006 was 5.95 % (2005 – 6.05%).

## 13. FINANCIAL INSTRUMENTS

*Fair value*

The reported values of financial instruments which consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near term maturity of these instruments.

*Credit risk*

The South Shore District Health Authority performs an evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there to be no significant credit risk as at March 31, 2006.

## 14. COMPARATIVE FIGURES

Certain of the 2005 comparative balances have been reclassified to conform with the presentation adopted for the current year.

# South Shore Regional School Board

# Financial Statements

March 31, 2006

Grant Thornton

# Contents

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

To the Chairperson and Members of the Board of
The South Shore Regional School Board

We have audited the statement of financial position of the South Shore Regional School Board as at March 31, 2006, and the statements of operations and surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. As well, because of an absence of reliable accounting records, we have been unable to verify the accuracy of expenditure from school funded activities. Accordingly, our verification of these revenues and opening balances is limited to the amounts recorded in the records of the schools in which these funds are held, and we have been unable to verify the school funded expenditure. Therefore, we are not able to determine whether any adjustments might be necessary to school generated revenue, expenditure, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenditure referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Bridgewater, Nova Scotia
June 16, 2006

Grant Thornton LLP
Chartered Accountants

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## South Shore Regional School Board
## Statement of Financial Position

| As at March 31 | | 2006 | | Restated 2005 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | | **1,935,001** | $ | 305,544 |
| Cash held by schools (Notes 3 and 4) | | **999,197** | | 858,905 |
| | | **2,934,198** | | 1,164,449 |
| Accounts Receivable | | | | |
| Province of Nova Scotia | | **1,476,112** | | 2,509,779 |
| Government of Canada | | **149,370** | | 223,262 |
| Municipalities | | **-** | | - |
| Other | | **139,941** | | 236,875 |
| Receivable - Service Award Allowance (Note 9) | | **3,075,506** | | 3,165,690 |
| **Total Financial Assets** | **$** | **7,775,127** | $ | 7,300,055 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities-trade | **$** | **1,011,107** | $ | 1,712,386 |
| Payroll and Employee Deductions | | **2,040,267** | | 1,760,762 |
| Payables and Accruals - Government | | | | |
| Province of Nova Scotia | | **61,106** | | 22,911 |
| Government of Canada | | **1,824** | | 5,505 |
| Municipalities | | **17,835** | | 20,053 |
| Other (Government Service Organizations) | | **44,916** | | 42,947 |
| Deferred Revenue | | **715,858** | | 309,975 |
| Accrued Benefit Liability (Note 5) | | **179,200** | | 342,500 |
| Retirement Obligations (Note 9) | | **3,075,506** | | 3,165,690 |
| **Total Liabilities** | **$** | **7,147,619** | $ | 7,382,729 |
| **Net assets (debt)** | **$** | **627,508** | $ | (82,674) |
| **Non-Financial Assets (Note 2)** | | | | |
| Tangible Capital Assets | **$** | **-** | $ | - |
| Inventory | | **310,721** | | 421,026 |
| Prepaid expenses | | **417,429** | | 67,186 |
| | **$** | **728,150** | $ | 488,212 |
| **Accumulated surplus (Note 2)** | **$** | **1,355,658** | $ | 405,538 |

Accounting Changes (Note 3)
Trust Funds under Administration (Note 6 and Schedule D)
Contractual Obligations (Note 7)
Commitments and Contingencies (Note 9)

On Behalf of the Board

Chairperson Board Member



See accompanying notes to the financial statements.

## South Shore Regional School Board
## Statement of Operations

For the year ended March 31, 2006

| | Budget | 2006 Actual | Restated 2005 Actual |
|---|---|---|---|
| **Revenues (Schedule A)** | | | |
| Province of Nova Scotia | $ 45,683,519 | **$ 46,604,266** | $ 30,523,432 |
| Government of Canada | 324,279 | **370,875** | 247,492 |
| Municpal contributions | 12,514,200 | **12,514,197** | 7,640,139 |
| School generated funds (Note 3) | - | **3,280,484** | - |
| Board Operations | 412,245 | **387,421** | 286,467 |
| Total Revenues | $ 58,934,243 | **$ 63,157,243** | $ 38,697,530 |
| **Expenses (Schedule B)** | | | |
| Board Governance | $ 260,610 | **$ 269,038** | $ 157,282 |
| Regional Management | 1,704,329 | **1,682,125** | 1,134,535 |
| School Management & Support | 6,483,440 | **6,435,549** | 3,609,553 |
| Instruction & School Services | 29,464,813 | **30,428,357** | 20,187,583 |
| Student Support | 6,883,583 | **6,524,961** | 4,093,763 |
| Adult & Community Education | 191,632 | **204,557** | 85,407 |
| Property Services | 8,281,205 | **8,248,044** | 6,416,387 |
| Student Transportation | 5,030,925 | **4,991,455** | 3,145,098 |
| School generated funds (Note 3) | - | **3,140,192** | - |
| Other Programs | 522,838 | **446,145** | 437,440 |
| Defined benefit pension plan recovery | - | **(163,300)** | - |
| | $ 58,823,375 | **$ 62,207,123** | $ 39,267,048 |
| **School Board annual surplus/(deficit)** | $ 110,868 | **$ 950,120** | $ (569,518) |
| **Accumulated surplus (deficit), beginning of year- as previously reported** | (110,868) | **405,538** | - |
| **Transfer from Southwest Regional School Board** | - | **-** | 458,651 |
| **Accounting change-pension plan (Note 5)** | - | **-** | (342,500) |
| **Accounting change-school generated funds (Note 3)** | - | **-** | 858,905 |
| **Capital assets from Southwest Regional School Board** | - | **-** | 49,121,085 |
| **Accounting changes (Note 3)** | - | **-** | (49,121,085) |
| **Opening balance, restated** | $ - | **$ 405,538** | $ 975,056 |
| **Accumulated surplus, end of year (Note 2)** | $ - | **$ 1,355,658** | $ 405,538 |

| | Budget | 2006 Actual | Restated 2005 Actual |
|---|---|---|---|
| **Designation of accumulated surplus (Note 2):** | | | |
| **Operating-unrestricted** | $ - | **$ 356,461** | $ (453,367) |
| **School Funds-restricted** | | **999,197** | 858,905 |
| | $ - | **$ 1,355,658** | $ 405,538 |



See accompanying notes to the financial statements.

## South Shore Regional School Board
## Statement of Changes in Net Assets (Debt)

For the year ended March 31, 2006

| | | 2006 | | Restated 2005 |
|---|---|---|---|---|
| | | **Actual** | | Actual |
| **Net financial resources, as originally reported** | **$** | **(82,674)** | $ | - |
| Accounting Changes (Note 3) | | | | 516,405 |
| Surplus-Operating transferred from: | | | | |
| Southwest Regional School Board, August 1, 2004 | | **-** | | 328,622 |
| Surplus-Reserve transferred from: | | | | |
| Southwest Regional School Board, August 1, 2004 | | **-** | | 128,314 |
| **Net financial resources, beginning of year, as Restated** | | **(82,674)** | | 973,341 |
| **Changes in the Period** | | | | |
| Interest on Restricted Funds | | **-** | | 1,715 |
| Annual surplus (deficit) | | **950,120** | | (569,518) |
| Decrease (increase) in inventories of supplies | | **3,597** | | (421,026) |
| Increase in prepaid expenses | | **(243,535)** | | (67,186) |
| **Increase (decrease) in net debt** | | **710,182** | | (1,056,015) |
| **Net Assets (debt) at end of year** | **$** | **627,508** | $ | (82,674) |



See accompanying notes to the financial statements.

## South Shore Regional School Board
## Statement of Cash Flow

| For the year ended March 31, 2006 | 2006 | Restated 2005 |
|---|---|---|
| **Indirect Method** | | |
| **Operating transactions** | | |
| Annual Operating Surplus (deficit) | **$ 950,120** | $ (569,518) |
| Accumulated surplus, beginning of period-Southwest | **-** | 458,651 |
| School generated funds (Notes 3 and 4) | **-** | 858,905 |
| Items not affecting cash: | | |
| Capital Asset Amortization | **-** | - |
| Deferred contributions amortization | **-** | - |
| | **-** | - |
| Changes in non-cash working capital | | |
| (Increase) decrease in accounts receivable | **1,204,493** | (2,969,916) |
| (Increase) decrease in inventories of supplies | **110,305** | (421,026) |
| Increase in prepaid expenses | **(350,243)** | (67,186) |
| Increase (decrease) in accounts payable and accruals | **(387,509)** | 3,564,564 |
| Decrease in accrued benefit liability | **(163,300)** | - |
| Increase in deferred revenue | **405,883** | 309,975 |
| | **819,629** | 416,411 |
| Cash provided by operating activities | **1,769,749** | 1,164,449 |
| **Capital activitites** | | |
| Cash used to acquire tangible capital assets | **-** | - |
| Cash applied to capital activities | **-** | - |
| Increase in cash | **1,769,749** | 1,164,449 |
| Cash at beginning of period | **1,164,449** | - |
| Cash at end of year | **$ 2,934,198** | $ 1,164,449 |

See accompanying notes to the financial statements.

## South Shore Regional School Board
## Schedule A - Supplementary Details of Revenues

For the year ended March 31, 2006

| | 2006 | | Restated 2005 |
|---|---|---|---|
| | **Budget** | **Actual** | Actual |
| **Province of Nova Scotia** | | | |
| Operating | $ 36,661,600 | **$ 36,661,600** | $ 24,158,334 |
| Restricted | 6,030,778 | **5,808,043** | 2,419,951 |
| Capital | 1,819,600 | **2,020,114** | 2,031,954 |
| Other | 1,171,541 | **2,114,509** | 1,850,961 |
| Recoveries | - | **-** | 62,232 |
| | $ 45,683,519 | **$ 46,604,266** | $ 30,523,432 |
| **Government of Canada** | | | |
| HRDC | $ - | **$ 2,998** | $ - |
| Other | 178,592 | **190,734** | 144,450 |
| First Nations | 145,687 | **177,143** | 103,042 |
| | $ 324,279 | **$ 370,875** | $ 247,492 |
| **Municpal contributions-Mandatory** | $ 12,514,200 | **$ 12,514,197** | $ 7,640,139 |
| | $ 12,514,200 | **$ 12,514,197** | $ 7,640,139 |
| **School generated funds (Notes 3 & 4)** | $ - | **$ 3,280,484** | $ - |
| | $ - | **$ 3,280,484** | $ - |
| **Other Revenues-Board Operations:** | | | |
| Board Generated -Other | $ 349,745 | **$ 299,683** | $ 173,564 |
| Rentals | - | **275** | - |
| Interest/Investment | 60,000 | **84,522** | 46,899 |
| Sale of Assets | 2,500 | **2,941** | 3,099 |
| From Other - School Boards | - | **-** | 62,905 |
| | $ 412,245 | **$ 387,421** | $ 286,467 |
| **Total Revenues** | $ 58,934,243 | **$ 63,157,243** | $ 38,697,530 |



See accompanying notes to the financial statements.

## South Shore Regional School Board
## Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2006

| | 2006 Budget | 2006 Actual | Restated 2005 Actual |
|---|---|---|---|
| **Board Governance** | | | |
| Salaries | $ 127,402 | **$ 138,961** | $ 96,520 |
| Benefits | 6,894 | **5,739** | 5,006 |
| Travel | 24,450 | **22,192** | 15,936 |
| Supplies/Materials/Telecommunications | 16,000 | **16,282** | 9,902 |
| Professional Development | 29,200 | **29,200** | 2,774 |
| NSSBA Dues | 56,664 | **56,664** | 27,144 |
| **Total Board Governance** | $ 260,610 | **$ 269,038** | $ 157,282 |
| **Regional Management** | | | |
| Salaries | $ 1,012,598 | **$ 1,000,700** | $ 582,689 |
| Benefits | 178,352 | **185,267** | 85,425 |
| Travel | 33,800 | **19,486** | 15,239 |
| Professional Services-Legal and Audit | 40,855 | **47,156** | 117,361 |
| Contracted Services | 564,071 | **560,374** | 377,660 |
| Repairs/Maintenance | 14,720 | **11,513** | 27,824 |
| Supplies/Materials/Telecommunications | 122,760 | **111,986** | 76,295 |
| Utilities | 20,724 | **18,136** | 11,993 |
| Professional Development | 45,362 | **29,137** | 21,646 |
| Bank/Interest Costs | 1,000 | **-** | 125 |
| Insurance | 78,105 | **75,889** | 47,259 |
| Recovery-Shared Services | (408,018) | **(377,519)** | (228,981) |
| **Total Regional Management** | $ 1,704,329 | **$ 1,682,125** | $ 1,134,535 |
| **School Management & Support** | | | |
| Salaries | $ 4,678,248 | **$ 4,796,952** | $ 2,986,524 |
| Benefits | 421,598 | **413,390** | 203,087 |
| Travel | 60,550 | **52,707** | 28,887 |
| Contracted Services | 27,165 | **55,205** | 34,723 |
| Repairs/Maintenance | 6,100 | **6,812** | 2,076 |
| Supplies/Materials/Telecommunications | 867,615 | **745,495** | 263,408 |
| Professional Development | 422,164 | **364,988** | 90,848 |
| **Total School Management & Support** | $ 6,483,440 | **$ 6,435,549** | $ 3,609,553 |
| **Instruction & School Services** | | | |
| Salaries | $ 26,501,320 | **$ 27,645,680** | $ 18,485,073 |
| Benefits | 1,459,773 | **1,471,288** | 811,808 |
| Service award allowances-current (Note 6) | 356,900 | **64,117** | 104,066 |
| Travel | 6,500 | **3,402** | 3,027 |
| Contracted Services | 178,352 | **180,268** | 116,689 |
| Supplies/Materials/Telecommunications | 457,868 | **455,102** | 301,458 |
| Textbook Allocation | 504,100 | **504,100** | 296,262 |
| Service award allowances-interest (Note 6) | - | **104,400** | 69,200 |
| **Total Instruction & School Services** | $ 29,464,813 | **$ 30,428,357** | $ 20,187,583 |



See accompanying notes to the financial statements.

# South Shore Regional School Board
## Schedule B - Supplementary Details of Expenditures
For the year ended March 31, 2006

| | 2006 Budget | 2006 **Actual** | Restated 2005 Actual |
|---|---|---|---|
| **Student Support** | | | |
| Salaries | $ 5,863,737 | **$ 5,757,432** | $ 3,650,639 |
| Benefits | 749,429 | **639,651** | 346,303 |
| Travel | 38,737 | **43,297** | 25,460 |
| Supplies/Materials/Telecommunications | 2,500 | **2,641** | - |
| Supplies/Materials/Telecommunications | 200,733 | **56,119** | 62,984 |
| Professional Development | 28,447 | **25,821** | 8,377 |
| **Total Student Support** | $ 6,883,583 | **$ 6,524,961** | $ 4,093,763 |
| **Adult & Community Education** | | | |
| Salaries | $ 173,652 | **$ 188,130** | $ 70,907 |
| Benefits | 10,746 | **12,258** | 8,090 |
| Travel | 500 | **-** | 95 |
| Contracted Services | 2,484 | **1,539** | 1,449 |
| Supplies/Materials/Telecommunications | 4,250 | **2,630** | 4,519 |
| Professional Development | - | **-** | 347 |
| **Total Adult Ed & Community Education** | $ 191,632 | **$ 204,557** | $ 85,407 |
| **Property Services** | | | |
| Salaries | $ 2,505,476 | **$ 2,444,269** | $ 1,633,282 |
| Benefits | 480,179 | **483,086** | 275,765 |
| Travel | 5,450 | **2,426** | 4,292 |
| Contracted Services | 485,768 | **413,650** | 349,828 |
| Repairs/Maintenance | 2,514,339 | **2,679,908** | 2,677,671 |
| Vehicle Expenses | 19,120 | **23,810** | 17,908 |
| Supplies/Materials/Telecommunications | 184,528 | **166,975** | 89,516 |
| Utilities | 2,000,569 | **1,976,826** | 1,338,057 |
| Professional Development | 8,500 | **13,945** | 1,198 |
| Insurance | 272,481 | **278,141** | 191,620 |
| Recoveries | (195,205) | **(234,992)** | (162,750) |
| **Total Property Services** | $ 8,281,205 | **$ 8,248,044** | $ 6,416,387 |
| **Student Transportation** | | | |
| Salaries | $ 2,707,961 | **$ 2,632,348** | $ 1,722,284 |
| Benefits | 550,318 | **533,696** | 311,253 |
| Travel | 107,700 | **89,485** | 53,030 |
| Contracted Services | 65,500 | **43,643** | 53,787 |
| Repairs/Maintenance | 153,620 | **104,800** | 47,290 |
| Vehicle Maintenance | 1,110,426 | **1,275,527** | 715,352 |
| Conveyance | 87,200 | **63,403** | 52,460 |
| Supplies/Materials/Telecommunications | 79,700 | **77,739** | 44,127 |
| Utilities | 50,800 | **52,681** | 40,621 |
| Professional Development | 15,300 | **16,938** | 2,136 |
| Insurance | 102,400 | **101,195** | 102,758 |
| **Total Student Transportation** | $ 5,030,925 | **$ 4,991,455** | $ 3,145,098 |



See accompanying notes to the financial statements.

## South Shore Regional School Board
## Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2006

| | 2006 Budget | 2006 **Actual** | Restated 2005 Actual |
|---|---|---|---|
| **School Generated Funds** | | | |
| School funded activities (Notes 3 & 4) | $ - | **$ 3,140,192** | $ - |
| **Total School Generated Funds** | $ - | **$ 3,140,192** | $ - |
| | | | |
| **Other Programs** | | | |
| Salaries | $ 271,073 | **$ 272,439** | $ 175,953 |
| Benefits | 23,581 | **8,206** | 4,504 |
| Travel | 3,500 | **3,145** | 1,649 |
| Contracted Services | - | **1,004** | - |
| Repairs/Maintenance | - | **2,701** | 21,831 |
| Supplies/Materials/Telecommunications | 224,684 | **158,650** | 233,503 |
| **Total Other Programs** | $ 522,838 | **$ 446,145** | $ 437,440 |
| | | | |
| **Defined benefit pension plans** | | | |
| Defined benefit pension recovery | $ - | **$ (163,300)** | $ - |
| | $ - | **$ (163,300)** | $ - |
| | | | |
| **Total Expenditures** | $ 58,823,375 | **$ 62,207,123** | $ 39,267,048 |



See accompanying notes to the financial statements.

**South Shore Regional School Board**
**Schedule C - Supplementary Details of Tangible Capital Assets**
For the year ended March 31, 2006

| | Land, Buildings and Improvements | Major Equipment | Computer Hardware | Vehicles | **2006 Total** | **2005 Total** |
|---|---|---|---|---|---|---|
| Cost of Tangible Assets transferred from Southwest Regional School Board | $ - | $ - | $ - | $ - | **$ -** | **$ -** |
| Additions | **-** | - | - | - | **-** | **-** |
| Disposals | **-** | - | - | - | **-** | **-** |
| Closing Costs | $ - | $ - | $ - | $ - | **$ -** | **$ -** |
| Accumulated Amortization: | | | | | | |
| Opening balance | $ - | $ - | $ - | $ - | **$ -** | **$ -** |
| Disposals | - | - | - | - | **-** | **-** |
| Amortization expense | - | - | - | - | **-** | **-** |
| Closing Balance | $ - | $ - | $ - | $ - | **$ -** | **$ -** |
| Net Book Value (NBV) | $ - | $ - | $ - | $ - | **$ -** | **$ -** |
| Net Book Value (NBV): | | | | | | |
| Opening balance | $ - | $ - | $ - | $ - | **-** | **-** |
| Closing Balance | - | - | - | - | **-** | **-** |
| Increase( Decrease) in NBV | $ - | $ - | $ - | $ - | **$ -** | **$ -** |

## South Shore Regional School Board
## Schedule D-Trust Funds Balance Sheet

| As at March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | **$** | **335,438** | $ | 339,717 |
| | | | | |
| **Equity** | | | | |
| Reserve for scholarships | | | | |
| Teachers' Scholastic Scholarship | | **3,857** | | 4,920 |
| Forbes Mountain Scholarship | | **152** | | 148 |
| Josephine Christie Fredea Award | | **1,400** | | 1,439 |
| South Shore District Memorial Scholarship | | **3,259** | | 3,421 |
| Murray Barkhouse Scholarship Fund | | **4,210** | | 3,841 |
| Robert Hirtle Memorial Fund | | **2,404** | | 1,286 |
| Dr. K.C.Ghandi Marfatia Scholarship Fund | | **11,606** | | 11,565 |
| W.G.L. Hirtle Scholarship | | **10,521** | | 10,259 |
| Elinor Muir Leary Scholarship | | **9,693** | | 9,632 |
| Irene and Derrell Ernst Scholarship | | **4,777** | | 4,757 |
| David Lowe Scholarship | | **7,750** | | 7,657 |
| Clara Quinlan Scholarship | | **5,098** | | 5,191 |
| Monte Oickle Scholarship | | **4,206** | | 4,347 |
| Colleen Finck Memorial | | **114,626** | | 116,685 |
| Paul Eisnor Memorial | | **379** | | 469 |
| Austin Nauss Scholarship | | **480** | | 766 |
| Timothy Daniels Memorial | | **4,534** | | 4,916 |
| Sylvia Weagle Bursary | | **28,144** | | 28,157 |
| Dr J.C. Wickwire | | **1,860** | | 2,301 |
| M. Ernst MacLeod | | **4,097** | | 3,995 |
| Colleen Finck Memorial-Acadia | | **56,682** | | 59,812 |
| Erma Westhaver Loomis | | **36,782** | | 36,164 |
| John S. Derrick | | **9,986** | | 9,887 |
| Caterina Cushing | | **7,924** | | 7,926 |
| Margaret Marshall | | **1,011** | | - |
| CUPE Pension Fund | | **-** | | 176 |
| | **$** | **335,438** | $ | 339,717 |

On Behalf of the Board

Chairperson

Board Member

## South Shore Regional School Board
## Schedule E - Supplementary Details of Trust Funds
For the year ended March 31, 2006

| | Balance Beginning of Period | Additions | Interest | Disbursements | **Balance End of Period** |
|---|---|---|---|---|---|
| Teachers Scholastic | $ 4,920 | $ 4,672 | $ 116 | $ (5,851) | **$ 3,857** |
| Forbes Mountain | 148 | | 4 | | **152** |
| J.C. Fredea Award | 1,439 | | 36 | (75) | **1,400** |
| South Shore District Memorial | 3,421 | 500 | 88 | (750) | **3,259** |
| M. Barkhouse Scholarship Fund | 3,841 | 562 | 107 | (300) | **4,210** |
| Robert Hirtle Memorial Fund | 1,286 | 1,075 | 43 | | **2,404** |
| Dr. K.C. Marfatia Ghandi | 11,565 | | 291 | (250) | **11,606** |
| W.G.L. Hirtle | 10,259 | | 262 | | **10,521** |
| Elinor Muir Leary | 9,632 | | 244 | (183) | **9,693** |
| Irene / Derrell Ernst | 4,757 | | 120 | (100) | **4,777** |
| David Lowe | 7,657 | 100 | 193 | (200) | **7,750** |
| Clara Quinlan | 5,191 | | 132 | (225) | **5,098** |
| Monte Oickle | 4,347 | | 109 | (250) | **4,206** |
| Colleen Finck Memorial | 116,685 | | 2,941 | (5,000) | **114,626** |
| Paul Eisnor | 469 | | 10 | (100) | **379** |
| Austin Nauss | 766 | | 14 | (300) | **480** |
| Timothy Daniels | 4,916 | | 118 | (500) | **4,534** |
| S Weagle Bursary | 28,157 | | 711 | (724) | **28,144** |
| Dr J.C. Wickwire | 2,301 | | 59 | (500) | **1,860** |
| M. Ernst MacLeod | 3,995 | | 102 | | **4,097** |
| Colleen Finck Memorial-Acadia | 59,812 | 431 | 1,439 | (5,000) | **56,682** |
| Erma Westhaver Loomis | 36,164 | | 918 | (300) | **36,782** |
| John S. Derrick | 9,887 | 344 | 255 | (500) | **9,986** |
| Caterina Cushing | 7,926 | 789 | 209 | (1,000) | **7,924** |
| Margaret Marshall | 0 | 1,000 | 11 | | **1,011** |
| CUPE Pension Fund | 176 | | | (176) | **0** |
| | $ 339,717 | $ 9,473 | $ 8,532 | $ (22,284) | **$ 335,438** |



See accompanying notes to the financial statements.

## 1. Board Restructuring

The Southwest Regional School Board was dissolved on July 31, 2004 and two new regional school boards were formed on August 1, 2004 under the names of South Shore Regional School Board and Tri-County Regional School Board. The areas of Finance, Human Resources and Information Technology were structured as shared services for both the regional school boards.

## 2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting polices:

### Basis of Accounting and Consolidation

**Revenues**
Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

The consolidated statement of financial position is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

**Expenses**
Expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and are for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

**Financial Assets**
Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principle amount less valuation allowances, if applicable.

## 2. Financial Reporting and Accounting Policies (continued)

**Liabilities**
Pension, Retirement and Other Obligations include various employee benefits. For purposes of these financial statements, the School Board's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Board's best estimates of performance over the long-term. The net pension liabilities represent accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses.

**Deferred Revenue**
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year that the related expenditures are incurred or service performed.

**Net Assets**
Net assets represent the financial assets of the Board less financial liabilities.

**Non-Financial Assets**
The Southwest Regional School Board was dissolved on July 31, 2004.

Inventories are bus garage parts and bus tire inventories recorded at average cost. All other supplies and purchases are expensed.

**Tangible Capital Assets**

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost, when applicable. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right. The buildings and school buses financed by the Province of Nova Scotia and transferred to the school boards are not accounted for in the school board's financial statements, rather they are included in the Province of Nova Scotia's financial statements.

The Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. At March 31, 2006, none of the capital assets purchased by the Board qualified as tangible capital assets. The thresholds as defined in the policy are as follows:

| | |
|---|---|
| Buildings | $250,000 |
| Leasehold improvements | $150,000 |
| Computer hardware | $25,000 |
| Motor vehicles | $15,000 |
| Equipment | $50,000 |
| Software | $250,000 |

**Prepaid expenses and Inventories**

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

**Accumulated Surplus**
Accumulated Surplus represents the financial and non-financial assets of the School Board less financial liabilities. This represents the accumulated balance of net surplus/deficit arising from the operations of the Board and school generated funds.

| Changes in surplus are as follows: | 2006 | 2005 |
|---|---|---|
| Balance Surplus beginning | $ 405,538 | $ 458,651 |
| Recognition of Defined Benefit Pension | | (342,500) |
| Surplus after pension plan restatement | | $ 116,151 |
| Accounting change-school generated funds (Notes 3 and 12) | | 858,905 |
| Surplus (deficit), current year | 950,120 | (569,518) |
| Balance Surplus(Deficit) | $ 1,355,658 | $ 405,538 |
| | | |
| **Designation of accumulated surplus:** | | |
| **General Fund-unrestricted** | **$ 356,461** | **$ (453,367)** |
| **School general funds-restricted** | **999,197** | **858,905** |
| **Balance Surplus(Deficit)** | **$ 1,355,658** | **$ 405,538** |

## 3. Accounting Changes

a) In adopting the new School Board Financial Handbook in 2005, the School Board has removed (written off) from the accounting records, capital assets previously included on the financial statements of the Southwest Regional School Board, as sufficient historical costing information is not available. This change in accounting has decreased the school board's capital equity, as transferred from the Southwest Regional School Board, by $49,121,085.

b) The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching staff. As at March 31,2006, this provision amounted to $1,049,799 (March 31, 2005 $1,357,848) This accounting change has no effect of the school board's annual surplus or its accumulated surplus in either year, as a receivable from the Province of Nova Scotia has been recognized by the School Board equivalent to the provision.

c) Vacation pay for 12-month employees has been accrued beginning on March 31, 2005 and is recorded as a salary expense. This change has not been applied retroactively and has no effect on the annual surplus or the accumulated surplus in either year, as a receivable from the Province of Nova Scotia has also been recognized by the School Board equivalent to the vacation pay accrued.

d) Accounting for the School Boards' defined benefit pension plans became a requirement for the 2005 fiscal year. These financial statements have been restated retroactively to account for this change in accounting policy, as disclosed in note 5 of these financial statements.

e) As a result of the Board adopting the recommendations of PSAB, the Board is now required to recognize school generated funds. (Note 4)

### 4. School Generated Funds

These financial statements include funds arising from certain school and student activities that are controlled and administered by each school, but for which the Board is accountable. Revenue from school funds is recognized as the funds are received. School funded activities expenses are recorded as the funds are expended. School Generated Funds, which include the revenues and expenditures and fund balances of various organizations that exist at the school level under the jurisdiction of the school board, are not reflected on the consolidated financial statements for the eight months ended March 31, 2005 but are reported as a note only for that period.

Changes in cash held by schools are as follows:

| | |
|---|---|
| Balance, April 1, 2005 | $ 858,905 |
| Additions to school generated funds | 3,280,484 |
| School funded activities expenses | (3,140,192) |
| Net school generated funds for year | 140,292 |
| Balance, March 31, 2006 | $ 999,197 |

### 5. Defined benefit pension plans

The School Board maintains two defined benefit pension plans, one for its C.U.P.E staff and a second for its support staff. These pension plans originated in the Southwest Regional School Board, and have not yet been formally split between the South Shore Regional School Board (SSRSB) and the Tri-County Regional School Board (TCRSB). The pension plan actuaries have divided the assets of each plan between the two boards in proportion to the obligations for members from each school board as at the measurement date of December 31, 2004.
Valuations of the Plans were performed as of December 31, 2004 and results were projected forward to December 31, 2005 and December 31, 2006 to determine the fiscal 2006 pension expense.

For both plans, employee contributions equal 5% of their salary, and the School Boards contribute the balance to fund the plan. Employee benefits are based on career earning levels.

***C.U.P.E defined benefit pension plan.***

The CUPE pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2005 and 2006. The accrued benefit asset was adjusted to March 31, 2005 and 2006 by including employer contributions made between January and March of each year. The actuarial valuation projects the funded status of $506,600 for the SSRSB and $83,500 for the TCRSB for a total of $590,100. Plan assets are recorded at market value. The board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

The following table shows the plan’s pension expense for the 2006 fiscal year, the expected benefit asset as at March 31, 2006 and a reconciliation of the accrued benefit asset as at March 31, 2006.

### 5. Defined benefit pension plans (continued)

| **Pension Expense:** | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Current service cost (net of employee Contributions) | $ 201,200 | $ 156,500 | $ 357,700 |
| **Pension Interest expense** | | | |
| Interest cost on the Accrued Benefit Obligation | 392,200 | 49,900 | 442,100 |
| Expected return on Plan Assets | (398,900) | (51,200) | (450,100) |
| **Total 2006 pension expense** | **$ 194,500** | **$ 155,200** | **$ 349,700** |

**Development of Accrued Benefit Asset as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Accrued Benefit Asset as at March 31, 2005 | $ 149,100 | $ 52,900 | $ 202,000 |
| Fiscal 2006 Expense | (194,500) | (155,200) | (349,700) |
| Fiscal 2006 School Board Contributions | 242,000 | 185,200 | 427,200 |
| **Accrued Benefit Asset as at March 31, 2006** | **$ 196,600** | **$ 82,900** | **$ 279,500** |

**Reconciliation of the Accrued Benefit Asset as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Assets - at projected market values | $7,480,800 | $1,094,800 | $8,575,600 |
| Accrued Benefit Obligation | 6,974,200 | 1,011,300 | 7,985,500 |
| Funded status as at March 31, 2006 | 506,600 | 83,500 | 590,100 |
| Less: unamortized actuarial gains | (370,900) | (47,700) | (418,600) |
| Plus: Employer Contributions January to March 2006 | 60,900 | 47,100 | 108,000 |
| **Accrued Benefit Asset as at March 31, 2006** | **$ 196,600** | **$ 82,900** | **$ 279.500** |

Major assumptions regarding the CUPE pension plan are as follows:

| | |
|---|---|
| Discount rate and expected rate of return on plan assets | 6% |
| Annual salary increases | 3% |
| Interest credited on employee contributions | 6% |
| Retirement age | 65 years |
| Estimated Average Remaining Service Life | 14 years |

***Support staff defined benefit pension plan.***

The Support Staff pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2005 and 2006. The accrued benefit asset was adjusted to March 31, 2005 and 2006 by including employer contributions made between January and March of each year. The actuarial valuation projects an unfunded status of $36,200 for the SSRSB and a funded status of $31,600 for the TCRSB for a net unfunded status of $ 4,600. Plan assets are recorded at market value. The board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

## 5. Defined benefit pension plans (continued)

The following table shows the plan's pension expense for the 2006 fiscal year, the expected benefit asset (liability) as at March 31, 2006 and a reconciliation of the Accrued Benefit Asset (Liability) as at March 31, 2006.

| **Pension Expense:** | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Current service cost (net of employee Contributions) | $ 317,700 | $ 128,800 | $ 446,500 |
| **Pension Interest expense** | | | |
| Interest cost on the Accrued Benefit Obligation | 428,500 | 24,600 | 453,100 |
| Expected return on Plan Assets | (398,000) | (24,000) | (422,000) |
| **Total 2006 pension expense** | **$ 348,200** | **$ 129,400** | **$ 477,600** |

**Development of Accrued Benefit Asset (Liability) as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Accrued Benefit Asset as at March 31, 2005 | $(491,600) | $ (1,100) | $(492,700) |
| Fiscal 2006 Expense | (348,300) | (129,300) | (477,600) |
| Fiscal 2006 School Board Contributions | 464,100 | 176,900 | 641,000 |
| **Accrued Benefit Asset (Liability) as at March 31, 2006** | **$(375,800)** | **$ 46,500** | **$(329,300)** |

**Reconciliation of the Accrued Benefit Asset (Liability) as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Assets - at projected market values | $7,709,800 | $ 567,600 | $8,277,400 |
| Accrued Benefit Obligation | 7,746,000 | 536,000 | 8,282,000 |
| Funded status as at March 31, 2006 | (36,200) | 31,600 | (4,600) |
| Less: unamortized actuarial losses | (453,200) | (27,400) | (480,600) |
| Plus: Employer Contributions January to March 2006 | 113,600 | 42,300 | 155,900 |
| **Accrued Benefit Asset (Liability) as at March 31, 2006** | **(375,800)** | **46,500** | **(329,300)** |

Major assumptions regarding the Support Staff pension plan are as follows:

| | |
|---|---|
| Discount rate and expected rate of return on plan assets | 6% |
| Annual salary increases | 3% |
| Interest credited on employee contributions | 6% |
| Retirement age | 60 years |
| Estimated Average Remaining Service Life | 15 years |

**Defined benefit pension plans (continued)**

The combined Defined Benefit Pension Plans for the South Shore Regional School Board is recorded on the balance sheet as follows:

| | |
|---|---|
| Accrued Benefit Liability – March 31, 2005 | $ 342,500 |
| Accrued Benefit Liability – March 31, 2006 | $ 179,200 |

This is the first year of implementation for accounting for this defined benefit pension plan. As this is considered a change in accounting policy, the change was applied retroactively.

The 2005 figures have been restated to set up an Accrued Benefit Liability of $342,500 along with a decrease of $342,500 in accumulated surplus, which represents the combined effect of the CUPE and Support Staff pension plan adjustments as at March 31, 2005.

***Other pension plans***

The School Board's teaching staff is covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers Pension Act. Employer contributions for these employees are provided directly by the Province of Nova Scotia. The pension costs and obligations related to this plan are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

## 6. Trust Funds under Administration

Trust fund assets administered by the School Board are identified in Schedule D. The Trust funds represent capital contributed in trust as well as income thereon. Such income is used to provide scholarships for eligible students or for expenditures for specifically, designated purposes.

## 7. Contractual Obligations

Minimum payments over the next five years are as follows:

| | Copier Leases | Rental Leases | Total |
|---|---|---|---|
| 2007 | $ 109,583 | $ 170,046 | $ 279,629 |
| 2008 | 62,335 | 76,224 | 138,559 |
| 2009 | 17,557 | 56,974 | 74,531 |
| 2010 | 1,803 | 14,918 | 16,721 |
| 2011 | 611 | | 611 |
| **Total** | $ 191,889 | $ 318,162 | $ 510,051 |

## 8. Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

## 9. Commitments and contingencies

**Service Awards**

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Queens District - 0.45 of 1% of a TC5 - MAX per year of service (maximum 35 years)
Lunenburg District - $200 per year of service (maximum 35 years)

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and the Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

**Service Awards (continued)**

For all service commencing on or after August 1, 2002 under the terms of agreement with the NSTU and Province of Nova Scotia the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years of service with the Board. The amount of the award is as follows: 1% of each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia.

| **Continuity of Service Award Allowance Liability** | **March 31, 2006** | **March 31, 2005** |
|---|---|---|
| Actuarial liability, beginning of period | $ 1,787,500 | $ 1,850,826 |
| Beginning unamortized gain/(loss), liability | 1,378,190 | 1,297,198 |
| Beginning balance per financial statements | $ 3,165,690 | $ 3,148,024 |
| Current service cost (Retiring allowance expense) | $ 143,700 | $ 90,400 |
| Amortization of experience gains/losses | (79,583) | 13,666 |
| Service award expense | $ 64,117 | $ 104,066 |
| | | |
| Estimated benefits paid | (258,701) | (155,600) |
| Interest expense-Service Awards-Teachers | 104,400 | 69,200 |
| Ending balance per Balance Sheet, March 31, 2006 | $ 3,075,506 | $ 3,165,690 |
| Reconciliation to actuarial report: | | |
| Per actuaries | $ 1,801,600 | $ 1,787,500 |
| Unamortized gain/(loss) | 1,273,906 | 1,378,190 |
| | $ 3,075,506 | $ 3,165,690 |

**Sick leave**

The Board has not recognized in these consolidated financial statements, the liability associated with accumulated sick leave as the liability cannot be reasonably estimated.

### 10. Bank Indebtedness

The Board had an operating line of credit of $346,000, as of March 31, 2005, with the Bank of Montreal. As of March 31, 2006, this line of credit has not been utilized.

### 11. Comparative figures

The results for 2005 are for the eight month period, August 1, 2004 to March 31, 2005 since the formation of the South Shore Regional School Board was August 1, 2004 and have been restated to reflect school generated funds and defined benefit pension plans expense.

*Financial Statements of*

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

*March 31, 2006*

Deloitte & Touche LLP
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Suite 1500
Purdy's Wharf Tower II
Halifax NS  B3J 3R7
Canada

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# Auditors' Report

To the Chairman and Members of the Board of Directors of the
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South West Nova District Health Authority as at March 31, 2006 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants
June 14, 2006

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH WEST HEALTH
## Table Of Contents
**March 31, 2006**

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH WEST HEALTH
## Statement of Financial Position
**March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash and cash equivalents | $ 1,689,383 | $ (2,576,432) | $ (887,049) | $ 507,592 |
| Accounts receivable (Note 3) | 6,407,966 | 2,677,003 | 9,084,969 | 7,408,074 |
| Inventory | 1,013,428 | - | 1,013,428 | 990,267 |
| Prepaid expenses | 823,431 | - | 823,431 | 756,410 |
| | 9,934,208 | 100,571 | 10,034,779 | 9,662,343 |
| Long-term assets (Note 4) | 6,078,526 | - | 6,078,526 | 5,713,645 |
| Property, plant and equipment (Note 5) | - | 69,720,918 | 69,720,918 | 69,529,627 |
| | $ 16,012,734 | $ 69,821,489 | $ 85,834,223 | $ 84,905,615 |
| **LIABILITIES** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (Note 7) | $ 6,768,557 | $ 585,599 | $ 7,354,156 | $ 7,410,648 |
| Revenue received in advance | 3,656,152 | - | 3,656,152 | 3,215,969 |
| | 10,424,709 | 585,599 | 11,010,308 | 10,626,617 |
| Employee future benefits (Note 12) | 5,595,556 | - | 5,595,556 | 5,429,385 |
| Deferred capital grants (Note 8) | - | 69,067,991 | 69,067,991 | 68,620,129 |
| | 16,020,265 | 69,653,590 | 85,673,855 | 84,676,131 |
| **FUND BALANCES** | | | | |
| Restricted | 70,217 | 10,645 | 80,862 | 80,862 |
| Unrestricted | (77,748) | 157,254 | 79,506 | 148,622 |
| | (7,531) | 167,899 | 160,368 | 229,484 |
| | $ 16,012,734 | $ 69,821,489 | $ 85,834,223 | $ 84,905,615 |

Commitments (Note 9)

APPROVED BY THE BOARD

……………………………..………..………Chair

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH WEST HEALTH
## Statement of Changes in Fund Balances
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Restricted fund balances | **$ 70,217** | **$ 10,645** | **$ 80,862** | $ 80,862 |
| Unrestricted fund balances (deficiencies) | | | | |
| Balance, beginning of year | **(85,093)** | **233,715** | **148,622** | (154,328) |
| Allocation for 2003/2004 operating deficit | **-** | **-** | **-** | 473,805 |
| Excess (deficiency) of revenues over expenses | **7,345** | **(76,461)** | **(69,116)** | (170,855) |
| Balance, end of year | **(77,748)** | **157,254** | **79,506** | 148,622 |
| Total fund balances (deficiencies) | **$ (7,531)** | **$ 167,899** | **$ 160,368** | $ 229,484 |

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH WEST HEALTH
## Statement of Operations
### Year ended March 31, 2006

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Revenue | | | | |
| Department of Health funding | **$ 60,116,510** | **-** | **$ 60,116,510** | $ 55,971,548 |
| Veterans Affairs Canada | **1,428,521** | **-** | **1,428,521** | 1,495,352 |
| Patient services | **1,474,823** | **-** | **1,474,823** | 1,278,073 |
| Physician funding | **2,700,525** | **-** | **2,700,525** | 2,273,524 |
| Program recoveries | **5,951,710** | **-** | **5,951,710** | 4,607,822 |
| Amortization of deferred capital grants | **-** | **3,576,559** | **3,576,559** | 3,529,615 |
| Other | **766,720** | **9,950** | **776,670** | 818,902 |
| | **72,438,809** | **3,586,509** | **76,025,318** | 69,974,836 |
| Expenses | | | | |
| Addiction | **1,524,215** | **-** | **1,524,215** | 1,497,600 |
| Administration and support | **2,524,719** | **-** | **2,524,719** | 2,338,229 |
| Diagnostic imaging | **3,247,852** | **-** | **3,247,852** | 2,810,167 |
| Employee future benefits | **713,806** | **-** | **713,806** | 698,300 |
| Environmental | **3,068,820** | **-** | **3,068,820** | 3,127,770 |
| Finance | **756,266** | **-** | **756,266** | 677,010 |
| Food and nutrition | **4,853,029** | **-** | **4,853,029** | 4,918,753 |
| Health information | **1,813,717** | **-** | **1,813,717** | 1,456,252 |
| Human resources | **552,145** | **-** | **552,145** | 556,188 |
| Information technology | **1,640,736** | **-** | **1,640,736** | 1,470,139 |
| Laboratory | **4,807,171** | **-** | **4,807,171** | 4,426,897 |
| Materials management | **1,640,833** | **-** | **1,640,833** | 1,511,845 |
| Mental health | **4,252,248** | **-** | **4,252,248** | 3,903,402 |
| Nursing | **26,216,909** | **-** | **26,216,909** | 24,139,896 |
| Other programs | **4,160,573** | **-** | **4,160,573** | 3,750,490 |
| Pharmacy | **766,498** | **-** | **766,498** | 599,237 |
| Plant and support | **4,882,608** | **-** | **4,882,608** | 4,420,617 |
| Public health | **2,291,228** | **-** | **2,291,228** | 1,973,209 |
| Rehabilitation | **1,102,350** | **-** | **1,102,350** | 1,060,293 |
| Amortization of property, plant and equipment | **-** | **3,662,970** | **3,662,970** | 3,615,614 |
| Sundry | **1,615,741** | **-** | **1,615,741** | 719,978 |
| | **72,431,464** | **3,662,970** | **76,094,434** | 69,671,886 |
| Excess (deficiency) of revenues over expenses before allocation | **7,345** | **(76,461)** | **(69,116)** | 302,950 |
| Allocation for 2003/2004 operating deficit | **-** | - | **-** | (473,805) |
| Excess (deficiency) of revenues over expenses | **$ 7,345** | **$ (76,461)** | **$ (69,116)** | $ (170,855) |

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY
# OPERATING AS SOUTH WEST HEALTH
## Statement of Cash Flows
**Year ended March 31, 2006**

| | Operating Fund | Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | | | |
| Operating | | | | |
| (Deficiency) excess of revenues over expenses | $ 7,345 | $ (76,461) | $ (69,116) | $ (170,855) |
| Adjusted for: | | | | |
| Amortization of property, plant and equipment | - | 3,662,970 | 3,662,970 | 3,615,614 |
| Amortization of deferred capital grants | - | (3,576,559) | (3,576,559) | (3,529,615) |
| Allocation for 2003/2004 operating deficit | - | - | - | 473,805 |
| Employee future benefits (Note 12) | 713,806 | - | 713,806 | 698,300 |
| Payment of employee future benefits (Note 12) | (547,636) | - | (547,636) | (279,979) |
| Changes in non-cash working capital items (Note 11) | 136,612 | (1,519,998) | (1,383,386) | (1,828,040) |
| | 310,127 | (1,510,048) | (1,199,921) | (1,020,770) |
| Financing | | | | |
| Proceeds from capital grants (Note 8) | - | 4,024,421 | 4,024,421 | 4,327,587 |
| Investing | | | | |
| Investment in long-term assets | (364,881) | - | (364,881) | (311,971) |
| Acquisition of property, plant and equipment | - | (3,854,260) | (3,854,260) | (4,929,681) |
| | (364,881) | (3,854,260) | (4,219,141) | (5,241,652) |
| **NET CASH OUTFLOW** | (54,754) | (1,339,887) | (1,394,641) | (1,934,835) |
| **CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), BEGINNING OF YEAR** | 1,744,137 | (1,236,545) | 507,592 | 2,442,427 |
| **CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR** | $ 1,689,383 | $ (2,576,432) | $ (887,049) | $ 507,592 |
| Supplemental cash flow information: | | | | |
| Interest received | $ 1,039 | $ - | $ 1,039 | $ 36,222 |

### 1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South West Nova District Health Authority's mission: "Work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services."

The facilities owned and operated by the South West Nova District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the South West Nova District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

The South West Nova District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

### 2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

*Fund accounting*

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South West Nova District Health Authority's capital assets, and special purposes and endowment funds.

*Revenue recognition*

The South West Nova District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

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

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, bank indebtedness, balances with banks and money market investments.

*Inventory*

Inventories are recorded at the lower of average cost and replacement cost, and includes medical/surgical, drugs, and other general inventory.

## 2. ACCOUNTING POLICIES (continued)

*Property, plant and equipment*

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

\

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

*Deferred capital grants*

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

*Employee future benefits*

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

*Use of estimates*

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

## 3. ACCOUNTS RECEIVABLE

| | 2006 Operating Fund | 2006 Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Department of Health | | | | |
| - operating funding | **$ 2,769,161** | **$ -** | **$ 2,769,161** | $ 2,884,746 |
| - transition support program | **8,497** | **-** | **8,497** | 8,497 |
| - capital grants | **-** | **2,322,012** | **2,038,913** | 867,742 |
| Patient care | **551,193** | **-** | **551,193** | 510,941 |
| HST rebates | **573,715** | **196,343** | **770,058** | 325,447 |
| Extended care facilities | **1,905,649** | **-** | **1,905,649** | 1,796,203 |
| Homecare/VON | **50,444** | **-** | **50,444** | 56,933 |
| Charitable foundations | **69,058** | **80,229** | **149,287** | 265,512 |
| Psychiatric recoveries | **81,816** | **-** | **81,816** | 569 |
| Other | **398,433** | **79,419** | **759,951** | 691,484 |
| | **$ 6,407,966** | **$ 2,678,003** | **$ 9,084,969** | $ 7,408,074 |

## 4. LONG-TERM ASSETS

| | 2006 Operating Fund | 2006 Capital Fund | 2006 Total | 2005 Total |
|---|---|---|---|---|
| Payroll advances | **$ 174,262** | **$ -** | **$ 174,262** | $ 196,576 |
| Employee future benefits | **5,904,264** | **-** | **5,904,264** | 5,517,069 |
| | **$ 6,078,526** | **$ -** | **$ 6,078,526** | $ 5,713,645 |

## 5. PROPERTY, PLANT AND EQUIPMENT

| | 2006 Cost | 2006 Accumulated Amortization | 2006 Net Book Value | 2005 Net Book Value |
|---|---|---|---|---|
| Land and land improvements | **$ 862,452** | **$ 155,144** | **$ 707,308** | $ 715,767 |
| Building and building service equipment | **92,242,714** | **28,304,131** | **63,938,583** | 62,922,161 |
| Equipment | **24,046,380** | **18,971,353** | **5,075,027** | 5,891,699 |
| | **$ 117,151,546** | **$ 47,430,628** | **$ 69,720,918** | $ 69,529,627 |

### 6. CREDIT FACILITIES

The South West Nova District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $4.4 million. As of March 31, 2006, interest charges on any overdraft accounts are at prime less .75%. There was no amount on the operating line as at March 31, 2006.

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **2006** | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Trade payables | **$ 995,259** | **$ 585,599** | **$ 1,580,858** | $ 926,732 |
| Accrued liabilities | **1,183,170** | **-** | **1,183,170** | 1,607,775 |
| Vacation pay | **943,131** | **-** | **943,131** | 1,014,780 |
| Salary and benefits | **3,542,706** | **-** | **3,542,706** | 3,819,391 |
| Other | **104,291** | **-** | **104,291** | 41,970 |
| | **$ 6,768,557** | **$ 585,599** | **$ 7,354,156** | $ 7,410,648 |

### 8. DEFERRED CAPITAL GRANTS

| | **2006** | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 68,620,129** | $ 67,822,157 |
| Grants received for: | | |
| Capital assets purchased | **3,848,400** | 2,757,028 |
| Future capital asset purchases | **176,021** | 1,570,559 |
| | **72,644,550** | 72,149,744 |
| Amortization of deferred capital grants | **(3,576,559)** | (3,529,615) |
| Balance, end of year | **$ 69,067,991** | $ 68,620,129 |

### 9. COMMITMENTS

*Leases and purchase commitments*

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

| | |
|---|---|
| 2007 | $ 992,092 |
| 2008 | 911,282 |
| 2009 | 662,488 |
| 2010 | 505,455 |
| 2011 | - |
| | $ 3,071,317 |

## 9. COMMITMENTS (continued)

*Yarmouth redevelopment project*

The South West Nova District Health Authority has committed to a multi-year redevelopment project for the Yarmouth Regional Hospital. The original amount of the contract was $57.4 million. The project is expected to be completed within the next fiscal year.

## 10. PENSION PLAN

The South West Nova District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2003 and showed an unfunded liability for the entire plan of $Nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2004. At that time, there was an unfunded liability. The South West Nova District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2006 was $2,433,916 (2005 - $2,068,088).

## 11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

| | **2006** | | | 2005 |
|---|---|---|---|---|
| | **Operating Fund** | **Capital Fund** | **Total** | Total |
| Accounts receivable | **$ (240,163)** | **$ (1,436,732)** | **$ (1,676,895)** | $ (1,269,116) |
| Inventory | **(23,161)** | **-** | **(23,161)** | (88,492) |
| Prepaid expenses | **(67,021)** | **-** | **(67,021)** | (166,346) |
| Accounts payable and accrued liabilities | **26,774** | **(83,266)** | **(56,492)** | (663,786) |
| Revenue received in advance | **440,183** | **-** | **440,183** | 359,700 |
| | **$ 136,612** | **$ (1,519,998)** | **$ (1,383,386)** | $ (1,828,040) |

## 12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using “the projected benefit method pro-rated on service”.

The measurement date for the accrued benefit obligation, as calculated in the District’s last actuarial valuation for post retirement benefits was performed in December, 2003.

## 12. EMPLOYEE FUTURE BENEFITS

| | **2006** | 2005 |
|---|---|---|
| Accrued benefit liability | | |
| Accrued benefit obligation | **$ 6,046,984** | $ 5,880,814 |
| Add unamortized actuarial experience gain | **(451,428)** | (451,429) |
| Accrued benefit liability on the statement of financial position | **$ 5,595,556** | $ 5,429,385 |
| Net benefit costs recognized | | |
| Current service costs | **$ 311,221** | $ 318,400 |
| Amendment in plan terms | **-** | - |
| Interest cost | **348,100** | 330,100 |
| Current year amortized actuarial loss | **54,485** | 49,800 |
| Employee future benefits expense on the statement of operations | **$ 713,806** | $ 698,300 |
| Payment of employee future benefits on the statement of cash flows | **$ (547,636)** | $ (279,979) |

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2006 was 5.95% (2005 – 6.05%).

## 13. FINANCIAL INSTRUMENTS

*Fair value*

The reported values of financial instruments which consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

*Credit risk*

The South West Nova District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2006.

## 14. COMPARATIVE FIGURES

Certain of the 2005 comparative balances have been reclassified to conform with the presentation adopted for the current year.

# Strait Regional School Board
# Financial Statements
March 31, 2006

Grant Thornton

# Contents

Grant Thornton LLP
Chartered Accountants
Management Consultants

# Auditors' Report

To the Chairperson and Members of the Board of
**The Strait Regional School Board**

We have audited the statements of financial position of the **Strait Regional School Board** as at March 31, 2006, and the related statements of operations and accumulated deficit, change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with all school boards in Nova Scotia, the School Board derives revenue from school generated funds, the completeness of which is not susceptible of satisfactory audit verification. As well, because of an absence of reliable accounting records, we have been unable to verify the accuracy of expenditures from school funded activities. Accordingly, our verification of these revenues and expenditures was limited to the amounts recorded in the records of the schools in which these funds were held and we have been unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenditures referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Port Hawkesbury, Nova Scotia
May 19, 2006

Grant Thornton LLP
Chartered Accountants

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# Strait Regional School Board
# Statement of Financial Position

| March 31 | 2006 | 2005 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **$ 4,841,622** | $ 2,096,022 |
| Receivables | | |
| Province of Nova Scotia | **6,007,465** | 7,140,293 |
| Municipal councils | **91,588** | 263,173 |
| Government of Canada | **148,383** | 246,663 |
| Local First Nations | **112,560** | 112,560 |
| Other | **1,051,161** | 779,397 |
| **Total financial assets** | **12,252,779** | 10,638,108 |
| **Liabilities** | | |
| Payables and accruals - trade | **4,374,547** | 4,247,924 |
| Payables and accruals - government | | |
| Province of Nova Scotia | **89,624** | 58,282 |
| Municipalities | **6,160** | 6,026 |
| Deferred revenues | **672,695** | 367,623 |
| Retirement service awards (Note 4) | **4,351,535** | 4,438,391 |
| **Total liabilities** | **9,494,561** | 9,118,246 |
| **Net assets** | **2,758,218** | 1,519,862 |
| **Non-financial assets** | | |
| Capital assets (net of depreciation) | | |
| School buildings and improvements | **2,257,590** | 2,376,410 |
| Motor vehicles | **107,127** | 77,463 |
| Equipment and furnishings | **306,349** | 382,936 |
| | **2,671,066** | 2,836,809 |
| Prepaids | **660,701** | 665,953 |
| | **3,331,767** | 3,502,762 |
| **Accumulated surplus (Note 10)** | **$ 6,089,985** | $ 5,022,624 |

On behalf of the Board

______________________________ Chairperson

______________________________ Superintendent

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board
# Statement of Operations

| Year Ended March 31 | | 2006 | 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| **Revenue** | | | |
| Province of Nova Scotia | $ 55,674,515 | **$ 58,230,056** | $ 56,857,370 |
| Government of Canada | 143,100 | **153,197** | 146,548 |
| Local First Nations | 1,050,000 | **1,086,324** | 1,079,492 |
| Municipal contributions | 9,835,300 | **9,835,270** | 9,716,601 |
| Other revenues | 3,317,899 | **3,925,832** | 3,574,968 |
| School generated funds | | **2,025,204** | 1,212,507 |
| | 70,020,814 | **75,255,883** | 72,587,486 |
| **Expenditure** | | | |
| Board governance | 285,035 | **281,110** | 304,971 |
| Regional management | 2,068,072 | **1,996,486** | 2,209,666 |
| School management and support | 5,863,864 | **5,685,217** | 6,035,431 |
| Instructional and school services | 35,966,876 | **35,833,460** | 35,039,887 |
| Student support | 8,427,315 | **8,202,047** | 8,003,606 |
| Property services | 10,526,948 | **12,706,976** | 12,644,333 |
| Student transportation | 6,034,142 | **5,918,830** | 6,051,001 |
| Other programs | 793,562 | **1,000,925** | 834,060 |
| Interest expense | | **325,800** | 338,200 |
| School generated funds | | **1,984,579** | 1,048,099 |
| Depreciation expense | 55,000 | **253,092** | 262,519 |
| | 70,020,814 | **74,188,522** | 72,771,773 |
| **School Board annual surplus (deficit)** | $ | **$ 1,067,361** | $ (184,287) |

| | | |
|---|---|---|
| **Accumulated surplus (Note 10)** | | |
| **Balance, beginning of year** | | |
| As previously reported | **$ 4,346,049** | $ 29,447,905 |
| Accounting changes (Note 9) | **676,575** | (24,240,994) |
| As restated | **5,022,624** | 5,206,911 |
| School Board annual surplus (deficit) | **1,067,361** | (184,287) |
| **Balance, end of year** | **$ 6,089,985** | $ 5,022,624 |

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board
# Statement of Change in Net Assets

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| | **Actual** | Actual |
| **Net assets, beginning of year** | **$ 1,519,862** | $ 1,512,675 |
| **Changes in the year** | | |
| Annual surplus (deficit) | **1,067,361** | (184,287) |
| Acquisition of tangible capital assets | **(87,349)** | (53,363) |
| Depreciation of tangible capital assets | **253,092** | 262,519 |
| Decrease (increase) in prepaids | **5,252** | (17,682) |
| **Increase in net assets** | **1,238,356** | 7,187 |
| **Net assets, end of year** | **$ 2,758,218** | $ 1,519,862 |

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board
# Statement of Cash Flow

| Year Ended March 31 | **2006** | 2005 |
|---|---|---|
| **Operating transactions** | | |
| Annual surplus (deficit) | **$ 1,067,361** | $ (184,287) |
| Non cash items included in annual surplus (deficit) | | |
| Depreciation | **253,092** | 262,519 |
| Decrease (increase) in receivables | **1,130,929** | (939,103) |
| Increase in payables | **158,099** | 703,304 |
| Decrease in retirement service awards | **(86,856)** | (27,425) |
| Decrease (increase) in prepaids | **5,252** | (17,682) |
| Increase in deferred revenue | **305,072** | (118,854) |
| **Cash provided by operating transactions** | **2,832,949** | (83,820) |
| **Capital transactions** | | |
| Acquisition of tangible capital assets | **(87,349)** | (53,363) |
| **Cash applied to capital transactions** | **(87,349)** | (53,363) |
| **Increase (decrease) in cash and cash equivalents** | **2,745,600** | (137,183) |
| **Cash and cash equivalents, beginning of year** | **2,096,022** | 2,233,205 |
| **Cash and cash equivalents, end of year** | **$ 4,841,622** | $ 2,096,022 |

See accompanying notes to the consolidated financial statements.

## 1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond and Antigonish counties.

## 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

### (a) Accrual basis of accounting

Revenues are recorded on the accrual basis of accounting. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada, and Municipal Contributions.

Expenses are recorded on the accrual basis of accounting and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

### (b) Financial assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principal amount less valuation allowances.

### (c) Net Assets

Net assets represents the direct liabilities of the Board less financial assets.

### (d) Non Financial assets

Tangible capital assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not included intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures.

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

**Non Financial assets** (continued)

Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

| | |
|---|---|
| Buildings | $ 250,000 |
| Leasehold improvements | $ 250,000 |
| Computer hardware | $ 25,000 |
| Motor vehicles | $ 15,000 |
| Major equipment | $ 50,000 |

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time, as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

### (e) Accumulated surplus

Accumulated surplus represents the liabilities of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

### (f) Reserves and reserve funds

Reserves and reserve funds represent funds appropriated for general and specific purposes. Reserves are charged or credited to the reserve fund as a part of the accumulated surplus and are not reported on the statement of operations in the year appropriated or drawn.

### (g) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students. In addition to these scholarships, individual schools and their students raise funds for various specific activities or projects. These funds can only be used for these designated activities and are thus shown as trust funds. Trust fund assets administered by the School Board are identified in Schedule C.

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

### Capital assets

Capital assets are depreciated using the declining balance method at the following rates:

| | |
|---|---|
| Buildings | 5% |
| Equipment | 20% |
| Motor vehicles | 35% |

### Financial instruments

The Strait Regional School Board's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the School Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values.

### Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

## 3. Reserves

The Board has provided for reserves at year end for the following purposes and these amounts are included in the reserve fund as at March 31, 2006:

| | |
|---|---|
| Maintenance and equipment | $ 7,660 |
| Program enhancements | 151,105 |
| | $ 158,765 |

## 4. Retirement service awards

Many Board employees are entitled to receive services awards of varying amounts depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

### 5. Pension plans

**Teachers**

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

### 6. Bank indebtedness

The Board has an operating line of credit of $600,000.

### 7. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 Schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

### 8. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

### 9. Accounting changes

As required by the School Board Financial Handbook, the Strait Board has included revenues and expenditures relating to school generated funds in its Statement of Operations for the year ended March 31, 2006. In 2005, these amounts were disclosed in the Board's notes to the financial statements; however, school generated funds were not consolidated with Board generated funds in presenting the Board's Statement of Operations for the year ended March 31, 2005. This change in accounting has been applied retroactively and has increased the Board's annual surplus by $40,625 and increased the Board's opening accumulated surplus by $676,575.

## 10. Accumulated surplus

| | 2006 | 2005 |
|---|---|---|
| Operating Fund | **$ 2,542,954** | $ 581,393 |
| School Generated Funds | **717,200** | 676,575 |
| Reserve Fund | **158,765** | 927,847 |
| Capital Fund | **2,671,066** | 2,836,809 |
| | **$ 6,089,985** | $ 5,022,624 |
| **Operating Fund** | | |
| Balance, beginning of year | **$ 581,393** | $ 965,967 |
| School Board annual surplus (deficit) | **1,067,361** | (184,287) |
| | **1,648,754** | 781,680 |
| Transfer to school generated funds | **(40,625)** | (164,408) |
| Transfer from reserve fund | **769,082** | 649,965 |
| Transfer to reserve fund | | (895,000) |
| Transfer from capital fund | **253,092** | 262,519 |
| Transfer to capital fund | **(87,349)** | (53,363) |
| Balance, end of year | **$ 2,542,954** | $ 581,393 |
| **School Generated Funds** | | |
| Balance, beginning of year | **$ 676,575** | $ 512,167 |
| Transfer from operating fund | **40,625** | 164,408 |
| Balance, end of year | **$ 717,200** | $ 676,575 |
| **Reserve Fund** | | |
| Balance, beginning of year | **$ 927,847** | $ 682,812 |
| Transfer to operating fund | **(769,082)** | (649,965) |
| Transfer from operating fund | | 895,000 |
| Balance, end of year | **$ 158,765** | $ 927,847 |
| **Capital Fund** | | |
| Balance, beginning of year | **$ 2,836,809** | $ 3,045,965 |
| Transfer to operating fund | **(253,092)** | (262,519) |
| Transfer from operating fund | **87,349** | 53,363 |
| Balance, end of year | **$ 2,671,066** | $ 2,836,809 |

# Strait Regional School Board
## Schedule A – Supplementary Details of Revenue

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Revenue** | | | |
| Province of Nova Scotia | | | |
| Operating | $ 49,954,300 | **$ 48,765,555** | $ 46,672,882 |
| Accrued wages and vacation | | **1,459,538** | 1,882,188 |
| Restricted | 5,208,500 | **5,519,387** | 4,703,075 |
| Capital | 122,000 | **1,997,381** | 2,903,318 |
| Special programs and projects | 389,715 | **488,195** | 695,907 |
| | $ 55,674,515 | **$ 58,230,056** | $ 56,857,370 |
| Government of Canada | | | |
| Secretary of State | $ 143,100 | **$ 153,197** | $ 146,548 |
| Board operations | | | |
| Board generated - other | $ 5,000 | **$ 11,374** | $ 5,152 |
| Other revenue - schools | 697,859 | **1,223,867** | 944,929 |
| Rentals | 72,144 | **90,500** | 76,630 |
| Investment income | 95,000 | **152,195** | 100,361 |
| Recoveries – non-governmental | 2,447,896 | **2,447,896** | 2,447,896 |
| | $ 3,317,899 | **$ 3,925,832** | $ 3,574,968 |

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board
## Schedule B – Supplementary Details of Expenditure

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Board Governance** | | | |
| Board members | $ 191,821 | **$ 187,729** | $ 180,346 |
| Board secretary | 34,329 | **34,497** | 33,426 |
| Elections | | | 33,062 |
| NSSBA and other | 58,885 | **58,884** | 58,137 |
| | $ 285,035 | **$ 281,110** | $ 304,971 |
| **Regional Management** | | | |
| Management services | $ 832,501 | **$ 733,766** | $ 818,865 |
| Accrued wages – NSTU | | | 11,474 |
| Vacation accrual | | **106,227** | 129,353 |
| Financial services | 696,508 | **653,557** | 726,439 |
| Human resource services | 440,431 | **414,426** | 452,495 |
| Communication services | 98,632 | **88,510** | 71,040 |
| | $ 2,068,072 | **$ 1,996,486** | $ 2,209,666 |
| **School Management and Support** | | | |
| School management | $ 4,125,397 | **$ 3,869,619** | $ 4,269,319 |
| Accrued wages – NSTU | | **73,375** | 120,252 |
| Vacation accrual | | **3,655** | 3,550 |
| Program and curriculum support | 1,164,852 | **1,128,542** | 1,110,447 |
| ITS – site specific | 573,615 | **610,026** | 531,863 |
| | $ 5,863,864 | **$ 5,685,217** | $ 6,035,431 |
| **Instructional and School Services** | | | |
| Instruction | $ 34,231,489 | **$ 32,974,412** | $ 32,078,380 |
| Guidance services | 876,036 | **961,197** | 989,329 |
| Accrued wages – NSTU | | **1,117,000** | 1,180,576 |
| Library services | 859,351 | **780,851** | 791,602 |
| | $ 35,966,876 | **$ 35,833,460** | $ 35,039,887 |
| **Student Support** | | | |
| Program management | $ 335,300 | **$ 325,339** | $ 285,641 |
| Instruction | 7,327,189 | **7,108,573** | 6,900,892 |
| Program and curriculum support | 764,826 | **768,135** | 631,375 |
| Accrued wages – NSTU | | | 185,698 |
| | $ 8,427,315 | **$ 8,202,047** | $ 8,003,606 |

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board
## Schedule B – Supplementary Details of Expenditure

| Year Ended March 31 | 2006 Budget | 2006 Actual | 2005 Actual |
|---|---|---|---|
| **Property Services** | | | |
| Management services | $ 269,011 | **$ 272,082** | $ 237,301 |
| Custodial services | 3,219,089 | **3,132,351** | 3,559,676 |
| Vacation accrual | | **151,667** | 160,367 |
| Maintenance services | 6,311,968 | **8,534,032** | 8,467,036 |
| Grounds services | 726,880 | **616,844** | 219,953 |
| | $ 10,526,948 | **$ 12,706,976** | $ 12,644,333 |
| **Student transportation** | | | |
| Management services | $ 402,222 | **$ 401,357** | $ 380,092 |
| Transportation (Board) | 3,334,210 | **3,207,234** | 4,144,821 |
| Vacation accrual | | **79,601** | 90,917 |
| Maintenance (Board) | 2,166,710 | **2,132,337** | 1,291,105 |
| Transportation (Contract) | 70,000 | **59,120** | 86,908 |
| Site maintenance | 61,000 | **39,181** | 57,158 |
| | $ 6,034,142 | **$ 5,918,830** | $ 6,051,001 |

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board
## Schedule C – Supplementary Details of Trust Funds
March 31, 2006

**Trust fund - Scholarships**

| | Equity 2005 | Donations & Income | Awards | **Equity 2006** |
|---|---|---|---|---|
| Catherine Avery Bursary | $ 1,959 | $ 69 | | **$ 2,028** |
| Allistair Fraser Award | 7,796 | 273 | $ 1,000 | **7,069** |
| Ray Caldwell Scholarship | 5,291 | 185 | 250 | **5,226** |
| Dorothy Jost Drysdale Scholarship | 2,282 | 80 | 100 | **2,262** |
| Roy Fanning-Hillside Bursary | 10,879 | 380 | 1,400 | **9,859** |
| Norman Grant Scholarship | 20,483 | 718 | | **21,201** |
| Carol Long Scholarship | 10,519 | 369 | 250 | **10,638** |
| NSP Employees Scholarship | 18,663 | 654 | 675 | **18,642** |
| James Russell Scholarship | 2,642 | 92 | 800 | **1,934** |
| Mulgrave Bursary Fund | 1,975 | 69 | | **2,044** |
| Bertha Morgan Scholarship | 1,158 | 40 | | **1,198** |
| Henry Marshall Tory Prize | 77,659 | 32,727 | 2,000 | **108,386** |
| James Tory Prize | 39 | 1,001 | 1,000 | **40** |
| Paul Hendsbee Memorial | 692 | 24 | 250 | **466** |
| Donald Archibald Memorial | 1,140 | 40 | 100 | **1,080** |
| Neil & Eileen MacIsaac Bursary | 2,508 | 145 | | **2,653** |
| Thomas Williams Prize | 5,060 | 120 | | **5,180** |
| Tina Munro Hickey Prize | 10,016 | 555 | 550 | **10,021** |
| Jesse Sceles Memorial | 2,296 | 80 | | **2,376** |
| | $ 183,057 | $ 37,621 | $ 8,375 | **$ 212,303** |

# Strait Regional School Board
## Schedule D – Supplementary Details of School Generated Funds
March 31, 2006

**School Generated Funds**

| | Equity March 31, 2005 | Revenue & Interest | Disbursements | **Equity March 31, 2006** |
|---|---|---|---|---|
| Antigonish Education Centre | $ 86,329 | $ 60,742 | $ 40,183 | **$ 106,888** |
| Bayview Education Centre | 15,669 | 33,894 | 39,298 | **10,265** |
| Canso Academy | 26,004 | 31,865 | 37,530 | **20,339** |
| Cape Breton Highlands Academy/ Education Centre | 33,051 | 150,226 | 139,365 | **43,912** |
| Chedabucto Place | 25,032 | 92,555 | 90,118 | **27,469** |
| Dalbrae Academy | 50,374 | 168,208 | 161,123 | **57,459** |
| Dr. J.H. Gillis Regional | 41,871 | 125,509 | 131,488 | **35,892** |
| East Antigonish Academy/ Education Centre | 43,126 | 134,100 | 116,872 | **60,354** |
| East Richmond Education Centre (P-4) | 6,155 | 14,412 | 15,956 | **4,611** |
| East Richmond Education Centre (5-8) | 40,599 | 86,951 | 106,941 | **20,609** |
| Fanning Education Centre | 12,053 | 22,289 | 17,397 | **16,945** |
| Felix Marchand Education Centre | 3,507 | 35,397 | 32,907 | **5,997** |
| H.M. MacDonald Elementary School | 1,084 | 12,950 | 12,103 | **1,931** |
| Inverness Academy | 36,436 | 92,693 | 91,214 | **37,915** |
| Inverness Education Centre | 13,157 | 24,498 | 23,660 | **13,995** |
| Mulgrave Memorial Education Centre | 5,061 | 17,274 | 15,374 | **6,961** |
| Rev. H.J. MacDonald Elementary Centre | 7,948 | 37,431 | 40,812 | **4,567** |
| Richmond Academy | 25,413 | 174,713 | 177,714 | **22,412** |
| Riverview Consolidated | 2,007 | | 2,007 | |
| SAERC | 30,481 | 362,265 | 342,172 | **50,574** |
| St. Andrew’s Consolidated School | 10,783 | 18,971 | 19,425 | **10,329** |
| St. Andrew Junior High | 87,974 | 72,358 | 67,930 | **92,402** |
| St. Mary’s Academy | 12,733 | 37,040 | 29,246 | **20,527** |
| St. Mary’s Education Centre | 4,141 | 22,647 | 25,326 | **1,462** |
| Tamarac Education Centre | 35,528 | 63,085 | 88,459 | **10,154** |
| West Richmond Education Centre | 11,465 | 59,275 | 48,909 | **21,831** |
| Whycocomagh Education Centre | 8,594 | 73,856 | 71,050 | **11,400** |
| | $ 676,575 | $2,025,204 | $1,984,579 | **$ 717,200** |

See accompanying notes to the consolidated financial statements.

# Strait Regional School Board

## Schedule E – Supplementary Details of Capital Assets

March 31, 2006

| | Buildings | Equipment | Vehicles | 2006 | 2005 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening | $ 3,141,287 | $ 1,291,709 | $ 243,285 | **$ 4,676,281** | $ 4,622,918 |
| Additions | | | 87,349 | **87,349** | 53,363 |
| Closing | 3,141,287 | 1,291,709 | 330,634 | **4,763,630** | 4,676,281 |
| **Accumulated Depreciation** | | | | | |
| Opening | 764,877 | 908,773 | 165,822 | **1,839,472** | 1,576,953 |
| Depreciation | 118,820 | 76,587 | 57,684 | **253,092** | 262,519 |
| Closing | 883,697 | 985,360 | 223,506 | **2,092,564** | 1,839,472 |
| **Net Book Value** | 2,257,590 | 306,349 | 107,128 | **2,671,066** | 2,836,809 |
| **Opening Balance** | 2,376,410 | 382,936 | 77,463 | **2,836,809** | 3,045,965 |
| **(Decrease) increase in Net Book Value** | $ (118,820) | $ (76,587) | $ 29,665 | **$ (165,743)** | $ (209,156) |

# SYDNEY ENVIRONMENTAL RESOURCES LIMITED

## FINANCIAL STATEMENTS

**MARCH 31, 2006**

# AUDITORS' REPORT

**To the Minister Responsible for Sydney Environmental Resources Limited**

We have audited the balance sheet of **Sydney Environmental Resources Limited** for the year ended March 31, 2006 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles.

June 21, 2006

**Chartered Accountants**

**SYDNEY ENVIRONMENTAL RESOURCES LIMITED**
**BALANCE SHEET**
AS AT MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **$ 434,161** | $ 402,495 |
| Accounts receivable | **135,755** | 216,217 |
| Prepaid expenses | **11,774** | - |
| | **$ 581,690** | $ 618,712 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 161,250** | $ 47,103 |
| Due to Sydney Steel Corporation (Note 3) | **394,710** | 558,718 |
| | **555,960** | 605,821 |
| **EQUITY** | | |
| **Share capital (Note 4)** | **1** | 1 |
| **Retained earnings** | **25,729** | 12,890 |
| | **25,730** | 12,891 |
| | **$ 581,690** | $ 618,712 |

**Approved by the Board**

..................................................Director

..................................................Director

**SYDNEY ENVIRONMENTAL RESOURCES LIMITED**
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Sydney Steel Corporation | **$ 4,388,388** | $ 2,505,387 |
| Sydney Tar Ponds Agency | **545,734** | 500,890 |
| Other | **42,086** | 172,951 |
| | **4,976,208** | 3,179,228 |
| **Expenditures** | | |
| Wages and benefits | **4,919,784** | 3,126,715 |
| Administration | **43,585** | 39,623 |
| | **4,963,369** | 3,166,338 |
| **Excess of revenue over expenditures** | **12,839** | 12,890 |
| **Retained earnings, beginning of year** | **12,890** | - |
| **Retained earnings, end of year** | **$ 25,729** | $ 12,890 |

## SYDNEY ENVIRONMENTAL RESOURCES LIMITED
## STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Excess of revenue over expenditures | **$ 12,839** | $ 12,890 |
| Changes in non-cash operating working capital items | | |
| Accounts receivable | **80,462** | 51,249 |
| Prepaid expenses | **(11,774)** | - |
| Accounts payable and accrued liabilities | **114,147** | (167,685) |
| Due to Sydney Steel Corporation | **(164,008)** | 558,718 |
| **Change in cash position** | **31,666** | 455,172 |
| **Cash (bank indebtedness), beginning of year** | **402,495** | (52,677) |
| **Cash, end of year** | **$ 434,161** | $ 402,495 |

## 1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the Company changed its name from Sydney Tar Ponds Clean – Up Inc. to Sydney Environmental Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

## 2. CONTINUATION AND ECONOMIC DEPENDENCE OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon providing additional site decommissioning services to entities related to the Province of Nova Scotia. The Company earned the majority of its revenue from Province of Nova Scotia funded entities.

## 3. RELATED PARTY TRANSACTIONS

The Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

Included in the statement of operations and retained earnings is revenue in the amount of $4,388,388 (2005 - $2,505,387) and administration expenses paid in the amount of $43,585 (2005 - $39,623) to Sydney Steel Corporation, a Crown Corporation controlled by the Province of Nova Scotia. These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair market value.

## 4. SHARE CAPITAL

Authorized
50,000 common shares with no par value

Issued

| | |
|---|---|
| 1 share at $1 | **$ 1** |

**5. COMPARATIVE FIGURES**

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

# Sydney Steel Corporation

Financial Statements
**March 31, 2006**

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers LLP**
**Chartered Accountants**
1809 Barrington Street, Suite 600
Halifax, Nova Scotia
Canada B3J 3K8
Telephone +1 (902) 491 7400
Facsimile +1 (902) 422 1166

June 23, 2006

## Auditors' Report

**To the Shareholder of**
**Sydney Steel Corporation**

We have audited the balance sheet of **Sydney Steel Corporation** ("the Corporation") as at March 31, 2006 and the statement of changes in net assets in liquidation for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the changes in net assets in liquidation for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants**

# Sydney Steel Corporation

Balance Sheet

**As at March 31, 2006**

(in thousands of dollars)

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 1,178 | 11,042 |
| Accounts receivable – trade | 558 | 506 |
| Receivable from the Province of Nova Scotia | 40,954 | 34,340 |
| Receivable from Sydney Environmental Resources Limited (note 6) | 395 | 559 |
| Inventory | 2,668 | 822 |
| Prepaid expenses | 223 | 175 |
| | 45,976 | 47,444 |
| **Property, plant and equipment** (note 4) | 1,185 | 727 |
| | 47,161 | 48,171 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade payables | 1,393 | 1,598 |
| Deposits and holdbacks payable | 1,902 | 2,765 |
| Property taxes payable | – | 1,136 |
| | 3,295 | 5,499 |
| **Net assets in liquidation** | 43,866 | 42,672 |

**Commitments** (note 5)

**Contingent liability** (note 7)

See accompanying notes to financial statements.

**Approved by the Board of Directors**

____________________________ Director    ____________________________ Director

# Sydney Steel Corporation

Statement of Changes in Net Assets in Liquidation

**For the year ended March 31, 2006**

(in thousands of dollars)

| | Closure activities $ | Demolition and remediation activities $ | Continuing activities $ | Total 2006 $ | Total 2005 $ |
|---|---|---|---|---|---|
| **Increases in net assets in liquidation** | | | | | |
| Contributions from the Province of Nova Scotia (note 3) | 1,780 | 7,633 | – | 9,413 | 14,470 |
| Proceeds on disposal of assets | – | 535 | – | 535 | 1,513 |
| Rental income | – | – | 548 | 548 | 434 |
| Other income | 822 | – | 33 | 855 | 29 |
| Interest | – | – | 121 | 121 | 111 |
| | 2,602 | 8,168 | 702 | 11,472 | 16,557 |
| **Decreases in net assets in liquidation** | | | | | |
| Demolition and remediation | – | 4,002 | – | 4,002 | 9,184 |
| General and administration | 271 | 1,130 | 249 | 1,650 | 1,807 |
| Salaries and wages | 239 | 1,232 | 295 | 1,766 | 1,470 |
| Property taxes | 100 | 750 | 150 | 1,000 | 1,109 |
| Professional fees | 1,155 | 258 | 140 | 1,553 | 1,096 |
| Electricity | 15 | 261 | 31 | 307 | 411 |
| | 1,780 | 7,633 | 865 | 10,278 | 15,077 |
| **Increase (decrease) in net assets in liquidation** | 822 | 535 | (163) | 1,194 | 1,480 |
| **Net assets in liquidation – Beginning of year** | | | | 42,672 | 41,192 |
| **Net assets in liquidation – End of year** | | | | 43,866 | 42,672 |

## 1 Status

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by special act of the Province of Nova Scotia.

## 2 Significant accounting policies

### a) Basis of presentation

Effective December 31, 2000, the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

### b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

The non-cash assets at March 31, 2006 are valued at the lower of cost and net realizable value.

### c) Mode and presentation of operations

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate, namely:

- closure activities;
- demolition and remediation activities; and
- continuing activities.

A brief description of each activity follows:

i) Closure activities

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

ii) Demolition and remediation activities

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

## 2 Significant accounting policies (continued)

### c) Mode and presentation of operations (continued)

iii) Continuing activities

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities. As at March 31, 2006, they consist principally of the investment management function and those activities arising from redevelopment strategies adopted by the Corporation concerning the property's future use.

### d) Property, plant and equipment

Property, plant and equipment are amortized using the straight-line method at the following rates:

| | |
|---|---|
| Building | 20 years |
| Equipment | 10 years |
| Vehicles | 5 years |
| Leasehold improvements | 5 years |

### e) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

### f) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The allocation of increases and decreases in net assets in liquidation between "Closure activities", "Demolition and remediation activities" and "Continuing activities" represents management's best estimate of these amounts. In arriving at this estimate, management first allocated revenues and costs for which the appropriate allocation is readily determinable. Management then assessed the overall level of activities during the period and allocated the remainder of the costs on this basis.

### g) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in U.S. dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquation for the period.

## 3 Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia has:

- provided cash infusions as required by the Corporation to meet its operating obligations;
- agreed to assume responsibility for Sydney Steel Corporation site environmental matters; and
- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support and has established in its accounts provisions for the closure activities and the demolition and remediation activities. Expenses incurred during the period related to these provisions and for which the Corporation will receive reimbursement from the Province include:

- $1,780,000 (2005 - $929,000) in respect of closure activities; and
- $7,633,000 (2005 - $13,541,000) in respect of demolition and remediation activities.

## 4 Property, plant and equipment

| | | | 2006 | 2005 |
|---|---|---|---|---|
| | **Cost $ (000's)** | **Accumulated amortization $ (000's)** | **Net book value $ (000's)** | **Net book value $ (000's)** |
| **Related to closure activities** | | | | |
| Land, buildings and equipment | 441,298 | 441,297 | 1 | 1 |
| **Related to demolition and remediation activities** | | | | |
| Equipment | 787 | 259 | 528 | 606 |
| Vehicles | 167 | 72 | 95 | 120 |
| **Related to continuing activities** | | | | |
| Building and leasehold improvements | 561 | – | 561 | – |
| **Total** | 442,813 | 441,628 | 1,185 | 727 |

Amortization for the period of $111,000 (2005 - $98,000) is included in demolition and remediation costs.

## 5 Commitments

a) In fiscal 2001, the Corporation engaged a demolition firm to remove structures and buildings on the property. The value of the contract was estimated at $7,700,000 and was complete at March 31, 2006. For the year ended March 31, 2006, the Corporation incurred expenditures under this contract of approximately $263,000 (2005 - $3,760,000) which are included in demolition and remediation costs.

b) Within the context of its redevelopment strategy the Corporation, effective April 15, 2002, reached an agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease is for a period of ten years.

c) In the current year, the Corporation engaged a company to provide certain remediation services. The value of the contract is estimated at $4,100,000 and no expenditures were incurred prior to year-end.

## 6 Related party transactions

Included in the statement of changes in net assets in liquidation are charges for labour and materials of $4,388,000 (2005 - $2,506,000) from Sydney Environmental Resources Limited, a Crown Corporation controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

## 7 Contingent liability

The Corporation is a defendant in a lawsuit alleging damages as a result of environmental contamination caused by years of steel making. This litigation is in its preliminary stages and the outcome is not currently predictable.

**SYDNEY STEEL CORPORATION**
**SUPERANNUATION FUND**
**FINANCIAL STATEMENTS**
**MARCH 31, 2006**

**Financial Statements as at March 31, 2006 were unavailable at the time of printing this publication. When available, a copy of these statements will be published at www.gov.ns.ca/finance/pension/SYSCO/SYSCO_FinancialStatements.htm**

# SYDNEY TAR PONDS AGENCY

## FINANCIAL STATEMENTS

**MARCH 31, 2006**

# SYDNEY TAR PONDS AGENCY

C O N T E N T S

MARCH 31, 2006

## AUDITORS' REPORT

To the Chair and Members of the Board:
Sydney Tar Ponds Agency

We have audited the statement of financial position of Sydney Tar Ponds Agency as at March 31, 2006, and the statement of operations for the year then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sydney Tar Ponds Agency as at March 31, 2006, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

We have not examined the 2005 figures presented for comparative purposes, which were not subject to audit, and we therefore do not express an opinion on the financial statements for the preceding period.

Sydney, Nova Scotia
August 4, 2006

CHARTERED ACCOUNTANTS

# SYDNEY TAR PONDS AGENCY

## STATEMENT OF FINANCIAL POSITION
## MARCH 31, 2006

ASSETS

| | 2006 | 2005 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 60,753 | $ 350 |
| Receivable from the Province of Nova Scotia | 1,406,689 | |
| Prepaid Expenses | 1,085 | |
| Capital Assets (Note 1) | 44,073 | |
| Total Assets | $1,512,600 | $ 350 |

LIABILITIES

| | 2006 | 2005 |
|---|---|---|
| **Liabilities** | | |
| Payables and Accruals | $1,512,600 | |
| **Total Liabilities** | $1,512,600 | $ 350 |

# SYDNEY TAR PONDS AGENCY

## STATEMENT OF OPERATIONS
## YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Revenue | | |
| Province of Nova Scotia | $12,178,384 | $9,353,121 |
| Expenditures (Schedule B) | | |
| Advertising | $ 69,436 | $ 32,616 |
| Discretionary Grants | 15,000 | |
| Equipment | 79,944 | 48,875 |
| Insurance (Note 2) | | 91,537 |
| Miscellaneous Fees | 22,818 | 4,708 |
| Miscellaneous Services | 33,220 | 11,282 |
| Office | 65,642 | 43,366 |
| Professional Services | 10,469,141 | 8,186,109 |
| Rent | 215,468 | 97,244 |
| Salaries and Benefits | 941,498 | 680,007 |
| Supplies | 16,746 | 23,314 |
| Travel | 170,376 | 74,469 |
| Utilities | 77,771 | 59,594 |
| Expenditures (Note 3) | 12,177,060 | 9,353,121 |
| Tangible Capital Asset Amortization | 1,324 | |
| Total Expenditures | 12,178,384 | 9,353,121 |
| Excess of Revenue Over Expenditures | $ - | $ - |

# SYDNEY TAR PONDS AGENCY

## NOTES TO FINANCIAL STATEMENTS
## MARCH 31, 2006

The Sydney Tar Ponds Agency is a special operating Agency of the Nova Scotia Provincial Government, created by an order-in-council on September 10, 2004. Pursuant to the Memorandum of Agreement, the STPA is charged with carrying out the $400-million remediation of the Tar Ponds and Coke Oven sites. Nova Scotia will contribute the lesser of 40% of the actual costs incurred or $120 million; Canada will contribute an amount not exceeding $280 million.

1. CAPITAL ASSETS

On the final day of the 2005 fiscal year, the Sydney Tar Ponds Agency transferred two vehicles (its only capital assets) to the Province of Nova Scotia; the Province subsequently retired both vehicles. As a result, the comparative figures for last year do not include the capital assets or amortization that were inadvertently recorded in the 2005 financial statements.

Amortization of tangible capital assets is on the declining balance basis at rates that reflect estimated useful life.

Vehicles

| Cost | Amortization | NBV 2006 |
|---|---|---|
| $45,397 | $1,324 | $ 44,073 |

2. INSURANCE

Insurance on the various demolition works and other projects at the Sysco and Coke Oven sites, as well as project specific professional and pollution liability insurance, was accounted for on the cash basis in the 2005 fiscal year. As a result, a prepaid was not set up for the duration of the policies' coverage. However, the policy related to the former covers the period from January 15, 2005 to January 15, 2007. The policy related to the latter covers the period from October 5, 2001 to October 5, 2006.

3. FEDERAL EXPENDITURES

For each of the fiscal years, 2005 and 2006, expenditures by Public Works and Government Services Canada in the amount of $75,243 and $341,740, respectively, are included in the listed categories. However, the expenditures to which the funding relates are not recorded in the books and records of Sydney Tar Ponds Agency.

4. PROJECT EXPENDITURES

Project expenditures include only those items managed pursuant to the current Interim Cost Share Agreement (ICSA). The ICSA provides for interim governance and funding for undertaking Preventative Works and Preliminary Works, as set out in the Memorandum of Agreement between the Government of Canada and the Province of Nova Scotia. The Interim Cost Share Agreement comprises $42 million of the $400 million committed for remediation of the Tar Ponds and Coke Oven sites. Project expenditures include the cost of capital expenditures as follows:

| | |
|---|---|
| Total expenditures per the Statement of Operations | $12,178,384 |
| Tangible capital assets purchased during the year | 45,397 |
| | 12,223,781 |
| Tangible capital asset amortization | 1,324 |
| Total project expenditures | $12,222,457 |

5. PENSION PLANS

Certain of the employees of the Sydney Tar Pond Agency retain Civil Servant status pursuant to the Civil Service Act, and are covered by the Nova Scotia Public Service Superannuation Plan (PSSP). Certain others, although they are not considered Civil Servants, participate in the PSSP. The remainder of the employees, who are not Civil Servants, are part of a Group Registered Retirement Savings Plan

6. COMPARATIVE FIGURES

The presentation of certain accounts of the previous year, presented for comparative purposes, has been changed to conform to the presentation adopted for the current year.

# SYDNEY TAR PONDS AGENCY

## SCHEDULE A
## SUPPLEMENTARY DETAILS OF EXPENDITURES
## YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Advertising | $ 69,436 | $ 32,616 |
| Discretionary Grants | $15,000 | |
| Equipment | | |
| IT Software & Hardware | $ 47,526 | $ 33,995 |
| Office Furniture | 19,861 | 8,493 |
| Equipment | 12,557 | 6,387 |
| Total Equipment | $ 79,944 | $ 48,875 |
| Insurance | | $ 91,537 |
| Miscellaneous Fees | | |
| Staff Training & Development | $ 9,108 | $ 2,370 |
| Fees & Other Charges | 13,710 | 2,338 |
| Total Miscellaneous Fees | $ 22,818 | $ 4,708 |
| Miscellaneous Services | | |
| Resource Mapping | $ 20,000 | |
| Janitorial Services | 6,076 | $ 7,256 |
| Materials & Water Testing | 2,730 | |
| Other Services | 4,414 | 4,026 |
| Total Miscellaneous Services | $ 33,220 | $ 11,282 |
| Office | | |
| Miscellaneous Office Expense | $ 41,613 | 34,049 |
| Printing and Stationery | 16,282 | 5,969 |
| Freight, Duty, Express | 7,747 | 3,347 |
| Total Office | $ 65,642 | $ 43,365 |
| Professional Services | | |
| Professional Services | $ 10,298,625 | $ 8,136,496 |
| Clerical Services | 39,575 | 21,616 |
| Consulting & Legal Services | 25,869 | 27,997 |
| Other Consulting Fees | 105,072 | |
| Total Professional Services | $ 10,469,141 | $ 8,186,109 |

## SYDNEY TAR PONDS AGENCY

### SCHEDULE A
### SUPPLEMENTARY DETAILS OF EXPENDITURES
### YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Rent | | |
| Office Rentals | $ 196,259 | $ 89,225 |
| Equipment Leases & Rentals | 19,209 | 8,019 |
| Total Rent | $ 215,468 | $ 97,244 |
| Salaries and Benefits | | |
| Civil Servants | $ 393,912 | 432,378 |
| OIC Appointments | 55,253 | -13,464 |
| Contract Employees | 350,757 | 160,591 |
| Casual Employees | 6,828 | 3,204 |
| Fringe Benefits | 134,748 | 97,298 |
| Total Salaries and Benefits | $ 941,498 | $ 680,007 |
| Supplies | | |
| General Operating Supplies | $ 14,827 | $ 22,026 |
| Janitorial Supplies | 1,919 | 1,288 |
| Total Supplies | $ 16,746 | $ 23,314 |
| Travel | | |
| Meeting Expenses | 41,001 | $ 7,660 |
| General Travel | 43,076 | 23,740 |
| Airfare/Accommodations | 69,622 | 32,787 |
| Auto Operations/Maintenance | 16,677 | 10,282 |
| Total Travel | $ 170,376 | $ 74,469 |
| Utilities | | |
| Telecommunications | $ 42,771 | $ 34,696 |
| Water & Electricity | 31,606 | 22,614 |
| Other Utilities | 3,394 | 2,284 |
| Total Utilities | $ 77,771 | $ 59,594 |

# SYDNEY TAR PONDS AGENCY

## SCHEDULE B
## PROJECT EXPENDITURES
## YEAR ENDED MARCH 31, 2006

| | 2006 | 2005 |
|---|---|---|
| Implementing Agency | $ 1,837,997 | $ 364,019 |
| Environmental Assessment | 3,649,315 | 384,537 |
| Battery Point Cofferdam – Design | 471,574 | 13,532 |
| Realign Coke Oven Brook – Design | 455,693 | 187,497 |
| Realign Coke Oven Brook – Construction | 1,365,989 | |
| Cooling Pond – Design | 238,400 | |
| Victoria Road Water Main – Design | 50,000 | |
| Victoria Road Water Main – Construction | 572,878 | 35 |
| Security | 351,149 | 38 |
| Air Monitoring | 743,813 | 454 |
| Operations and Maintenance | 124,514 | |
| Project Communication Program | 329,057 | 175,938 |
| Independent Engineer | 524,117 | |
| Pre-Design Engineering | 1,388,368 | 207 |
| Detailed Design | 14,521 | |
| Other-Consulting Services | 105,072 | |
| Total Project Expenditures (Note 4) | $ 12,222,457 | $1,126,257 |

Financial Statements of

# TPP INVESTMENTS I INC.

Year ended December 31, 2005

**KPMG LLP**
**Chartered Accountants**
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

# AUDITORS' REPORT

To the Shareholder of TPP Investments I Inc.

We have audited the balance sheet of TPP Investments I Inc. as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

April 1, 2006

# TPP INVESTMENTS I INC.

Balance Sheet

December 31, 2005, with comparative figures for 2004

| | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| Income-producing properties (note 3) | $ 82,668,030 | $ 24,173,037 |
| Other assets (note 4) | 16,650,662 | 3,559,633 |
| Deferred recoverable costs (note 5) | 781,124 | 10,684 |
| Prepaid expenses | 273,603 | 107,827 |
| Accounts and other receivables | 1,086,428 | 127,345 |
| Cash | 1,614,661 | 522,453 |
| | $ 103,074,508 | $ 28,500,979 |
| **Liabilities and Shareholder's Equity** | | |
| Mortgages payable (note 6) | $ 28,780,972 | $ 6,709,610 |
| Promissory note payable (note 7) | 9,169,180 | – |
| Intangible liabilities (note 8) | 3,679,690 | 169,690 |
| Security deposits and prepaid rent | 258,875 | 44,928 |
| Accounts payable and accrued liabilities | 1,087,696 | 364,313 |
| Shareholder's equity: | | |
| Share capital (note 9) | 64,448,655 | 21,895,958 |
| Deficit | (4,350,560) | (683,520) |
| | 60,098,095 | 21,212,438 |
| Subsequent event (notes 1 and 7) | | |
| | $ 103,074,508 | $ 28,500,979 |

See accompanying notes to financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

# TPP INVESTMENTS I INC.

Statement of Operations and Deficit

Year ended December 31, 2005, with comparative figures for 2004

| | 2005 | 2004 |
|---|---|---|
| Property revenue | $ 7,758,404 | $ 2,437,092 |
| Property operating expenses | 2,927,103 | 662,578 |
| | 4,831,301 | 1,774,514 |
| Amortization | 6,334,022 | 1,349,679 |
| Interest | 1,121,171 | 175,808 |
| Net income (loss) from properties | (2,623,892) | 249,027 |
| Other expenses (income): | | |
| Investment income | (15,245) | (5,021) |
| Administrative costs | 51,199 | 17,686 |
| Asset management fees (note 11) | 317,018 | 99,849 |
| Performance fees (note 11) | 35,176 | 114,307 |
| Net income (loss) | (3,012,040) | 22,206 |
| Retained earnings (deficit), beginning of year | (683,520) | 219,274 |
| Dividends paid | (655,000) | (925,000) |
| Deficit, end of year | $ (4,350,560) | $ (683,520) |

See accompanying notes to financial statements.

# TPP INVESTMENTS I INC.

Statement of Cash Flows

Year ended December 31, 2005, with comparative figures for 2004

| | 2005 | 2004 |
|---|---|---|
| Operating activities: | | |
| Net income (loss) | $ (3,012,040) | $ 22,206 |
| Adjustments for: | | |
| Amortization: | | |
| Income-producing properties | 1,325,327 | 420,225 |
| Acquired in-place leases | 5,008,695 | 929,454 |
| Above and below market in-place leases, net | (300,834) | (11,589) |
| Deferred financing fees | 2,266 | – |
| Mortgage premium | (183,929) | (35,134) |
| Straight-line rent | (128,726) | (51,298) |
| | 2,710,759 | 1,273,864 |
| Change in the following: | | |
| Deferred recoverable costs | 45,253 | (10,684) |
| Prepaid expenses | (165,776) | (107,827) |
| Accounts and other receivables | (830,357) | (75,701) |
| Security deposits and prepaid rent | 213,947 | 44,928 |
| Accounts payable and accrued liabilities | 723,383 | 336,997 |
| Cash flows from operating activities | 2,697,209 | 1,461,577 |
| Financing activities: | | |
| Issuance of common shares | 42,552,697 | 12,608,422 |
| Dividends paid | (655,000) | (925,000) |
| Repayment of mortgages payable | (416,397) | (73,218) |
| Increase in promissory note payable | 121,680 | – |
| Cash flows from financing activities | 41,602,980 | 11,610,204 |
| Investing activities: | | |
| Additions to income-producing properties | (338,383) | (120,801) |
| Purchase of income-producing properties, net of related debt (note 3) | (42,844,882) | (12,686,305) |
| Additions to other assets | (24,716) | – |
| Cash flows used in investing activities | (43,207,981) | (12,807,106) |
| Increase in cash | 1,092,208 | 264,675 |
| Cash, beginning of year | 522,453 | 257,778 |
| Cash, end of year | $ 1,614,661 | $ 522,453 |
| Supplementary cash flow information: | | |
| Interest paid | $ 1,163,004 | $ 180,131 |

See accompanying notes to financial statements.

## 1. Operations:

TPP Investments I Inc. (the company) was incorporated and registered June 6, 2003 under the *Nova Scotia Companies Act* by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Teachers' Pension Fund. On April 1, 2006, The Teachers' Pension Plan Trustee Inc. assumed the trustee relationship from the Minister of Finance.

The company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the *Income Tax Act*) that is real property or an interest in real property owned by the company, another corporation, described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the *Income Tax Act*, or a pension plan registered with the Minister of National Revenue pursuant to the *Income Tax Act*; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the *Income Tax Act* that is real property or an interest in real property owned by the partnership.

The company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the *Pension Benefits Standards Act*, 1985 or a similar law of a province.

The company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

The company is under the management of GWL Realty Advisors Inc. (GWLRA), a wholly-owned subsidiary of The Great-West Life Assurance Company, by way of management agreements between GWLRA and the company.

## 2. Significant accounting policies:

(a) Income-producing properties:

Income-producing properties are carried at cost less accumulated amortization. Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period. Building improvement costs are deferred and amortized on a straight-line basis over a 10 year period. Tenant inducements include leasing commissions, tenant improvements, and legal costs incurred to negotiate and execute a lease agreement and are deferred and amortized on a straight-line basis over the term of the related tenant lease.

**2. Significant accounting policies (continued):**

The company capitalizes all direct costs relating to the acquisition of properties. For properties under development, initial acquisition costs, other direct costs, property taxes, initial leasing costs, incidental operating revenues and expenses and certain indirect costs and property taxes are capitalized until the property reaches its accounting completion date. Development properties reach accounting completion at the end of the month when the earliest of the following is achieved:

(i) break even in cash flow;

(ii) 75 percent occupancy by tenants who are paying rent; and

(iii) one year after substantial completion, or in the case of properties valued at more than $10 million, up to two years after completion.

(b) Acquisition of income-producing properties:

The purchase price of income-producing properties is allocated based on estimated fair market values to land, building, tenant improvements and intangible assets including the value of above and below market leases, the in-place leases and tenant relationships, if any.

The values of tenant improvements, above and below market leases, in-place leases and tenant relationships are amortized over the term of the lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written-off.

(c) Other assets:

Other assets consist of acquired in-place leases (note 2[b]), above market in-place leases (note 2[b]) and deferred financing fees.

Deferred financing fees such as CMHC premiums, legal fees, and application fees represent costs incurred to obtain mortgage financing and are amortized over the life of the applicable mortgage.

(d) Deferred recoverable costs:

Deferred recoverable costs consist of capital expenditures which are recoverable from tenants, are recorded at cost and amortized on a straight-line basis ranging up to a ten year period.

## 2. Significant accounting policies (continued):

(e) Long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicates that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

(f) Asset retirement obligations:

The fair value of a future asset retirement obligation is recognized as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets is incurred that results from the acquisition, construction, development, and/or normal use of the assets. The company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation, if any, is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

(g) Revenue recognition:

Property revenue includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expense are recognized in revenue in the period in which applicable expenses are incurred.

(h) Co-ownership interest:

The company records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the company has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

## 2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 3. Income-producing properties:

The carrying value of the income-producing properties is comprised of:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | $ 14,689,248 | $ – | $ 14,689,248 | $ 3,790,359 |
| Building and building improvements | 66,966,391 | 1,509,775 | 65,456,616 | 19,870,394 |
| Tenant improvements | 2,754,732 | 313,974 | 2,440,758 | 512,284 |
| Tenant inducements | 83,741 | 2,333 | 81,408 | – |
| | $ 84,494,112 | $ 1,826,082 | $ 82,668,030 | $ 24,173,037 |

The income-producing properties balance represents two 55 percent co-ownerships, one 18.34 percent co-ownership, and one 13.75 percent co-ownership entered into during 2005, as well as three 55 percent co-ownerships entered into during 2004 and one 27.5 percent co-ownership entered into during 2003.

### 3. Income-producing properties (continued):

The net assets acquired during the year were as follows:

| | 2005 | 2004 |
|---|---|---|
| Land | $ 10,898,888 | $ 2,160,125 |
| Buildings | 46,457,507 | 12,407,180 |
| Tenant improvements | 2,184,014 | 629,154 |
| Acquired in-place leases | 17,747,594 | 4,271,648 |
| Above market in-place leases | 473,350 | 250,602 |
| Below market in-place leases | (3,954,504) | (214,442) |
| | 73,806,849 | 19,504,267 |
| Deferred recoverable costs acquired on acquisitions | 815,693 | – |
| | 74,622,542 | 19,504,267 |
| Less: | | |
| New or assumed mortgages | (21,197,113) | (6,259,663) |
| Premium on mortgages assumed | (1,533,047) | (558,299) |
| Promissory note payable | (9,047,500) | – |
| | (31,777,660) | (6,817,962) |
| Net assets acquired, satisfied by cash consideration | $ 42,844,882 | $ 12,686,305 |

### 4. Other assets:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Acquired in-place leases | $ 22,019,242 | $ 5,938,149 | $ 16,081,093 | $ 3,342,194 |
| Above market in-place leases | 723,952 | 176,833 | 547,119 | 217,439 |
| Deferred financing fees | 24,716 | 2,266 | 22,450 | – |
| | $ 22,767,910 | $ 6,117,248 | $ 16,650,662 | $ 3,559,633 |

### 5. Deferred recoverable costs:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Deferred recoverable costs | $ 957,358 | $ 176,234 | $ 781,124 | $ 10,684 |

## 6. Mortgages payable:

Mortgages payable bear interest at a weighted average of 6.45 percent (2004 - 6.81 percent) and are due at various dates to 2018.

Mortgages on income-producing properties assumed on acquisitions are adjusted to fair value using the market interest rate at the time of acquisition. The resulting premium or discount is amortized to interest expense over the remaining life of the mortgage. For the acquisitions to December 31, 2005, a premium aggregating $2,091,346 (2004 - $558,299) was recorded on acquisition with the unamortized premium at December 31, 2005 aggregating $1,813,808 (2004 - $523,165).

Principal payments, excluding the unamortized premium of $1,813,808 (2004 - $523,165), are due as follows:

| | |
|---|---|
| 2006 | $ 670,545 |
| 2007 | 1,689,878 |
| 2008 | 721,548 |
| 2009 | 6,421,901 |
| 2010 | 352,839 |
| Thereafter | 17,110,453 |
| | $ 26,967,164 |

## 7. Promissory note payable:

Effective September 23, 2005, the company entered into a promissory note as bridge financing on a certain commercial property in the amount of $9,047,500 payable on demand to its shareholder. Interest is calculated monthly at a rate of 4.93 percent per annum, with interest of $121,680 accrued to December 31, 2005. The promissory note will be paid in full at the time subsequent mortgage financing is obtained.

Subsequent to year end, the company entered into a mortgage agreement for one of its existing commercial properties by which $7,975,000 will be advanced in the form of a conventional first mortgage at an interest rate yet to be determined and maturing on June 1, 2011. It is the intent of the company to use the proceeds from this mortgage to repay the promissory note.

### 8. Intangible liabilities:

| | | | 2005 | 2004 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Below market in-place leases | $ 4,168,946 | $ 489,256 | $ 3,679,690 | $ 169,690 |

### 9. Share capital:

The authorized capital of the company is 100,000 common shares without nominal or par value, with power to divide the shares into several classes and/or to attach thereto respectively any preferential, common deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the *Companies Act* and amendments thereto. Shares may be issued only to registered Canadian pension funds or other investors permitted under Section 149(1)(o.2) of the *Income Tax Act*. The sale, transfer or disposition of shares is restricted.

| | 2005 | | 2004 | |
|---|---|---|---|---|
| Issued | Number of shares | Amount | Number of shares | Amount |
| Share capital, beginning of year | 300 | $ 21,895,958 | 100 | $ 9,287,536 |
| Cash contributed as capital during the year | 400 | 42,552,697 | 200 | 12,608,422 |
| Share capital, end of year | 700 | $ 64,448,655 | 300 | $ 21,895,958 |

### 10. Financial instruments:

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The company manages its financial risks as follows:

(a) Interest rate risk:

Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

**10. Financial instruments (continued):**

(b) Credit risk:

Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The company mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

(c) Fair value:

The company has the following financial instruments: accounts and other receivables, cash, mortgages payable, promissory note payable and accounts payable and accrued liabilities. The carrying values of the accounts and other receivables, cash, promissory note payable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of the mortgages payable was approximately $29,065,000 (2004 - $6,932,000) at December 31, 2005 compared to a carrying value of $ 28,780,972 (2004 - $6,709,610). Fair value has been calculated using the future cash flows of the mortgages payable, discounted at current market rates available to the company for the same or similar instruments.

**11. Advisor and property managers:**

The company has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the company. GWLRA has also engaged third parties to manage and operate all of the multi-residential properties. Fees are charged to the property on the balance sheet or to property operating expenses, asset management fees or performance fees in the statement of operations as applicable.

## 11. Advisor and property managers (continued):

The following fees were incurred for the above services:

| | 2005 | 2004 |
|---|---|---|
| Asset management fees | $ 317,018 | $ 99,849 |
| Performance fees | 35,176 | 114,307 |
| Property management fees | 156,502 | 56,106 |
| Acquisition fees | 358,367 | 92,469 |
| Leasing fees | 16,526 | – |
| Financing fees | 17,188 | – |
| Project fees | 6,684 | 4,280 |
| GWLRA fees | 907,461 | 367,011 |
| Property management fees – third party | 86,376 | 22,154 |
| Leasing fees – third party | 35,106 | – |
| | $ 1,028,943 | $ 389,165 |

## 12. Income taxes:

The company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the *Income Tax Act* (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

## 13. Other information:

| Property Name | % Share | Cost | Acquisition Date | Appraisal Date | Value |
|---|---|---|---|---|---|
| 7070 Mississauga Road | 27.5 | $ 9,356,392 | August 1, 2003 | August 1, 2005 | $ 10,560,000 |
| 1730 St. Laurent Blvd. | 55.0 | 9,523,287 | June 1, 2004 | June 1, 2005 | 9,625,000 |
| Garrison Watch | 55.0 | 6,698,812 | June 30, 2004 | June 1, 2005 | 7,117,000 |
| Harbour Ridge | 55.0 | 3,014,562 | June 30, 2004 | June 1, 2005 | 3,085,500 |

During fiscal 2005, as disclosed in note 3, the company acquired two 55 percent co-ownerships, one 18.34 percent co-ownership, and one 13.75 percent co-ownership interest in income-producing properties. The aggregate purchase price for the company's interest in the income-producing properties was $73,806,849.

*Financial Statements of*

# TPP INVESTMENTS II INC.

*December 31, 2005*

Deloitte.

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS  B3J 3R7
Canada

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# Auditors' Report

To the Shareholder of
TPP Investments II Inc.

We have audited the balance sheet and the statement of real property investments of TPP Investments II Inc. as at December 31, 2005 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's Advisor. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Advisor, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 29, 2006

# TPP INVESTMENTS II INC.
# Table of Contents
**December 31, 2005**

# TPP INVESTMENTS II INC.
## Balance Sheet
**December 31, 2005**

| | **2005** | 2004 |
|---|---|---|
| **ASSETS** | | |
| Real property investments | | |
| Real properties (Note 3) | **$ 42,209,733** | $ 21,532,902 |
| Deferred charges (Note 4) | **3,930,310** | 2,140,156 |
| | **46,140,043** | 23,673,058 |
| Cash | **836,447** | 653,886 |
| Accounts receivable | **534,211** | 71,761 |
| Prepaid expenses and other assets | **240,545** | 196,946 |
| | **$ 47,751,246** | $ 24,595,651 |
| **LIABILITIES** | | |
| Mortgages payable (Note 5) | **$ 14,791,852** | $ 7,795,994 |
| Accounts payable and accrued liabilities | **928,143** | 430,235 |
| | **15,719,995** | 8,226,229 |
| **SHAREHOLDER'S EQUITY** | | |
| Share capital (Note 7) | **31,678,428** | 15,935,520 |
| Retained earnings | **352,823** | 433,902 |
| | **32,031,251** | 16,369,422 |
| | **$ 47,751,246** | $ 24,595,651 |

APPROVED BY THE BOARD

………………………………………Director

………………………………………Director

# TPP INVESTMENTS II INC.
## Statement of Real Property Investments
**December 31, 2005**

| | 2005 | 2004 |
|---|---|---|
| 55% co-ownership interest - Summit Centre | | |
| 75th Street and Roper Road, Edmonton, Alberta, purchased January, 2004 | | |
| Land | **$ 3,628,625** | $ 3,628,625 |
| Building (net of accumulated depreciation of $554,468; 2004 - $267,726) | **10,896,242** | 10,441,276 |
| Deferred charges (net of accumulated amortization of $421,259; 2004 - $170,638) | **1,862,560** | 1,113,006 |
| | **16,387,427** | 15,182,907 |
| 55% co-ownership interest - Princess Auto Building | | |
| 2850 Hopewell Place NE, Calgary, Alberta, purchased March, 2004 | | |
| Land | **640,200** | 640,200 |
| Building (net of accumulated depreciation of $54,552; 2004 - $24,796) | **1,135,677** | 1,165,433 |
| Deferred charges (net of accumulated amortization of $33,999; 2004 - $15,454) | **241,085** | 259,631 |
| | **2,016,962** | 2,065,264 |
| 55% co-ownership interest - Mice Kadoke Building | | |
| 6225 Edwards Blvd, Mississauga, Ontario, purchased August, 2004 | | |
| Land | **1,735,388** | 1,735,388 |
| Building (net of accumulated depreciation of $131,831; 2004 - $32,958) | **3,823,107** | 3,921,980 |
| Deferred charges (net of accumulated amortization of $68,224; 2004 - $17,056) | **716,351** | 767,519 |
| | **6,274,846** | 6,424,887 |
| 55% co-ownership interest - Richview Square | | |
| 250 Wincott Drive, Toronto, Ontario, purchased October, 2005 | | |
| Land | **6,437,200** | - |
| Building (net of accumulated depreciation of $39,340) | **9,402,265** | - |
| Deferred charges (net of accumulated amortization of $75,185) | **764,262** | - |
| | **16,603,727** | - |
| 55% co-ownership interest - Summit Building B | | |
| 75th Street and Roper Road, Edmonton, Alberta, purchased December, 2005 | | |
| Land | **807,125** | - |
| Building (net of accumulated depreciation of $211) | **3,703,904** | - |
| Deferred charges (net of accumulated amortization of $1,892) | **346,052** | - |
| | **4,857,081** | - |
| **SUMMARIZED AS FOLLOWS:** | | |
| Land | **13,248,538** | 6,004,213 |
| Building (net of accumulated depreciation of $780,402; 2004 - $325,480) | **28,961,195** | 15,528,689 |
| Deferred charges (net of accumulated amortization of $600,559; 2004 - $203,148) | **3,930,310** | 2,140,156 |
| | **$ 46,140,043** | $ 23,673,058 |

# TPP INVESTMENTS II INC.
## Statement of Operations and Retained Earnings
**Year ended December 31, 2005**

| | 2005 | 2004 |
|---|---|---|
| Income from investments | | |
| Real property rental income | **$ 2,766,618** | $ 1,711,970 |
| Property expenses | | |
| Operating | **442,151** | 274,982 |
| Mortgage interest | **488,255** | 354,972 |
| Depreciation of real properties | **454,922** | 325,480 |
| Amortization of deferred charges | **397,411** | 203,148 |
| Real property net rental income | **983,879** | 553,388 |
| Interest income | **14,362** | 3,434 |
| | **998,241** | 556,822 |
| Expenses | | |
| Asset management fee (Note 6) | **140,950** | 93,753 |
| Performance fee (Note 6) | **124,221** | - |
| Audit and legal fees | **39,913** | 17,767 |
| Appraisal fees | **6,136** | - |
| Other | **30,135** | 11,400 |
| | **341,355** | 122,920 |
| Net income | **656,886** | 433,902 |
| Dividends | **(737,965)** | - |
| Retained earnings, beginning of year | **433,902** | - |
| Retained earnings, end of year | **$ 352,823** | $ 433,902 |

# TPP INVESTMENTS II INC.
## Statement of Cash Flows
**Year ended December 31, 2005**

| | 2005 | 2004 |
|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | |
| Operating | | |
| Net income for the year | **$ 656,886** | $ 433,902 |
| Non-cash items | | |
| Deferred rent | **(207,761)** | (68,323) |
| Depreciation of real properties | **454,922** | 325,480 |
| Amortization of deferred charges | **397,411** | 203,148 |
| Amortization of deferred financing costs | **9,985** | 3,117 |
| Deferred leasing costs | **(1,000,176)** | (439,021) |
| Net change in operating working capital | **227,302** | 319,687 |
| | **538,569** | 777,990 |
| Investing | | |
| Acquisition of real property investments | **(21,577,436)** | (23,762,665) |
| Additions to real property investments | **(741,706)** | - |
| | **(22,319,142)** | (23,762,665) |
| Financing | | |
| Capital contributions | **15,742,908** | 15,935,520 |
| Mortgage financing | **7,150,000** | 15,592,500 |
| Repayment of mortgage | **-** | (7,755,000) |
| Mortgage principal repayments | **(154,142)** | (41,506) |
| Dividends | **(737,965)** | - |
| Deferred financing costs | **(37,667)** | (92,953) |
| | **21,963,134** | 23,638,561 |
| Increase in cash during year | **182,561** | 653,886 |
| Cash, beginning of year | **653,886** | - |
| Cash, end of year | **$ 836,447** | $ 653,886 |
| SUPPLEMENTARY CASH FLOW INFORMATION: | | |
| Cash interest paid | **$ 495,634** | $ 287,835 |

## 1. FORMATION

TTP Investments II Inc. (the "Corporation") was incorporated under the laws of the Province of Nova Scotia on June 6, 2003 for the purpose of investing in real property, and is owned by pension funds which are registered pension plans in accordance with the Income Tax Act (Canada).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant policies are as follows:

*Investments in real property*

Real properties are stated at cost less accumulated depreciation. Real properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of real properties is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of a real property exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real properties to be disposed of are reported at the lower of the carrying amount and fair value less costs to sell.

Acquisition costs are capitalized as part of the cost of real properties.

The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

The above-market and below-market in-place lease values for acquired properties are determined based on the present value of the difference between the contractual base rentals under the lease and fair market lease rates for similar in-place leases, measured from the date of acquisition to the end of the remaining lease term. The value of in-place leases is amortized over the remaining term of the associated leases.

Buildings are depreciated on a straight-line basis over forty years.

*Deferred leasing costs*

Leasing costs, including tenant inducements and leasing commissions incurred plus tenant inducements and lease origination costs acquired upon the purchase of real properties, are deferred and amortized on a straight-line basis over the term of the related leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Co-ownerships*

The Corporation records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the Corporation has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

*Revenue recognition*

Real property rental income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income from leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expenses are recognized in revenue in the period in which applicable expenses are incurred.

*Deferred financing costs*

Financing costs incurred, including financing fees to the Advisor, are deferred and amortized over the term of the related debt. The unamortized balance is included in prepaid expense and other assets.

*Income taxes*

The Corporation conducts its affairs in order to qualify as a tax-exempt corporation under Section 149(1)(0.2) of the Income Tax Act (Canada).

*Advisor's fees*

The Corporation has entered into an advisory agreement with Roycom Inc. (the "Advisor"), whereby the Advisor is to provide investment advice and administrative services. The Advisor receives fees of 0.5% of real property cost on acquisitions, 0.5% of the real property sale proceeds on disposition, a financing fee of 0.25% of the principal amount of any mortgage financing, refinancing or renewal and a monthly asset management fee of 4.5% of net operating income provided that the minimum asset management fee shall not be less than 0.5% of the weighted monthly average of the appraised value of all the properties in any calendar year.

The Advisor also shall receive an annual performance fee equal to 10% of the amount by which the total net return exceeds the performance objective for the core portfolio multiplied by the appraised value of the core portfolio and 20% of the amount by which the total net return exceeds a rate of return that is 3% greater than the performance objective of the value-added portfolio multiplied by the appraised value of the value-added portfolio.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Management estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas of estimation include the amortization periods for real property and the allocation of purchase costs on the acquisition of real properties. Actual results could differ from those estimates.

## 3. REAL PROPERTIES

| | 2005 | 2004 |
|---|---|---|
| Land | **$ 13,248,538** | $ 6,004,213 |
| Building | **29,741,597** | 15,854,169 |
| Accumulated depreciation | **(780,402)** | (325,480) |
| | **$ 42,209,733** | $ 21,532,902 |

## 4. DEFERRED CHARGES

| | 2005 | 2004 |
|---|---|---|
| Deferred leasing costs | **$ 1,372,834** | $ 439,021 |
| Deferred leasing costs on acquisition of real properties | **3,158,035** | 1,904,283 |
| Accumulated amortization | **(600,559)** | (203,148) |
| | **$ 3,930,310** | $ 2,140,156 |

### 5. MORTGAGES PAYABLE

| | 2005 | 2004 |
|---|---|---|
| 55%, co-ownership interest - <u>Summit Centre, Edmonton, Alberta</u> | | |
| First mortgage repayable in blended monthly payments of principal and interest of $35,235, at a rate of 5.907%, due July 1, 2014 to OMERS. | **$ 5,409,675** | $ 5,513,494 |
| 55%, co-ownership interest - <u>Mice Kadoke Building, Mississauga, Ontario</u> | | |
| First mortgage, repayable in blended monthly payments of principal and interest of $13,722, at a rate of 5.341%, due January 1, 2015 to OMERS. | **2,241,202** | 2,282,500 |
| 55%, co-ownership interest - <u>Richview Square, Toronto, Ontario</u> | | |
| First mortgage, repayable in blended monthly payments of principal and interest of $32,649, at a rate of 5.21%, due November 1, 2015 to CIBC. | **5,490,975** | - |
| 55%, co-ownership interest - <u>Summit Building B, Edmonton, Alberta</u> | | |
| Interest only short term financing provided by Province of Nova Scotia at 5.75% payable upon completion of permanent financing. | **1,650,000** | - |
| | **$ 14,791,852** | $ 7,795,994 |

Principal payments required in each of the next five fiscal years are as follows:

| | |
|---|---|
| 2006 | $ 1,918,819 |
| 2007 | 284,409 |
| 2008 | 299,744 |
| 2009 | 316,520 |
| 2010 | 334,239 |
| | $ 3,153,731 |

### 6. TRANSACTIONS WITH ADVISOR

Included in expenses are advisory fees paid pursuant to the advisory agreement of $140,950 (2004 - $93,753) for asset management fees and $124,221 (2004 - $Nil) for performance fees. Amounts paid pursuant to the advisory agreement that were capitalized include $104,336 (2004 - $117,553) for acquisition fees, $13,750 (2004 - $19,593) for financing fees and $41,331 (2004 - $Nil) for leasing fees.

## 7. SHARE CAPITAL

| | 2005 | 2004 |
|---|---|---|
| Authorized: | | |
| An unlimited number of common shares | | |
| Issued: | | |
| 31,678,428 (2004 - 15,935,520) common shares | **$ 31,678,428** | **$ 15,935,520** |

Capital contributions of $15,742,908 were received during the year for 15,742,908 common shares to finance the expansion of Summit Centre and the acquisitions of Richview Square Shopping Centre and Summit Building B.

## 8. FINANCIAL INSTRUMENTS

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The Corporation manages its financial risks as follows:

*Interest rate risk*

Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

*Credit risk*

Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The Corporation mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

*Fair value*

Fair values of financial instruments approximate amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instrument.

When available, public market information is used to express the fair value. When such information is not readily available, fair value is estimated using present value techniques and assumptions concerning the amount and timing of expected future cash flows and discount rates which reflect the appropriate level of risk for the instrument.

Accounts receivable, prepaid expenses and other assets, and accounts payable and accrued liabilities have fair values that approximate their carrying amounts due to their short-term nature.

Fair value of mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2005 market rates for debt of similar corresponding terms and risk. Based on these assumptions, the fair value of mortgages payable at December 31, 2005 has been estimated as $12,900,000 (2004 - $7,900,000).

### 9. APPRAISED VALUE

The properties are appraised on the anniversary date of their acquisition date. The Corporation's 55% interests in the appraised properties are as follows:

| Property | Appraisal Date | Appraisal Value |
|---|---|---|
| Summit Centre | January 5, 2005 | $ 16,445,000 |
| Princess Auto Building | March 1, 2005 | 2,186,250 |
| Mice Kadoke Building | August 26, 2005 | 7,315,000 |

Consolidated Financial Statements of

# TRADE CENTRE LIMITED

Year ended March 31, 2006

KPMG LLP
Chartered Accountants
Suite 1500 Purdy's Wharf Tower I
1959 Upper Water Street
Halifax NS B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 429-1307
Internet www.kpmg.ca

# AUDITORS' REPORT

To the Shareholder of Trade Centre Limited

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2006 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Halifax, Canada

June 9, 2006

# TRADE CENTRE LIMITED

Consolidated Balance Sheet

March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,059,802 | $ 1,321,735 |
| Accounts receivable (note 2) | 2,041,027 | 1,928,117 |
| Inventories | 186,231 | 154,547 |
| Prepaid expenses | 643,457 | 502,234 |
| | 4,930,517 | 3,906,633 |
| Deferred charges | 61,860 | 61,860 |
| Capital assets (note 3): | | |
| Land, building, furniture and equipment and tenant leaseholds | 40,816,276 | 40,028,204 |
| Less accumulated depreciation and amortization | 28,458,854 | 27,024,683 |
| | 12,357,422 | 13,003,521 |
| | $ 17,349,799 | $ 16,972,014 |
| **Liabilities and Shareholder's Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 1,607,235 | $ 1,616,672 |
| Event deposits | 577,623 | 515,102 |
| Deferred revenue | 14,205 | 36,767 |
| Due to the Province of Nova Scotia | 2,841,142 | 1,388,658 |
| | 5,040,205 | 3,557,199 |
| Other liability (note 4) | 500,596 | 340,056 |
| Long-term service awards | 254,681 | 213,841 |
| Deferred capital contributions (note 5) | 800,390 | - |
| | 6,595,872 | 4,111,096 |
| Shareholder's equity: | | |
| Share capital: | | |
| Authorized: | | |
| 1,000,000 common shares without par value | | |
| Issued and outstanding: | | |
| 100 common shares | 100 | 100 |
| Contributed surplus (note 6) | 45,173,101 | 45,173,101 |
| Deficit | (34,419,274) | (32,312,283) |
| | 10,753,927 | 12,860,918 |
| Commitments (note 7) | | |
| | $ 17,349,799 | $ 16,972,014 |

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_________________________ Director

_________________________ Director

# TRADE CENTRE LIMITED

Consolidated Statement of Operations and Deficit

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|---|---|---|
| Revenues: | | |
| Convention Centre | $ 6,003,908 | $ 5,250,895 |
| Office Tower | 2,295,192 | 2,275,780 |
| Exhibition Park | 1,610,473 | 1,713,427 |
| World Trade Centre | 703,279 | 523,429 |
| Halifax Regional Municipality Convention Centre operating subsidy (note 8) | 532,088 | 519,110 |
| | 11,144,940 | 10,282,641 |
| Expenses: | | |
| Event expenses | 5,142,296 | 4,293,898 |
| Salaries, wages and benefits | 2,596,723 | 2,472,476 |
| Administration | 772,835 | 726,873 |
| Advertising and marketing | 400,630 | 377,301 |
| Maintenance | 1,020,838 | 920,656 |
| Energy | 921,592 | 945,971 |
| Taxes and insurance | 1,024,758 | 1,021,504 |
| | 11,879,672 | 10,758,679 |
| Loss before the undernoted | (734,732) | (476,038) |
| Other income: | | |
| Gain on sale of capital assets | 1,326 | 712 |
| Interest income | 31,404 | 19,301 |
| | 32,730 | 20,013 |
| Loss before depreciation and amortization | (702,002) | (456,025) |
| Depreciation and amortization | 1,434,171 | 1,481,021 |
| Amortization of deferred capital contributions | (29,182) | - |
| | 1,404,989 | 1,481,021 |
| Loss for the year | (2,106,991) | (1,937,046) |
| Deficit, beginning of year | (32,312,283) | (30,375,237) |
| Deficit, end of year | $ (34,419,274) | $ (32,312,283) |

See accompanying notes to consolidated financial statements.

# TRADE CENTRE LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Loss for the year | $ | (2,106,991) | $ | (1,937,046) |
| Item not involving cash: | | | | |
| Amortization of deferred capital contributions | | (29,182) | | - |
| Depreciation and amortization | | 1,434,171 | | 1,481,021 |
| Gain on disposal of capital assets | | (1,326) | | (712) |
| Other liabilities | | 160,540 | | 113,352 |
| Change in non-cash operating working capital | | 1,197,189 | | (225,900) |
| | | 654,401 | | (569,285) |
| Financing: | | | | |
| Increase in long-term service awards | | 40,840 | | 33,964 |
| Receipt of government capital contributions | | 829,572 | | - |
| | | 870,412 | | 33,964 |
| Investments: | | | | |
| Proceeds from disposal of capital assets | | 1,326 | | 712 |
| Purchase of capital assets | | (788,072) | | (224,813) |
| | | (786,746) | | (224,101) |
| Increase (decrease) in cash position | | 738,067 | | (759,422) |
| Cash position, beginning of year | | 1,321,735 | | 2,081,157 |
| Cash position, end of year | $ | 2,059,802 | $ | 1,321,735 |

See accompanying notes to consolidated financial statements.

Trade Centre Limited (the "Company") is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

## 1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park and the World Trade Centre. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) Capital assets:

Capital assets are stated at cost. Depreciation and amortization is provided using the following methods and annual rates:

| Asset | Basis | Rate |
|---|---|---|
| Building | Straight-line | 15 to 30 years |
| Furniture and equipment | Straight-line | 3 to 5 years |
| Tenant leaseholds | Straight-line | Lease term |

**1. Significant accounting policies (continued):**

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(f) Deferred capital contributions:

Government assistance towards the acquisition of capital assets has been deferred and is being amortized to income on the same basis as the assets to which they relate are being depreciated.

(g) Long-term service awards:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 2. Accounts receivable:

| | 2006 | 2005 |
|---|---|---|
| Halifax Metro Centre | $ 915,437 | $ 632,690 |
| Convention Centre events | 422,208 | 455,266 |
| Exhibition Park events | 36,320 | 111,372 |
| Events Halifax funding | 337,307 | 330,484 |
| Atlantic Canada World Trade Centre | 107,816 | 187,838 |
| Other | 239,986 | 136,096 |
| Office Tower rents | 79,127 | 139,662 |
| | 2,138,201 | 1,993,408 |
| Provision for doubtful accounts | (97,174) | (65,291) |
| | $ 2,041,027 | $ 1,928,117 |

## 3. Property and equipment:

| | | | 2006 | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated depreciation and amortization | Net book value | Net book value |
| Land | $ 213,113 | $ - | $ 213,113 | $ 213,113 |
| Building | 35,476,700 | 23,890,239 | 11,586,461 | 12,423,153 |
| Furniture and equipment | 3,599,285 | 3,054,289 | 544,996 | 352,733 |
| Vehicles | 6,055 | 6,055 | - | - |
| Tenant leaseholds | 1,521,123 | 1,508,271 | 12,852 | 14,522 |
| | $ 40,816,276 | $ 28,458,854 | $ 12,357,422 | $ 13,003,521 |

## 4. Other liability:

Trade Centre Limited has a supplemental pension arrangement with the President and Chief Executive Officer to provide post-employment benefits.

The accrued benefit obligation as at March 31, 2006, is $500,596 (2005 - $340,056). The benefit expense for the year is $160,513 (2005 - $113,352).

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 7%; rate of compensation increase - 4%.

## 5. Deferred capital contributions:

During the year, Trade Centre Limited entered into an agreement with the Province of Nova Scotia (the "Province") for the Province to fund a capital renovation plan, expected to be completed by fiscal 2009 at a total estimated cost of $10,350,000. The costs of the capital renovation will be capitalized as capital assets with the funding recorded as deferred capital contributions. These amounts will be amortized on a straight-line basis over periods ranging from 10 to 15 years.

## 6. Contributed surplus:

| | 2006 | 2005 |
|---|---|---|
| Government of Canada | $ 2,750,000 | $ 2,750,000 |
| Halifax Regional Municipality | 1,500,000 | 1,500,000 |
| Province of Nova Scotia | 40,923,101 | 40,923,101 |
| | $ 45,173,101 | $ 45,173,101 |

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

## 7. Commitments:

(a) Trade Centre Limited is committed to minimum annual operating lease, signage and other payments as follows:

| | |
|---|---|
| 2007 | $ 807,611 |
| 2008 | 808,363 |
| 2009 | 795,955 |
| 2010 | 354,886 |
| | $ 2,766,815 |

**7. Commitments (continued):**

(b) Trade Centre Limited, in partnership with Expocite, has entered into a contract to host the 2008 World Hockey Championship. The Halifax Metro Centre will host 50% of these games. In connection with this event Trade Centre Limited has provided a guarantee of $2,000,000 to the Canadian Hockey Association as their share of the minimum profit of $4,000,000 to be generated from the 2008 World Hockey Championship. The Province of Nova Scotia and the Halifax Regional Municipality have each committed $1,000,000 towards the support of this event.

**8. Halifax Regional Municipality Convention Centre operating subsidy:**

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 2006 fiscal year in these consolidated financial statements.

**9. Related party transactions:**

Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia. For the year ended March 31, 2006, rental revenue and tenant recoveries included $1,742,625 (2005 - $1,703,882) received from departments and agencies of the Province of Nova Scotia.

Included in Convention Centre revenues are management fees received from Halifax Metro Centre for the amount of $106,098 (2005 - $14,314).

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

**10. Events Halifax:**

Events Halifax ("Eh!") is a division of the Centre and is included in the activity of the Convention Centre. Eh! was established in fiscal 2000. The purpose of Eh! is to provide marketing and promotion services for the benefit of bringing major sporting and cultural events to the Halifax Regional Municipality.

Convention Centre revenue and event expenses both include the amount of $841,904 (2005 - $383,141) relating to the operations of Eh!.

**11. Employee Pension Plan:**

Employees of the Centre participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administrated by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2006 were $184,000 (2005 - $149,000) and are recognized as an expense in the period. The Centre is not responsible for any under-funded liability, nor does the Centre have any access to any surplus that may arise in this Plan.

# Tri-County Regional School Board

# Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Auditors' Report

To the Chairperson and Members of the Board of
The Tri-County Regional School Board

We have audited the statement of financial position of the Tri-County Regional School Board as at March 31, 2006, and the statements of operations and surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. As well, because of an absence of reliable accounting records, we have been unable to verify the accuracy of expenditure from school funded activities. Accordingly, our verification of these revenues and opening balances is limited to the amounts recorded in the records of the schools in which these funds are held, and we have been unable to verify the school funded expenditure. Therefore, we are not able to determine whether any adjustments might be necessary to school generated revenue, expenditure, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenditure referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Bridgewater, Nova Scotia
June 16, 2006

Grant Thornton LLP
Chartered Accountants

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# Tri-County Regional School Board
## Statement of Financial Position

| As at March 31 | | 2006 | | Restated 2005 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | $ | **1,199,490** | $ | 329,237 |
| Cash held by schools (Notes 3 and 4) | | **874,052** | | 834,461 |
| | | **2,073,542** | | 1,163,698 |
| Accounts Receivable | | | | |
| Province of Nova Scotia | | **1,274,589** | | 2,159,203 |
| Government of Canada | | **196,252** | | 201,161 |
| Municipalities | | **-** | | - |
| Other | | **245,152** | | 301,060 |
| Accrued Benefit Asset (Note 5) | | **129,400** | | 51,800 |
| Receivable - Service Award Allowance (Note 9) | | **2,832,348** | | 2,914,091 |
| **Total Financial Assets** | $ | **6,751,283** | $ | 6,791,013 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities-trade | $ | **922,497** | $ | 1,085,407 |
| Payroll and Employee Deductions | | **2,014,892** | | 1,619,075 |
| Payables and Accruals - Government | | | | |
| Province of Nova Scotia | | **20,353** | | 33,671 |
| Government of Canada | | **1,215** | | 2,902 |
| Municipalities | | **8,767** | | 18,795 |
| Other (Government Service Organizations) | | **31,093** | | 49,231 |
| Deferred Revenue | | **643,892** | | 571,132 |
| Service Award Obligations (Note 9) | | **2,832,348** | | 2,914,091 |
| **Total Liabilities** | $ | **6,475,057** | $ | 6,294,304 |
| **Net Assets** | $ | **276,226** | $ | 496,709 |
| **Non-Financial Assets (Note 2)** | | | | |
| Tangible Capital Assets | $ | **-** | $ | - |
| Inventory | | **166,446** | | 148,463 |
| Prepaid expenses | | **348,651** | | 44,138 |
| | $ | **515,097** | $ | 192,601 |
| **Accumulated surplus (Note 2)** | $ | **791,323** | $ | 689,310 |

Accounting Changes (Note 3)
Trust Funds under Administration (Note 6 and Schedule D)
Contractual Obligations (Note 7)
Commitments and Contingencies (Note 9)

On Behalf of the Board

Chairperson　　　　Board Member



See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Statement of Operations

For the year ended March 31, 2006

| | | 2006 | Restated 2005 |
|---|---|---|---|
| | Budget | **Actual** | Actual |
| **Revenues (Schedule A)** | | | |
| Province of Nova Scotia | $ 46,762,136 | **$ 47,489,578** | $ 29,957,534 |
| Government of Canada | 617,225 | **504,014** | 386,961 |
| Municpal contributions | 8,930,000 | **8,930,030** | 5,624,816 |
| School generated funds (Notes 3 and 4) | - | **2,888,308** | - |
| Board Operations | 725,442 | **924,352** | 554,871 |
| Total Revenues | $ 57,034,803 | **$ 60,736,282** | $ 36,524,182 |
| **Expenses (Schedule B)** | | | |
| Board Governance | $ 267,543 | **$ 253,566** | $ 147,931 |
| Regional Management | 1,473,675 | **1,615,734** | 848,606 |
| School Management & Support | 6,404,761 | **6,319,982** | 3,595,637 |
| Instruction & School Services | 29,467,864 | **30,071,828** | 19,957,151 |
| Student Support | 5,495,148 | **5,534,718** | 3,330,580 |
| Adult & Community Education | 376,007 | **359,378** | 220,836 |
| Property Services | 8,550,304 | **8,583,230** | 5,701,350 |
| Student Transportation | 4,071,480 | **4,246,778** | 2,779,816 |
| School generated funds (Notes 3 and 4) | - | **2,848,717** | - |
| Other Programs | 731,071 | **877,938** | 575,893 |
| Defined benefit pension plan recovery | - | **(77,600)** | - |
| | $ 56,837,853 | **$ 60,634,269** | $ 37,157,800 |
| **School Board surplus (deficit) on an expense basis** | $ 196,950 | **$ 102,013** | $ (633,618) |
| **Accumulated (deficit), beginning of year- as previously reported** | $ (196,950) | **$ 689,310** | $ - |
| **Transfer from Southwest Regional School Board** | - | **-** | 436,667 |
| **Accounting changes - Pension plan (Note 5)** | - | **-** | 51,800 |
| **Accounting change-school generated funds (Note 3)** | - | **-** | 834,461 |
| **Capital assets from Southwest Regional School Board** | | | 39,431,588 |
| **Accounting changes (Note 3)** | | | (39,431,588) |
| **Opening balance, restated** | - | **689,310** | 1,322,928 |
| | | **-** | |
| **Accumulated surplus, end of year** | $ - | **$ 791,323** | $ 689,310 |
| **Designation of accumulated surplus (deficit): (Note 2)** | | | |
| **Operating-unrestricted** | $ - | **(82,729)** | $ (145,151) |
| **School Funds-restricted** | | **874,052** | 834,461 |
| | $ - | **791,323** | $ 689,310 |



See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Statement of Changes in Net Assets

| For the year ended March 31, 2006 | | 2006 | | Restated 2005 |
|---|---|---|---|---|
| | | **Actual** | | Actual |
| **Net financial resources, as originally reported** | **$** | **496,709** | $ | - |
| Accounting Changes (Note 3) | | | | 886,261 |
| Surplus-Operating transferred from: | | | | |
| Southwest Regional School Board, August 1, 2004 | | **-** | | 363,505 |
| Surplus-Reserve transferred from: | | | | |
| Southwest Regional School Board, August 1, 2004 | | **-** | | 72,196 |
| **Net financial resources, Beginning of Period, as restated** | | **496,709** | | 1,321,962 |
| **Changes in the Year** | | | | |
| Annual surplus/(deficit) | | **102,013** | | (633,618) |
| Interest on Restricted Funds | | **-** | | 966 |
| Increase in inventories of supplies | | **(17,983)** | | (148,463) |
| Increase in prepaid expenses | | **(304,513)** | | (44,138) |
| **Decrease in net assets** | | **(220,483)** | | (825,253) |
| **Net assets at end of year** | **$** | **276,226** | $ | 496,709 |



See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Statement of Cash Flow

| For the year ended March 31, 2006 | 2006 | Restated 2005 |
|---|---|---|
| **Indirect Method** | | |
| **Operating transactions** | | |
| Annual surplus (deficit) | **$ 102,013** | $ (633,618) |
| Accumulated surplus, beginning of period-Southwest | **-** | 436,667 |
| School generated funds (Notes 3 and 4) | **-** | 834,461 |
| Items not affecting cash: | | |
| Capital Asset Amortization | **-** | - |
| Deferred contributions amortization | **-** | - |
| | **-** | - |
| Changes in non-cash working capital | | |
| (Increase) decrease in accounts receivable | **645,431** | (2,661,424) |
| Increase in inventories of supplies | **(17,983)** | (148,463) |
| Increase in prepaid expenses | **(304,513)** | (44,138) |
| Increase in accrued benefit asset | **(77,600)** | - |
| Increase in accounts payable and accruals | **489,736** | 2,809,081 |
| Increase in defered revenue | **72,760** | 571,132 |
| | **807,831** | 526,188 |
| Cash provided by operating activities | **909,844** | 1,163,698 |
| **Capital activities** | | |
| Cash applied to capital activities | **-** | - |
| **Increase in cash** | **909,844** | 1,163,698 |
| **Cash at beginning of year** | **1,163,698** | - |
| **Cash at end of year** | **$ 2,073,542** | $ 1,163,698 |

See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Schedule A - Supplementary Details of Revenues

For the year ended March 31, 2006

| | 2006 | 2006 | Restated 2005 |
|---|---|---|---|
| | Budget | Actual | Actual |
| **Province of Nova Scotia** | | | |
| Operating | $ 37,181,200 | **$ 37,181,197** | $ 24,221,428 |
| Restricted | 5,791,958 | **5,609,577** | 2,374,707 |
| Capital | 2,614,900 | **2,369,011** | 1,612,089 |
| Other | 988,006 | **2,151,734** | 1,576,563 |
| Recoveries | 186,072 | **178,059** | 172,747 |
| | $ 46,762,136 | **$ 47,489,578** | $ 29,957,534 |
| **Government of Canada** | | | |
| Other | $ 414,575 | **$ 284,750** | $ 253,851 |
| First Nations | 202,650 | **219,264** | 133,110 |
| | $ 617,225 | **$ 504,014** | $ 386,961 |
| **Appropriations from Councils** | $ 8,930,000 | **$ 8,930,030** | $ 5,624,816 |
| | $ 8,930,000 | **$ 8,930,030** | $ 5,624,816 |
| **School generated funds (Notes 3 and 4)** | $ - | **$ 2,888,308** | $ - |
| | $ - | **$ 2,888,308** | $ - |
| **Board Operations** | | | |
| Board Generated Revenue - Other Revenue | $ 664,100 | **$ 841,909** | $ 506,742 |
| Rental of Facilities | 6,000 | **6,080** | 3,500 |
| Interest/Investment | 47,342 | **75,764** | 35,057 |
| Sale of assets | 8,000 | **599** | 9,572 |
| | $ 725,442 | **$ 924,352** | $ 554,871 |
| **Total Revenue** | $ 57,034,803 | **$ 60,736,282** | $ 36,524,182 |



See accompanying notes to the financial statements.

# Tri-County Regional School Board
## Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2006

| | 2006 Budget | 2006 Actual | Restated 2005 Actual |
|---|---|---|---|
| **Board Governance** | | | |
| Salaries | $ 123,414 | **$ 127,148** | $ 94,565 |
| Benefits | 4,269 | **4,892** | 782 |
| Travel | 24,150 | **23,949** | 15,368 |
| Supplies/Materials/Telecommunications | 31,210 | **23,394** | 9,666 |
| Professional Development | 30,900 | **20,584** | 1,946 |
| NSSBA Dues | 53,600 | **53,599** | 25,604 |
| **Total Board Governance** | $ 267,543 | **$ 253,566** | $ 147,931 |
| **Regional Management** | | | |
| Salaries | $ 834,036 | **$ 868,468** | $ 438,931 |
| Benefits | 135,340 | **167,349** | 76,732 |
| Travel | 79,620 | **61,408** | 48,272 |
| Professional Services-Legal and Audit | 40,720 | **164,245** | 31,873 |
| Contracted Services | 472,627 | **432,397** | 323,598 |
| Repairs/Maintenance | 21,626 | **28,255** | 19,782 |
| Supplies/Materials/Telecommunications | 117,250 | **143,445** | 82,578 |
| Utilities | 15,330 | **10,790** | 9,064 |
| Professional Development | 46,367 | **29,690** | 26,420 |
| Bank/Interest Costs | 100 | **71** | 66 |
| Insurance | 71,600 | **68,214** | 47,642 |
| Recovery-Shared Services | (360,941) | **(358,598)** | (256,352) |
| **Total Regional Management** | $ 1,473,675 | **$ 1,615,734** | $ 848,606 |
| **School Management & Support** | | | |
| Salaries | $ 4,653,151 | **$ 4,576,473** | $ 2,860,960 |
| Benefits | 442,292 | **420,121** | 216,186 |
| Travel | 127,591 | **98,477** | 45,253 |
| Contracted Services | 130,010 | **226,504** | 25,160 |
| Repairs/Maintenance | - | **623** | 3,512 |
| Supplies/Materials/Telecommunication/Utilities | 730,660 | **725,105** | 247,767 |
| Utilitities-IT | - | **5,028** | - |
| Professional Development | 321,057 | **267,651** | 196,799 |
| **Total School Management & Support** | $ 6,404,761 | **$ 6,319,982** | $ 3,595,637 |
| **Instruction & School Services** | | | |
| Salaries | $ 26,512,245 | **$ 27,405,982** | $ 18,273,324 |
| Benefits | 1,487,802 | **1,491,528** | 854,316 |
| Service award allowances-current | 382,400 | **59,957** | 96,476 |
| Travel | 15,500 | **10,100** | 7,442 |
| Contracted Services | 196,519 | **159,185** | 107,605 |
| Supplies/Materials/Telecommunications | 389,098 | **364,676** | 275,034 |
| Textbook Allocation | 484,300 | **484,300** | 279,454 |
| Service award allowances-interest | - | **96,100** | 63,500 |
| **Total Instruction & School Services** | $ 29,467,864 | **$ 30,071,828** | $ 19,957,151 |



See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Schedule B - Supplementary Details of Expenditures
For the year ended March 31, 2006

| | 2006 Budget | 2006 **Actual** | Restated 2005 Actual |
|---|---|---|---|
| **Student Support** | | | |
| Salaries | $ 4,934,993 | **$ 4,974,176** | $ 3,023,985 |
| Benefits | 410,232 | **397,916** | 222,142 |
| Travel | 49,650 | **54,486** | 24,287 |
| Supplies/Materials/Telecommunications | 81,848 | **79,821** | 41,944 |
| Professional Development | 18,425 | **28,319** | 18,222 |
| **Total Student Support** | $ 5,495,148 | **$ 5,534,718** | $ 3,330,580 |
| **Adult & Community Education** | | | |
| Salaries | $ 306,132 | **$ 308,715** | $ 194,807 |
| Benefits | 38,485 | **37,380** | 13,562 |
| Travel | 6,000 | **2,317** | 716 |
| Contracted Services | 4,500 | **760** | 3,497 |
| Supplies/Materials/Telecommunications | 18,890 | **10,206** | 8,254 |
| Professional Development | 2,000 | **-** | - |
| **Total Adult & Community Education** | $ 376,007 | **$ 359,378** | $ 220,836 |
| **Property Services** | | | |
| Salaries | $ 2,159,525 | **$ 2,117,211** | $ 1,457,981 |
| Benefits | 421,849 | **415,728** | 265,672 |
| Travel | 4,500 | **11,605** | 10,734 |
| Contracted Services | 308,524 | **379,698** | 295,760 |
| Repairs/Maintenance | 3,540,162 | **3,231,326** | 2,216,005 |
| Vehicle expenses | 21,550 | **47,280** | 13,639 |
| Supplies/Materials/Telecommunications | 171,576 | **192,591** | 82,201 |
| Utilities | 1,684,916 | **1,947,664** | 1,216,109 |
| Professional Development | 6,750 | **11,420** | 3,541 |
| Insurance | 230,952 | **234,361** | 153,968 |
| Recoveries | - | **(5,654)** | (14,260) |
| **Total Property Services** | $ 8,550,304 | **$ 8,583,230** | $ 5,701,350 |
| **Student Transportation** | | | |
| Salaries | $ 2,070,888 | **$ 2,189,638** | $ 1,389,298 |
| Benefits | 422,988 | **417,716** | 301,966 |
| Travel | 115,000 | **98,820** | 59,583 |
| Contracted Services | 75,821 | **56,014** | 34,469 |
| Repairs/Maintenance | 48,627 | **23,033** | 18,080 |
| Vehicle Maintenance | 1,046,425 | **1,210,864** | 796,047 |
| Conveyance | 90,000 | **76,920** | 49,198 |
| Supplies/Materials/Telecommunications | 81,400 | **51,568** | 34,932 |
| Utilities | 21,849 | **23,976** | 16,673 |
| Professional Development | 11,050 | **13,424** | 1,518 |
| Insurance | 87,432 | **84,805** | 78,052 |
| **Total Student Transportation** | $ 4,071,480 | **$ 4,246,778** | $ 2,779,816 |



See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2006

| | 2006 Budget | 2006 Actual | Restated 2005 Actual |
|---|---|---|---|
| **School Generated Funds** | | | |
| School funded activities (Note 3 and 4) | $ - | **$ 2,848,717** | $ - |
| **Total School Generated Funds** | $ - | **$ 2,848,717** | $ - |
| **Other Programs** | | | |
| Salaries | $ 371,777 | **$ 418,907** | $ 282,701 |
| Benefits | 38,983 | **28,549** | 17,803 |
| Travel | 16,000 | **16,492** | 7,868 |
| Repairs/Maintenance | - | **1,534** | 18,350 |
| Supplies/Materials | 304,311 | **412,456** | 249,171 |
| **Total Other Programs** | $ 731,071 | **$ 877,938** | $ 575,893 |
| **Defined benefit pension plan** | | | |
| Defined benefit pension plan recovery | $ - | **$ (77,600)** | $ - |
| | $ - | **$ (77,600)** | $ - |
| **Total Expenditures** | $ 56,837,853 | **$ 60,634,269** | $ 37,157,800 |

See accompanying notes to the financial statements.

## Tri-County Regional School Board
## Schedule C - Supplementary Details of Tangible Capital Assets
For the year ended March 31, 2006

| | Land, Buildings and Improvements | Major 834,461 | Computer Hardware | Vehicles | **2006 Total** | 2005 Total |
|---|---|---|---|---|---|---|
| Cost of Tangible Assets transferred from Southwest Regional School Board | $ - | $ - | $ - | $ - | **$ -** | $ - |
| Additions | - | - | - | - | **-** | - |
| Disposals | - | - | - | - | **-** | - |
| Closing Costs | $ - | $ - | $ - | $ - | **$ -** | $ - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accumulated Amortization: | | | | | | |
| Opening balance | $ - | $ - | $ - | $ - | **$ -** | $ - |
| Disposals | - | - | - | - | **-** | - |
| Amortization expense | - | - | - | - | **-** | - |
| Closing Balance | $ - | $ - | $ - | $ - | **$ -** | $ - |
| Net Book Value (NBV) | $ - | $ - | $ - | $ - | **$ -** | $ - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net Book Value (NBV): | | | | | | |
| Opening balance | $ - | $ - | $ - | $ - | **$ -** | $ - |
| Closing Balance | - | - | - | - | **-** | - |
| Increase( Decrease) in NBV | $ - | $ - | $ - | $ - | **$ -** | $ - |

## Tri-County Regional School Board
## Schedule D-Trust Funds Balance Sheet

| As at March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | **$** | **292,113** | $ | 179,679 |
| | | | | |
| **Equity** | | | | |
| Augusta Nickerson | | **14,617** | | 14,253 |
| J. Pask Memorial | | **139** | | 136 |
| Elsie Hemeon Fund | | **562** | | 548 |
| F. Dakin and P. Dakin Dickson | | **45,042** | | 44,898 |
| Dr. Charles and Mary Webster | | **31,805** | | 31,597 |
| Reserve for scholarships | | | | |
| Yarmouth District Scholarship Society | | | | |
| Unassigned | | **3,918** | | 3,821 |
| Samuel Margolian Trust - Yarmouth High | | **5,081** | | 4,955 |
| Samuel Margolian Trust - St. Ambrose | | **5,082** | | 4,956 |
| Churchill Trust | | **825** | | 804 |
| Loraleis Trust | | **1,645** | | 1,625 |
| Blackader - Kirk Trust | | **1,055** | | 1,523 |
| Olson | | **3,060** | | 2,984 |
| Andrew Maxwell | | **2,635** | | 2,765 |
| Estate of Marjorie E. Jones | | **16,636** | | 16,222 |
| Digby Community Theatre Fund | | **2,141** | | 2,088 |
| Atlantic Philanthropy | | **474** | | 210 |
| Shelburne High - new school | | **99,707** | | 39,659 |
| Faith Guay | | **6,988** | | 6,635 |
| Barrington High-Enhancements-new school | | **50,701** | | - |
| | **$** | **292,113** | $ | 179,679 |

On Behalf of the Board

Superintendent

Director of Finance



See accompanying notes to the financial statements.

# Tri-County Regional School Board
## Schedule E-Supplementary Details of Trust Funds
For the year ended March 31, 2006

| | Balance Beginning of Period | Additions | Interest | Disbursements | **Balance End of Period** |
|---|---|---|---|---|---|
| Augusta Nickerson | $ 14,253 | | $ 364 | | **$ 14,617** |
| J. Pask Memorial | 136 | | 3 | | **139** |
| Elsie Hemeon | 548 | | 14 | | **562** |
| F. Dakin/P. Dakin Dickson | 44,898 | | 1,144 | (1,000) | **45,042** |
| Dr. Charles/Mary Webster | 31,597 | | 804 | (596) | **31,805** |
| Yarmouth Dist Scholarship Society | | | | | |
| Unassigned | 3,821 | | 97 | | **3,918** |
| S. Margolian Trust-Yarmouth High | 4,955 | | 126 | | **5,081** |
| S. Margolian Trust-St. Ambrose | 4,956 | | 126 | | **5,082** |
| Churchill Trust | 804 | | 21 | | **825** |
| Loraleis Trust | 1,625 | | 41 | (21) | **1,645** |
| Blackader - Kirk Trust | 1,523 | | 32 | (500) | **1,055** |
| Olson Trust | 2,984 | | 76 | | **3,060** |
| Andrew Maxwell | 2,765 | | 70 | (200) | **2,635** |
| Estate of Marjorie E. Jones | 16,222 | | 414 | | **16,636** |
| Digby Community Theatre Fund | 2,088 | | 53 | | **2,141** |
| Atlantic Philanthropy | 210 | 1,236 | 28 | (1,000) | **474** |
| Shelburne High-new school | 39,659 | 65,000 | 2,222 | (7,174) | **99,707** |
| Faith Guay | 6,635 | 1,170 | 183 | (1,000) | **6,988** |
| Barrington High-new school | - | 50,000 | 701 | - | **50,701** |
| | 179,679 | 117,406 | 6,519 | (11,491) | **292,113** |



See accompanying notes to the financial statements.

### 1. Board Restructuring

The Southwest Regional School Board was dissolved on July 31, 2004 and two new regional school boards were formed on August 1, 2004 under the names of Tri-County Regional School Board and South Shore Regional School Board. The areas of Finance, Human Resources and Information Technology were structured as shared services for both the regional school boards.

### 2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting polices:

**Basis of Accounting**

**Revenues**

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

The statement of financial position is presented using the principles prescribed by the Department of Education. The balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the statement of operations or in the statement of financial position. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

**Expenses**

Expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and are for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

**Financial Assets**

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principle amount less valuation allowances, if applicable.

**2. Financial Reporting and Accounting Policies (continued)**

**Liabilities**
Pension, Retirement and Other Obligations include various employee benefits. For purposes of these financial statements, the School Board's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Board's best estimates of performance over the long-term. The net pension liabilities represent accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses.

**Deferred Revenue**
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year that the related expenditures are incurred or service performed.

**Net Assets**
Net assets represent the financial assets of the Board less financial liabilities.

**Non-Financial Assets**
The Southwest Regional School Board was dissolved on July 31, 2004.

Inventories are bus garage parts and bus tire inventories recorded at average cost. All other supplies and purchases are expensed.

**Tangible Capital Assets**

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost, when applicable. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right. The buildings and school buses financed by the Province of Nova Scotia and transferred to the school boards are not accounted for in the school board's financial statements; rather they are included in the Province of Nova Scotia's financial statements.

The Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. At March 31, 2006, none of the capital assets purchased by the Board qualified as tangible capital assets. The thresholds as defined in the policy are as follows:

| | |
|---|---|
| Buildings | $250,000 |
| Leasehold improvements | $150,000 |
| Computer hardware | $25,000 |
| Motor vehicles | $15,000 |
| Equipment | $50,000 |
| Software | $250,000 |

**Prepaid expenses and Inventories**

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

### Accumulated Surplus

Accumulated Surplus represents the financial assets and non-financial assets of the School Board less liabilities. This represents the accumulated balance of net surplus arising from the operations of the Board and school generated funds.

Changes in surplus are as follows:

| | 2006 | 2005 |
|---|---|---|
| Balance Surplus, beginning | $ 689,310 | $ 436,667 |
| Recognition of Defined Benefit Pension<br>Surplus after restatement for pension plan | | 51,800<br>$ 488,467 |
| Accounting change-school generated funds (Notes 3 and 12) | | 834,461 |
| Surplus (deficit), current year | 102,013 | (633,618) |
| Balance Surplus(Deficit) | $ 791,323 | $ 689,310 |
| **Designation of accumulated surplus:** | | |
| **General Fund-unrestricted** | **$ (82,729)** | **$ (145,151)** |
| **School general funds-restricted** | **874,052** | **834,461** |
| **Balance Surplus(Deficit)** | **$ 791,323** | **$ 689,310** |

## 3. Accounting Changes

a) In adopting the new School Board Financial Handbook in 2005, the School Board has removed (written off) from the accounting records, capital assets previously included on the financial statements of the Southwest Regional School Board, as sufficient historical costing information is not available. This change in accounting has decreased the school board's capital equity, as transferred from the Southwest Regional School Board, by $39,431,588.

b) The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching staff. As at March 31,2006, this provision amounted to $937,900 (March 31, 2005 $1,255,228) This accounting change has no effect of the school board's annual surplus or its accumulated surplus in either year, as a receivable from the Province of Nova Scotia has been recognized by the School Board equivalent to the provision.

c) Vacation pay for 12-month employees have been accrued beginning on March 31, 2005 and is recorded as a salary expense. This change has not been applied retroactively and has no effect on the annual surplus or the accumulated surplus in either year, as a receivable from the Province of Nova Scotia has also been recognized by the School Board equivalent to the vacation pay accrued.

d) Accounting for the School Boards' defined benefit pension plans became a requirement for the 2005 fiscal year. These financial statements have been restated retroactively to account for this change in accounting policy, as disclosed in note 6 of these financial statements.

e) As a result of the Board adopting the recommendations of PSAB, the Board is now required to recognize school generated funds. (Note 4)

## 4. School Generated Funds

These financial statements include funds arising from certain school and student activities that are controlled and administered by each school, but for which the Board is accountable. Revenue from school funds is recognized as the funds are received. School funded activities expenses are recorded as the funds are expended. School Generated Funds, which include the revenues and expenditures and fund balances of various organizations that exist at the school level under the jurisdiction of the school board, are restated on the financial statements for the eight months ended March 31, 2005.

Changes in cash held by schools are as follows:

| | |
|---|---|
| Balance, April 1, 2005 | $ 834,461 |
| | |
| Additions to school generated funds | 2,888,308 |
| School funded activities expenses | (2,848,717) |
| Net school generated funds for year | $ 39,951 |
| Balance, March 31, 2006 | $ 874,052 |

## 5. Defined benefit pension plans

The School Board maintains two defined benefit pension plans, one for its C.U.P.E staff and a second for its support staff. These pension plans originated in the Southwest Regional School Board, and have not yet been formally split between the South Shore Regional School Board (SSRSB) and the Tri-County Regional School Board (TCRSB). The pension plan actuaries have divided the assets of each plan between the two boards in proportion to the obligations for members from each school board as at the measurement date of December 31, 2004.
Valuations of the Plans were performed as of December 31, 2004 and results were projected forward to December 31, 2005 and December 31, 2006 to determine the fiscal 2006 pension expense.

For both plans, employee contributions equal 5% of their salary, and the School Boards contribute the balance to fund the plan. Employee benefits are based on career earning levels.

***C.U.P.E defined benefit pension plan.***

The CUPE pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2005 and 2006. The accrued benefit asset was adjusted to March 31, 2005 and 2006 by including employer contributions made between January and March of each year. The actuarial valuation projects the funded status of $506,600 for the SSRSB and $83,500 for the TCRSB for a total of $590,100. Plan assets are recorded at market value. The board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

The following table shows the plan's pension expense for the 2006 fiscal year, the expected benefit asset as at March 31, 2006 and a reconciliation of the accrued benefit asset as at March 31, 2006.

| **Pension Expense:** | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Current service cost (net of employee Contributions) | $ 201,200 | $ 156,500 | $ 357,700 |
| | | | |
| **Pension Interest expense** | | | |
| Interest cost on the Accrued Benefit Obligation | 392,200 | 49,900 | 442,100 |
| Expected return on Plan Assets | (398,900) | (51,200) | (450,100) |
| **Total 2006 pension expense** | **$ 194,500** | **$ 155,200** | **$ 349,700** |

**5. Defined benefit pension plans (continued)**

**Development of Accrued Benefit Asset as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Accrued Benefit Asset as at March 31, 2005 | $ 149,100 | $ 52,900 | $ 202,000 |
| Fiscal 2006 Expense | (194,500) | (155,200) | (349,700) |
| Fiscal 2006 School Board Contributions | 242,000 | 185,200 | 427,200 |
| **Accrued Benefit Asset as at March 31, 2006** | **$ 196,600** | **$ 82,900** | **$ 279,500** |

**Reconciliation of the Accrued Benefit Asset as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Assets - at projected market values | $7,480,800 | $1,094,800 | $8,575,600 |
| Accrued Benefit Obligation | 6,974,200 | 1,011,300 | 7,985,500 |
| Funded status as at March 31, 2006 | 506,600 | 83,500 | 590,100 |
| Less: unamortized actuarial gains | (370,900) | (47,700) | (418,600) |
| Plus: Employer Contributions January to March 2006 | 60,900 | 47,100 | 108,000 |
| **Accrued Benefit Asset as at March 31, 2006** | **$ 196,600** | **$ 82,900** | **$ 279.500** |

Major assumptions regarding the CUPE pension plan are as follows:

| | |
|---|---|
| Discount rate and expected rate of return on plan assets | 6% |
| Annual salary increases | 3% |
| Interest credited on employee contributions | 6% |
| Retirement age | 65 years |
| Estimated Average Remaining Service Life | 14 years |

***Support staff defined benefit pension plan***

The Support Staff pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2005 and 2006. The accrued benefit asset was adjusted to March 31, 2005 and 2006 by including employer contributions made between January and March of each year. The actuarial valuation projects an unfunded status of $ 36,200 for the SSRSB and a funded status of $31,600 for the TCRSB for a net unfunded status of $ 4,600. Plan assets are recorded at market value. The board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

The following table shows the plan's pension expense for the 2006 fiscal year, the expected benefit asset as at March 31, 2006 and a reconciliation of the accrued benefit asset as at March 31, 2006.

**5. Defined benefit pension plans (continued)**

| **Pension Expense:** | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Current service cost (net of employee Contributions) | $ 317,700 | $ 128,800 | $ 446,500 |
| **Pension Interest expense** | | | |
| Interest cost on the Accrued Benefit Obligation | 428,500 | 24,600 | 453,100 |
| Expected return on Plan Assets | (398,000) | (24,000) | (422,000) |
| **Total 2006 pension expense** | **$ 348,200** | **$ 129,400** | **$ 477,600** |

**Development of Accrued Benefit Asset (Liability) as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Accrued Benefit Asset as at March 31, 2005 | $(491,600) | $ (1,100) | $(492,700) |
| Fiscal 2006 Expense | (348,300) | (129,300) | (477,600) |
| Fiscal 2006 School Board Contributions | 464,100 | 176,900 | 641,000 |
| **Accrued Benefit Asset (Liability) as at March 31, 2006** | **$(375,800)** | **$ 46,500** | **$(329,300)** |

**Reconciliation of the Accrued Benefit Asset (Liability) as at March 31, 2006**

| | **South Shore** | **Tri-County** | **Total plan** |
|---|---|---|---|
| Assets - at projected market values | $7,709,800 | $ 567,600 | $8,277,400 |
| Accrued Benefit Obligation | 7,746,000 | 536,000 | 8,282,000 |
| Funded status as at March 31, 2006 | (36,200) | 31,600 | (4,600) |
| Less: unamortized actuarial gains | (453,200) | (27,400) | (480,600) |
| Plus: Employer Contributions January to March 2006 | 113,600 | 42,300 | 155,900 |
| **Accrued Benefit Asset (Liability) as at March 31, 2006** | **$ (375,800)** | **$ 46,500** | **$ (329,300)** |

Major assumptions regarding the Support Staff pension plan are as follows:

| | |
|---|---|
| Discount rate and expected rate of return on plan assets | 6% |
| Annual salary increases | 3% |
| Interest credited on employee contributions | 6% |
| Retirement age | 60 years |
| Estimated Average Remaining Service Life | 15 years |

The combined Defined Benefit Pension Plans for the Tri-County Regional School Board is recorded on the balance sheet as follows:

| | |
|---|---|
| Accrued benefit asset – March 31, 2005 | $ 51,800 |
| Accrued benefit asset – March 31, 2006 | $ 129,400 |

## 5. Defined benefit pension plans (continued)

This is the first year of implementation for accounting for this defined benefit pension plan. As this is considered a change in accounting policy, the change was applied retroactively.

The 2005 figures have been restated to set up an Accrued Benefit Asset of $51,800 along with an increase of $51,800 in accumulated surplus, which represents the combined effect of the CUPE and Support Staff pension plan adjustments as at March 31, 2005.

***Other pension plans***

The School Board's teaching staff is covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers Pension Act. Employer contributions for these employees are provided directly by the Province of Nova Scotia. The pension costs and obligations related to this plan are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

## 6. Trust Funds under Administration

Trust fund assets administered by the School Board are identified in Schedule D. The Trust funds represent capital contributed in trust as well as income thereon. Such income is used to provide scholarships for eligible students or expenditures for specifically, designated purposes.

## 7. Contractual Obligations

Minimum payments over the next five years are as follows:

| | Copier Leases | Rental Leases | Energy Management | Total |
|---|---|---|---|---|
| 2007 | $ 89,780 | $ 24,043 | $ 53,580 | 167,403 |
| 2008 | 39,219 | 15,730 | | 54,949 |
| 2009 | 9,078 | | | 9,078 |
| 2010 | | | | |
| 2011 | | | | |
| Total | $ 138,077 | $ 39,773 | $ 53,580 | $ 231,430 |

**Energy Management Contract**

The Shelburne County District School Board (prior to 1996) had entered into an energy management contract with Nova Scotia Power Services Limited. The Tri-County Regional School Board is required to pay $5,242 per month until the contract expires.

## 8. Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

## 9. Commitments and contingencies

**Service Awards**

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

| | |
|---|---|
| Shelburne District | - $90 per years of service (maximum 35 years) |
| Yarmouth District | - 0.75 of 1% of annual salary (maximum TC6) per years of service (maximum 30 years) |
| Digby District | - $80 per years of service (maximum 30 years) |
| Clare-Argyle District | - 0.6 of 1% of annual salary per years of service (maximum 35 years) |

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and the Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

For all service commencing on or after August 1, 2002 under the terms of agreement with the NSTU and Province of Nova Scotia the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years of service with the Board. The amount of the award is as follows: 1% of each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

**The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia.**

| **Continuity of Service Award Allowance Liability** | **March 31, 2006** | **March 31, 2005** |
|---|---|---|
| **Actuarial liability, March 31, 2005** | **$ 1,644,000** | **$ 1,703,308** |
| **Beginning unamortized gain/(loss), liability** | **1,270,091** | **1,193,807** |
| **Beginning balance per financial statements** | **$ 2,914,091** | **$ 2,897,115** |
| **Current service cost (Retiring allowance expense)** | **$ 133,300** | **$ 83,900** |
| **Amortization of experience gains/losses** | **(73,343)** | **12,576** |
| **Service award expense** | **$ 59,957** | **$ 96,476** |
| **Estimated benefits paid** | **(237,800)** | **(143,000)** |
| **Interest expense-Service Awards-Teachers** | **96,100** | **63,500** |
| **Ending balance per Balance Sheet, March 31, 2006** | **$ 2,832,348** | **$ 2,914,091** |
| **Reconciliation to actuarial report:** | | |
| **Per actuaries** | **1,644,000** | **1,644,000** |
| **Unamortized gain/(loss)** | **1,173,948** | **1,270,091** |
| | **$ 2,832,348** | **$ 2,914,091** |

**Sick leave**

The Board has not recognized in these consolidated financial statements, the liability associated with accumulated sick leave as the liability cannot be reasonably estimated.

## 10. Bank Indebtedness

The Board had an operating line of credit of $324,000, as of March 31, 2005, with the Bank of Montreal. As of March 31, 2006, this line of credit has not been utilized.

## 11. Comparative figures

The results for 2005 are for the eight month period, August 1, 2004 to March 31, 2005 since the formation of the Tri-County Regional School Board was August 1, 2004 and has been restated to reflect school generated funds and defined benefit pension plans expense (recovery), as applicable

## Upper Clements Family Theme Park Limited
## Unaudited
## Balance Sheet
## as at March 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| | - | - |
| **Liabilities and Equity** | | |
| **Equity** | | |
| Capital Stock | 1 | 1 |
| Contributed surplus | 5,667,174 | 5,667,174 |
| Deficit | (5,667,175) | (5,667,175) |
| | - | - |
| | - | - |

## Upper Clements Family Theme Park Limited
## Unaudited
## Statement of Income and Deficit
## for the year ended March 31, 2006

| | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Contributions from the Province | 95 | 85 |
| | 95 | 85 |
| **Expenses** | | |
| Dues and fees | 95 | 85 |
| | 95 | 85 |
| **Net Income** | - | - |
| **Deficit, beginning of year** | (5,667,175) | (5,668,175) |
| Prior year adjustment | - | 1,000 |
| **Adjusted deficit, beginning of year** | (5,667,175) | (5,667,175) |
| **Deficit, end of year** | (5,667,175) | (5,667,175) |

Unaudited

## VICTIMS' ASSISTANCE FUND

### Balance Sheet
### as at March 31, 2006

### ASSETS

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Cash in Bank | $ | 232,280.79 | $ | 273,499.72 |
| Investments | | 238,399.09 | | 299,022.00 |
| | $ | 470,679.88 | $ | 572,521.72 |

### LIABILITIES

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Fund | $ | 470,679.88 | $ | 572,521.72 |

### Continuity of Fund
### for the year ended March 31, 2006

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 572,521.72 | $ | 736,012.19 |
| Receipts: | | | | |
| Investment income | | 10,522.34 | | 8,534.00 |
| Bank interest | | 4,789.64 | | 4,101.63 |
| Deposits | | 1,020,919.19 | | 994,349.74 |
| Other | | --- | | --- |
| | | 1,036,231.17 | | 1,006,985.37 |
| Disbursements | | (1,138,073.01) | | (1,170,475.84) |
| Balance, end of year | $ | 470,679.88 | $ | 572,521.72 |

### Note to the Financial Statements
### March 31, 2006

Investments at March 31, 2006 consists of the following investments:

| | | |
|---|---|---|
| $239,270.05 BMO Banker's Acceptance<br>March 28 to May 2, 2006, 3.81% | $ | 238,399.09 |

# Waterfront Development Corporation Limited

## Consolidated Financial Statements

March 31, 2006

Grant Thornton

# Contents

Grant Thornton

**Grant Thornton LLP**
**Chartered Accountants**
**Management Consultants**

# Management Statement on Financial Reporting

To the Shareholder of
**Waterfront Development Corporation Limited**

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is also responsible to ensure that all information reproduced in the annual report is consistent with the statements. In carrying out its responsibilities, management maintains appropriate systems of internal controls designed to ensure that the financial information produced is relevant and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. A Finance Committee of non-management Directors is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Directors prior to their approval of the consolidated financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the consolidated financial statements in detail and meet separately with both the Finance Committee and management to review their findings. Grant Thornton LLP, Chartered Accountants report directly to the shareholder.

Bill Campbell
Acting President
May 10, 2006

Eric Thomson
Chair
Board of Directors
May 10, 2006

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Grant Thornton LLP
Chartered Accountants
Management Consultants

# Auditors' Report

To the Shareholder of
**Waterfront Development Corporation Limited**

We have audited the consolidated balance sheet of **Waterfront Development Corporation Limited** at March 31, 2006 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 10, 2006

Grant Thornton LLP
Chartered Accountants

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# Waterfront Development Corporation Limited
# Consolidated Statement of Earnings and Retained Earnings

| Year Ended March 31 | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Rents | $ **3,138,337** | $ 3,038,017 |
| Recoveries | **58,607** | 243,393 |
| Interest income | **2,769** | 1,684 |
| Other income | **7,594** | 12,463 |
| Provincial grant revenue | **133,400** | 262,444 |
| | **3,340,707** | 3,558,001 |
| **Property expenses** | | |
| Property taxes | **20,078** | 22,005 |
| Operating | **739,880** | 1,064,803 |
| Depreciation and amortization | **309,875** | 305,733 |
| | **1,069,833** | 1,392,541 |
| **Halifax Harbour Festival** | | |
| Revenue (Page 14) | **10,950** | - |
| Expense (Page 14) | **127,672** | - |
| | **(116,722)** | - |
| **Lunenburg real estate and development projects** | | |
| Operating revenue (Page 14) | **227,127** | - |
| Expense (Page 14) | **227,127** | - |
| | **-** | - |
| Tall Ships revenue | **-** | 1,883,024 |
| Tall Ships expense | **-** | 1,765,046 |
| | **-** | 117,978 |
| Income before other items | **2,154,152** | 2,283,438 |
| **Corporate expenses** | | |
| Directors' fees and expenses | **69,177** | 65,968 |
| Doubtful accounts expense | **8,025** | 29,389 |
| Office operations | **86,141** | 73,808 |
| Professional fees | | |
| Audit | **18,455** | 24,500 |
| Programs | **82,661** | 164,498 |
| Legal fees | **87,391** | 32,305 |
| Salaries, contracts and benefits | **514,019** | 558,183 |
| Waterfront promotions and public relations | **38,613** | 48,053 |
| | **904,482** | 996,704 |
| Loan interest | **209,562** | 178,585 |
| Depreciation on facilities for public access | **80,357** | 80,186 |
| Contribution to non-owned infrastructure | **51,195** | 162,389 |
| | **341,114** | 421,160 |
| Net earnings before appropriations | **908,556** | 865,574 |
| Transfer from (to) Special Events and Festivals Fund (Note 8) | **116,722** | (250,000) |
| Transfer to Infrastructure Renewal Fund (Page 15) | **(400,000)** | (400,000) |
| Net earnings | **625,278** | 215,574 |
| Retained earnings, beginning of year | **4,281,962** | 4,066,388 |
| Retained earnings, end of year | $ **4,907,240** | $ 4,281,962 |

See accompanying notes to the consolidated financial statements.

# Waterfront Development Corporation Limited
# Consolidated Balance Sheet

| March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash and cash equivalents | $ | **152,764** | $ | 110,174 |
| Receivables - trade | | **497,295** | | 291,810 |
| Notes receivable (Note 3) | | **9,093** | | 59,726 |
| Prepaids | | **46,270** | | 23,954 |
| Deferred costs | | **114,025** | | 41,890 |
| | | **819,447** | | 527,554 |
| Notes receivable (Note 3) | | **2,846** | | 13,288 |
| Real estate and development projects (Note 4) | | **33,018,845** | | 27,749,493 |
| Deferred pension costs | | **7,256** | | 8,163 |
| | $ | **33,848,394** | $ | 28,298,498 |
| **Liabilities** | | | | |
| Current | | | | |
| Payables and accruals | $ | **425,239** | $ | 749,123 |
| Deferred revenue (Note 6) | | **468,553** | | 221,667 |
| | | **893,792** | | 970,790 |
| Deferred revenue (Note 6) | | **2,459,977** | | 1,909,766 |
| Deferred contribution related to real estate and development projects in Lunenburg (Note 15) | | **5,500,000** | | - |
| Loans payable (Note 5) | | **3,895,647** | | 5,295,647 |
| | | **12,749,416** | | 8,176,203 |
| **Shareholder's Equity** | | | | |
| Capital stock (Note 7) | | **3** | | 3 |
| Contributed surplus | | **13,747,826** | | 13,747,826 |
| Special Events and Festivals Fund (Notes 5 and 8) | | **133,278** | | 250,000 |
| Infrastructure Renewal Fund (Note 9 and Page 15) | | **2,310,631** | | 1,842,504 |
| Retained earnings | | **4,907,240** | | 4,281,962 |
| | | **21,098,978** | | 20,122,295 |
| | $ | **33,848,394** | $ | 28,298,498 |

Commitments (Note 11)
Contingencies (Note 13)
Subsequent event (Note 14)

On behalf of the Board

________________________ Director ________________________ Director

See accompanying notes to the consolidated financial statements.

## Waterfront Development Corporation Limited
## Consolidated Statement of Cash Flows

| Year Ended March 31 | | 2006 | | 2005 |
|---|---|---|---|---|
| Increase (decrease) in cash and cash equivalents | | | | |
| **Operating** | | | | |
| Net earnings before appropriations | $ | **908,556** | $ | 865,574 |
| Depreciation and amortization | | **390,232** | | 385,919 |
| | | **1,298,788** | | 1,251,493 |
| Change in non-cash operating working capital (Note 10) | | **(622,913)** | | 885,768 |
| | | **675,875** | | 2,137,261 |
| **Financing** | | | | |
| Interest earned on Infrastructure Renewal Fund | | **68,127** | | 46,950 |
| Expenditures from Infrastructure Renewal Fund | | **-** | | (137,901) |
| Increase (decrease) in notes receivable | | **61,075** | | (23,963) |
| Decrease in loans payable | | **(1,400,000)** | | (1,059,717) |
| | | **(1,270,798)** | | (1,174,631) |
| **Investing** | | | | |
| Purchase of equipment | | **(18,085)** | | (81,210) |
| Purchase of real estate and development projects, net | | **(5,641,499)** | | (648,526) |
| Deferred revenue | | **797,097** | | 41,646 |
| Deferred contribution related to real estate and development projects in Lunenburg | | **5,500,000** | | - |
| | | **637,513** | | (688,090) |
| Net increase in cash and cash equivalents | | **42,590** | | 274,540 |
| Cash and cash equivalents, net of bank indebtedness | | | | |
| Beginning of year | | **110,174** | | (164,366) |
| End of year | $ | **152,764** | $ | 110,174 |

See accompanying notes to the consolidated financial statements.

## 1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is to service as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour and other locations as determined by the shareholder.

On September 20, 2005, the Corporation purchased significant holdings in the town of Lunenburg, as well as a numbered company 3104102 N.S. Limited, which held additional properties in the town. This was done in cooperation with the Province to protect the working waterfront in Lunenburg.

## 2. Summary of significant accounting policies

**Basis of accounting**
These financial statements are prepared on a consolidated basis. The Corporation holds certain real estate assets through 3104102 N.S. Limited which is consolidated.

**Revenue recognition**
Rent and recovery revenues are recorded on an accrual basis as earned.

Revenue generated as a result of property development is applied as a reduction in the cost. The Corporation receives amounts from third parties for dumping fill on a Corporation property. These amounts have been offset against accumulated development costs related to the property and the excess has been recorded as deferred revenue.

Government assistance for capital projects is accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs is accounted for as grant revenue.

**Income taxes**
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

**Depreciation**
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

> **Building and equipment**
> Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.
>
> **Long-term lease**
> The cost of the lease referred to in Note 4 is amortized over its term.

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

**Development costs**
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

**Real estate and development projects**
On an annual basis, the Corporation reviews the carrying amounts of properties held and used in the fulfilling of its mandate. This includes both revenue producing properties as well as properties held for the greater public interest.

If a change in circumstances or occurrence of particular events indicates that such carrying values may be impaired, the amount of the loss is determined by deducting the asset's fair value (as determined by an independent appraisal or comparison to objective market values of comparable properties) from its carrying value.

There are ongoing negotiations for potential development projects on the Bedford, Dartmouth and Halifax waterfronts. The outcome of these negotiations and the possible financial impact on fair market value of the existing land and buildings is indeterminable at this time.

**Non-owned infrastructure**
The Board of Directors approves expenditures related to improvements to facilities for public access which are not owned or leased by the Corporation. These expenditures are expensed as incurred.

**Use of estimates**
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

**Cash and cash equivalents and bank indebtedness**
Cash and cash equivalents, net of bank indebtedness, is comprised of cash on hand and cash held in banks.

**Financial instruments**
The fair value of cash and cash equivalents, receivables, payables and accruals, and loans payable approximate their carrying amounts because of their short term to maturity.

Receivables are subject to credit risk. In management's opinion these risks are not significant.

| **3. Notes receivable** | | **2006** | | 2005 |
|---|---|---|---|---|
| Note receivable, repaid in the current year | $ | - | $ | 6,491 |
| Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing March 2008. | | 5,502 | | 7,934 |
| Note receivable bearing interest at 6%, repayable in blended monthly payments of $554, maturing March 2007. | | 6,437 | | 12,502 |
| Note receivable, repaid in the current year | | - | | 3,601 |
| Note receivable, repaid in the current year | | - | | 42,486 |
| | | 11,939 | | 73,014 |
| Less: Current portion | | 9,093 | | 59,726 |
| | $ | 2,846 | $ | 13,288 |

| **4. Real estate and development projects** | | | **2006** | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | **Net Book Value** | Net Book Value |
| Facilities for public access | $ 6,869,393 | $ 1,620,957 | $ **5,248,436** | $ 5,332,436 |
| Real estate and development projects | | | | |
| HRM | 27,414,575 | 5,144,166 | **22,270,409** | 22,417,493 |
| Lunenburg (Note 15) | 5,500,000 | - | **5,500,000** | - |
| | 32,914,575 | 5,144,166 | **27,770,409** | 22,417,057 |
| | $ 39,783,968 | $ 6,765,123 | $ **33,018,845** | $ 27,749,493 |

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

## 5. Credit facility

(i) The Corporation has available a combined credit facility of $18,100,000, of which $14,500,000 is secured by a guarantee of the Province of Nova Scotia until February 15, 2007, bearing interest at the Bank of Montreal prime rate, less 0.95 percent. The additional $3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.

(ii) Loans payable

| | 2006 | 2005 |
|---|---|---|
| Capital projects | $ **2,800,000** | $ 4,200,000 |
| Office of Economic Development, non-interest bearing | **1,095,647** | 1,095,647 |
| | $ **3,895,647** | $ 5,295,647 |

The loan from the Office of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

Cash flows resulting from the following have been used temporarily to repay the loan related to capital projects. If segregated funding was required or costs incurred to finance related developments and activities, and the amount was drawn against the credit facility, the loan payable for capital projects would increase from $2,800,000 to $7,585,371 and total loans to $8,681,081 as illustrated below:

| | 2006 | 2005 |
|---|---|---|
| Capital projects: | | |
| Loan payable | $ **2,800,000** | $ 4,200,000 |
| Bedford infill (Note 6) | **2,341,462** | 1,909,766 |
| Special Events and Festival Fund (Note 8) | **133,278** | 250,000 |
| Infrastructure Renewal Fund (Note 9 and Page 14) | **2,310,631** | 1,842,504 |
| | **7,585,371** | 8,202,270 |
| Office of Economic Development, non-interest bearing | **1,095,647** | 1,095,647 |
| | $ **8,681,018** | $ 9,297,917 |

## 6. Deferred revenue

| | 2006 | 2005 |
|---|---|---|
| Current | | |
| Deposits for project developments and programs | $ **222,608** | $ 155,000 |
| Lunenburg operations | **245,945** | - |
| Economic recovery studies and proposals | **-** | 66,667 |
| | $ **468,553** | $ 221,667 |
| Long-term | | |
| Bedford infill | $ **2,341,462** | $ 1,909,766 |
| Amount for development of Halifax waterfront | **118,515** | - |
| | $ **2,459,977** | $ 1,909,766 |

**6. Deferred revenue (continued)**

The Corporation receives amounts from third parties for dumping fill in Bedford. The intent is to develop the property and utilize this long-term deferred revenue in that development over future periods.

In the current year, amounts received on the Bedford infill exceeded costs incurred and, therefore, the excess was added to the deferred revenue. This was also the case in the prior year.

| **7. Capital stock** | **2006** | 2005 |
|---|---|---|
| **Authorized:** | | |
| 5,000 shares without nominal or par value | | |
| **Issued:** | | |
| 3 shares | **$ 3** | $ 3 |

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

**8. Special Events and Festivals Fund**

The Special Events and Festivals Fund has been established to provide a source of initial funding for future events and festivals that the Corporation promotes.

The Corporation has not established a separate cash investment account for this Fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 5). Any expenditure from this Fund will be funded from the current credit facility.

**9. Infrastructure Renewal Fund**

The Infrastructure Renewal Fund (Page 14) shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the Fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the Fund based on the interest rate paid on the credit facility.

The Corporation has not established a separate cash investment account for the Infrastructure Renewal Fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 5). Any expenditure from this Fund will be funded from the current credit facility.

## 10. Supplemental cash flow information

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Change in non-cash operating working capital | | | | |
| Receivables - trade | $ | **(205,485)** | $ | 392,899 |
| Prepaids | | **(22,316)** | | 7,170 |
| Deferred costs | | **(72,135)** | | 140,495 |
| Deferred pension costs | | **907** | | 907 |
| Payables and accruals | | **(323,884)** | | 344,297 |
| | $ | **(622,913)** | $ | 885,768 |
| Cash and cash equivalents, net of bank indebtedness is comprised of the following: | | | | |
| Cash in bank account and on hand | $ | **152,764** | $ | 110,174 |
| Interest paid | $ | **209,562** | $ | 178,585 |

## 11. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

| | | |
|---|---|---|
| 2007 | $ | 1,146 |
| 2008 | | 1,146 |
| 2009 | | 1,146 |
| 2010 | | 1,146 |
| 2011 | | 1,146 |

(ii) The Corporation has agreed to provide compensation, not to exceed $75,000, to replace fish habitat displaced as a result of infilling the Bedford Water lots.

(iii) The Corporation has agreed to provide compensation, not to exceed $22,000, to replace fish habitat displaced as a result of the Salter Street Development.

(iv) The Corporation, as host of the 2007 Tall Ships event, has agreed to a port organizer fee payable to the American Sail Training Association in the amount of USD $22,500 or approximately $26,280, in quarterly instalments of USD $7,500 starting April 1, 2006 to January 1, 2007.

(v) The Corporation has entered into an agreement with an existing combined residential and commercial building on the Halifax waterfront to allow partial early conversion of the complex into condominium units. The Corporation will receive total compensation of $500,000 over the next five years, the timing of payments being contingent on the sale of condo units. Payment will be either by way of direct cash payment to the Corporation or by the construction of amenities on the Halifax waterfront by the vendor of the condo units. The Corporation has committed to use the direct cash compensation received on the construction of amenities on the Halifax waterfront. In the current fiscal year, the Corporation has recognized $118,515 as receivable and deferred revenue.

## 12. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Service Superannuation Plan. The Plan required payments for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this Plan was completed as at December 31, 2005 and includes pension assets of $3,431,682,000, and pension liabilities of $3,899,062,000, resulting in an unfunded liability of $467,380,000. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

## 13. Contingencies

(i) Certain of the Corporation's claim over post-confederation waterlots are being disputed by the Halifax Port Authority (HPA). The Corporation and HPA have, in principle, approved a settlement which will involve WDCL purchasing certain lands and leasing others based upon appraisals. A formal Memorandum of Understanding will be agreed to and executed to detail the nature of the transactions.

(ii) A contract exists with the Armour Group Limited respecting the Queen's Landing/Maritime Museum expansion project which may require a future commitment of the Corporation, the amount of which is undeterminable at this time.

(iii) The Corporation has been named in a claim presented to the courts, claiming breach of contracts in respect of a purchase and sale agreement for land in Bedford, Nova Scotia. The outcome is undetermined at this time and no amounts have been recorded in these financial statements.

## 14. Subsequent event

Subsequent to the year end, a private corporation donated a boat docking facility at an estimated value of $238,000. Of this, $200,000 was a donation and the Waterfront Development Corporation expects to be invoiced for the excess above $200,000.

### 15. Business acquisition

On September 20, 2005, the Corporation acquired real estate properties in the Town of Lunenburg by way of a 100% share purchase of 3104102 N.S. Limited and direct asset purchases.

The purchase price of $5,500,000 was funded by the Province through a grant. The purchase price was allocated to the assets based on their fair value as determined by management. The allocation was also used to determine the value of the assets in 3104102 N.S. Limited, the wholly-owned subsidiary.

The following table represents a summary of financial information of the subsidiary as at March 31, 2006:

| | | 2006 |
|---|---|---|
| Assets | $ | 3,449,325 |
| | | |
| Liabilities | $ | 3,158,510 |
| Shareholder's equity | | 290,815 |
| | $ | 3,449,325 |
| | | |
| Revenues | $ | 6,508 |
| Expenses | | 6,508 |
| Net earnings | $ | - |

The Province has provided funding for operations to cover all costs resulting from operations, as such there were no net cash flows. There were no financing or investing cash flows during the period.

The Lunenburg assets consist of land, buildings and wharves. These assets have been shown as a separate line item within the Real Estate and Development Projects schedule in Note 4 to the financial statements. This is to recognize these assets as a unique group whose title with the Corporation may not necessarily be long term in nature. It is the intention of the Corporation, based on direction from the Province, to transfer these assets to another legal entity pending development of a business plan and certain other arrangements as required by the Province.

## Waterfront Development Corporation Limited
## Schedule of Revenue and Expense for the Halifax Harbour Festival 2005

| Year Ended March 31 | | 2006 |
|---|---|---|
| Revenue | | |
| Private sponsorship | $ | 8,950 |
| Government grant and sponsorships | | 2,000 |
| | | 10,950 |
| Expense | | |
| Administration | | 77,168 |
| Marketing | | 26,740 |
| Venue expenses | | 23,764 |
| | | 127,672 |
| Excess of expenditures over revenue | $ | (116,722) |

## Waterfront Development Corporation Limited
## Schedule of Revenue and Expense for the Lunenburg Real Estate and Development Projects

| Year Ended March 31 | | 2006 |
|---|---|---|
| Revenue | | |
| Rents | $ | 30,902 |
| Provincial grant revenue | | 196,225 |
| | | 227,127 |
| Expense | | |
| Administration | | 6,324 |
| Professional fees | | 54,688 |
| Property taxes | | 816 |
| Operating | | 165,299 |
| | | 227,127 |
| Excess of revenue over expenditures | $ | - |

## Waterfront Development Corporation Limited
## Schedule of Revenue, Expense and Fund Balance for the Infrastructure Renewal Fund

| Year Ended March 31 | | **2006** | | 2005 |
|---|---|---|---|---|
| Revenue | | | | |
| Interest | **$** | **68,127** | $ | 46,950 |
| Expense | | | | |
| Cable wharf upgrade | | **-** | | 137,901 |
| Net of revenues over expenses (expenses over revenue) | **$** | **68,127** | $ | (90,951) |
| Fund Balance, beginning of year | **$** | **1,842,504** | $ | 1,533,455 |
| Net of revenues over expenses (expenses over revenue) | | **68,127** | | (90,951) |
| Transfer from operations | | **400,000** | | 400,000 |
| Fund Balance, end of year | **$** | **2,310,631** | $ | 1,842,504 |

# WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

## FINANCIAL STATEMENTS

### DECEMBER 31, 2005 and 2004

# Auditor's Report

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statement of financial position as at December 31, 2005 and the statements of operations, unfunded liability, comprehensive income, changes in accumulated other comprehensive income and cash flows of the Workers' Compensation Board of Nova Scotia (the "WCB") for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Halifax, Nova Scotia
February 24, 2006

Ernst & Young, LLP
Chartered Accountants

## WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
## STATEMENT OF FINANCIAL POSITION
### AS AT DECEMBER 31
**(thousands of dollars)**

| | **2005** | 2004 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Note 13) | **$ 14,482** | $ 34,003 |
| Receivables (Note 4) | **21,641** | 19,159 |
| Investments (Note 5) | **956,307** | 876,280 |
| Property, equipment and other assets (Note 6) | **10,064** | 10,025 |
| | **$ 1,002,494** | $ 939,467 |
| **LIABILITIES AND UNFUNDED LIABILITY** | | |
| Payables and accruals | **$ 14,083** | $ 12,815 |
| Employee future benefits (Notes 7 and 16) | **5,784** | 4,939 |
| Benefits liabilities (Note 8) | **1,318,255** | 1,279,639 |
| | **1,338,122** | 1,297,393 |
| Accumulated other comprehensive income | **44,232** | 47,575 |
| Unfunded liability | **(379,860)** | (405,501) |
| | **(335,628)** | (357,926) |
| | **$ 1,002,494** | $ 939,467 |

Commitments (Note 15)
Contingencies (Note 17)

**Approved on behalf of the Board of Directors:**

.....................................................................Chair

......................................................................Deputy Chair

The accompanying notes are an integral part of the financial statements.

# WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
## STATEMENT OF OPERATIONS
**YEAR ENDED DECEMBER 31**
**(thousands of dollars)**

| | 2005 | 2004 |
|---|---|---|
| Revenue | | |
| Assessments (Notes 9 and 13) | **$ 239,823** | $ 223,667 |
| Net investment income (Notes 5 and 13) | **95,332** | 25,199 |
| | **335,155** | 248,866 |
| Expenses | | |
| Claims costs incurred (Notes 8 and 13) | **152,406** | 136,664 |
| Growth in present value of benefits liabilities and actuarial experience adjustments (Note 8) | **113,847** | 70,287 |
| Administration costs (Notes 10 and 13) | **34,028** | 29,978 |
| Legislated obligations (Note 11) | **9,233** | 9,491 |
| | **309,514** | 246,420 |
| Excess of revenues over expenses applied to reduce the unfunded liability | **$ 25,641** | $ 2,446 |

# WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
## STATEMENT OF UNFUNDED LIABILITY

**YEAR ENDED DECEMBER 31**
(thousands of dollars)

| | 2005 | 2004 |
|---|---|---|
| Unfunded liability, beginning of year | **$ (405,501)** | $ (411,951) |
| Change in accounting policy (Note 3) | **-** | 4,004 |
| | **(405,501)** | (407,947) |
| Excess of revenues over expenses applied to reduce the unfunded liability | **25,641** | 2,446 |
| Unfunded liability, end of year | **$ (379,860)** | $ (405,501) |

The accompanying notes are an integral part of the financial statements.

## WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
## STATEMENT OF COMPREHENSIVE INCOME
**YEAR ENDED DECEMBER 31**
**(thousands of dollars)**

| | **2005** | 2004 |
|---|---|---|
| Excess of revenues over expenses | **$ 25,641** | $ 2,446 |
| Other comprehensive income | | |
| Unrealized gains on available-for-sale financial assets arising during the year | **58,348** | 37,430 |
| Reclassification of realized gains to the statement of operations | **(61,691)** | (2,327) |
| Net change in other comprehensive income for the year | **(3,343)** | 35,103 |
| Total comprehensive income | **$ 22,298** | $ 37,549 |

## WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
## STATEMENT OF CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME
**YEAR ENDED DECEMBER 31, 2005**
**(thousands of dollars)**

| | **2005** | 2004 |
|---|---|---|
| Accumulated other comprehensive income, beginning of year | **$47,575** | $ - |
| Change in accounting policy (Note 3) | **-** | 12,472 |
| | **47,575** | 12,472 |
| Net change in other comprehensive income for the year | **(3,343)** | 35,103 |
| Accumulated other comprehensive income, end of year | **$44,232** | $47,575 |

The accompanying notes are an integral part of the financial statements.

## WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
## STATEMENT OF CASH FLOWS
### YEAR ENDED DECEMBER 31
**(thousands of dollars)**

| | **2005** | 2004 |
|---|---|---|
| **Operating Activities** | | |
| Cash received from: | | |
| Employers, for assessments | **$ 235,789** | $ 222,753 |
| Net investment income | **95,358** | 25,219 |
| | **331,147** | 247,972 |
| Cash paid to: | | |
| Claimants or third parties on their behalf | **(221,407)** | (164,342) |
| Suppliers, for administrative and other goods and services | **(43,380)** | (36,642) |
| | **(264,787)** | (200,984) |
| Net cash provided by operating activities | **66,360** | 46,988 |
| **Investing Activities** | | |
| Increase in investments, net | **(83,370)** | (41,969) |
| Cash paid for: | | |
| Purchases of equipment | **(2,511)** | (586) |
| Net cash used in investing activities | **(85,881)** | (42,555) |
| Net (decrease) increase in cash and cash equivalents | **(19,521)** | 4,433 |
| Cash and cash equivalents, beginning of year | **34,003** | 29,570 |
| Cash and cash equivalents, end of year | **$ 14,482** | $ 34,003 |

The accompanying notes are an integral part of the financial statements.

## 1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (the “WCB") was established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act (the “Act"),* and as such is exempt from income tax. Pursuant to the *ACT,* the WCB strives to prevent workplace injury, but when it occurs, supports injured workers and their employers to achieve an early and safe return to work; administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new *Act* received Royal Assent on February 6, 1995. Amendments to the *Act* received Royal Assent on April 16, 1999. Further amendments to the *Act* received Royal Assent on May 30, 2002 and November 28, 2002.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, within the framework of the following accounting policies:

### a) Cash and Cash Equivalents

Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

### b) Assessments Receivable

Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

### c) Investments

Securities held in the investment portfolio are designated as available-for-sale financial assets, and are carried at fair market value. Unrealized gains and losses arising from the change in fair value of an investment are recorded in other comprehensive income until the investment is sold. At this time, the cumulative unrealized gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income and included in the excess of revenues over expenses (expenses over revenues) for the period. Income from interest and dividends is recognized in the period earned, and is presented net of investment expenses.

Where it is determined that there is objective evidence of a permanent decline in the fair value of a financial asset, the cumulative loss that had been recognized directly in other comprehensive income is removed from accumulated other comprehensive income and included in income even though the asset has not been sold.

**d) Property and Equipment**

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, and 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development costs and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

**e) Other Assets**

Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

**f) Employee Future Benefits**

Costs for employee future benefits, other than pensions are accrued over the periods during which the employees render services in return for these benefits. The corridor approach is used to record actuarial gains and losses. Under this approach, if the gains or losses exceed 10% of the greater of the plan assets or liabilities, the excess amount is amortized on a straight-line basis over the employees average remaining service life.

**g) Benefits Liabilities**

An independent actuary completes a valuation of the benefits liabilities of the WCB at each year-end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. No provision has been made for future claims related to occupational disease.

**h) Foreign Currency Translation**

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for Investments.

**i) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular, benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal and finally to the Supreme Court of Canada. Rulings by these bodies may have the potential to impact benefits liabilities.

**j) Financial Instruments**

The carrying values of the WCB's financial instruments, approximate fair values because of their short-term maturity and, or underlying terms and conditions.

The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms. At December 31, 2005 and 2004 the WCB did not have any exposure relating to derivative instruments.

**k) Comparative Figures**

Certain 2004 comparative figures have been reclassified to conform with the 2005 presentation.

## 3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the WCB changed its accounting policy for investments, based on the new CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement". The adoption of Section 3855 necessitated the adoption of Section 1530 – "Comprehensive Income". Section 1530 represented a new requirement to present certain gains and losses outside of the statement of operations in a separate statement of comprehensive income.

Previous to 2004, financial instruments were recorded at cost adjusted toward market value using the moving average market method. Under the previous policy, unrealized and realized gains and losses were deferred and amortized on a straight line basis over five years, while interest and dividend income were recognized in the period earned. Under the new policy, all investments were designated as available-for-sale, and were carried at fair value. Realized gains and losses were recognized as investment income in the year in which they occur. Unrealized gains and losses are recognized in other comprehensive income until the investment is sold. This change was applied prospectively, as required by Section 3855. Investments at January 1, 2004 were adjusted from a carrying value of $782,731 to a fair value of $799,207. The $4,004 of deferred realized gains were adjusted to the opening balance of the unfunded liability while the $12,472 of deferred unrealized gains were adjusted to the opening balance of the statement of changes in accumulated other comprehensive income.

**(thousands of dollars)**

## 4. RECEIVABLES

| | **2005** | 2004 |
|---|---|---|
| Assessments | **$ 17,565** | $ 17,037 |
| Self-insured employers | **6,163** | 4,847 |
| Assessments receivable | **23,728** | 21,884 |
| Self-insured employers – deposits | **(3,987)** | (3,987) |
| Harmonized Sales Tax rebate | **329** | 268 |
| Other | **1,571** | 994 |
| | **$ 21,641** | $ 19,159 |

Assessments receivable are net of an allowance for doubtful accounts of $1,441 in 2005 (2004- $1,954). Other receivables are net of an allowance for doubtful accounts of $325 in 2005 (2004- $190).

## 5. INVESTMENTS

| | **2005** | 2004 |
|---|---|---|
| | **Fair Market Value** | Fair Market Value |
| Money Market | **$ 4,291** | 19,674 |
| Fixed-term investments | **283,726** | 312,214 |
| Equities | **570,306** | 543,473 |
| Real Estate | **97,354** | - |
| Accrued interest | **630** | 919 |
| Total | **$956,307** | $876,280 |

| **Investment Income** | **2005** | 2004 |
|---|---|---|
| Interest and dividends | **$ 34,811** | $ 23,837 |
| Realized gains from the statement of comprehensive income | **61,691** | 2,327 |
| | **96,502** | 26,164 |
| Less: Portfolio management expenses | **(1,170)** | (965) |
| Total Investment Income | **$ 95,332** | $ 25,199 |

**(thousands of dollars)**

## 6. PROPERTY, EQUIPMENT AND OTHER ASSETS

| 2005 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Land | **$ 155** | **$ -** | **$ 155** |
| Building | **3,461** | **1,790** | **1,671** |
| Furniture and facilities | **3,367** | **1,299** | **2,068** |
| Equipment and computer hardware | **2,259** | **1,030** | **1,229** |
| Software and process development costs | **14,745** | **11,154** | **3,591** |
| Other assets (a) | **3,750** | **2,400** | **1,350** |
| | **$ 27,737** | **$ 17,673** | **$ 10,064** |

| 2004 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Land | $ 155 | $ - | $ 155 |
| Building | 3,443 | 1,654 | 1,789 |
| Furniture and facilities | 2,548 | 1,057 | 1,491 |
| Equipment and computer hardware | 2,174 | 1,536 | 638 |
| Software and process development costs | 14,169 | 9,717 | 4,452 |
| Other assets (a) | 3,750 | 2,250 | 1,500 |
| | $ 26,239 | $ 16,214 | $ 10,025 |

(a) During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16 bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

**(thousands of dollars)**

## 7. EMPLOYEE FUTURE BENEFITS

The WCB provides for employee future benefits other than pensions (Note 16) consisting of retirement allowances, and post employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2003, with the next planned valuation to be performed at December 31, 2006.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations as at December 31 are as follows:

| | **2005** | 2004 |
|---|---|---|
| Discount Rate | **6.25%** | 6.25% |
| Expected health care costs trend rate; decreasing annually by 1% increments to an ultimate rate of 5% | **9%** | 10% |
| Drug claim increases trend rate; decreasing annually by 1% increments to an ultimate rate of 6% | **11%** | 12% |
| Dental cost escalation | **3.5%** | 3.5% |
| Retirement age assumption | **59 years** | 59 years |

| | **2005** | 2004 |
|---|---|---|
| **Accrued Benefit Obligation** | | |
| Beginning of Year | **$6,201** | $4,234 |
| Current service costs | **494** | 494 |
| Interest costs | **373** | 373 |
| Benefits paid | **(76)** | (216) |
| Actuarial loss | **-** | 1,316 |
| **End of year** | **$6,992** | $6,201 |
| | | |
| **Funded Status** | | |
| Plan deficit | **$6,992** | $6,201 |
| Unamortized net actuarial loss | **(1,208)** | (1,262) |
| **Accrued employee future benefits liability** | **$5,784** | $4,939 |
| | | |
| **Net benefit expense** | | |
| Current service costs | **$ 494** | $ 494 |
| Interest costs | **373** | 373 |
| Amortization of net actuarial loss | **54** | 54 |
| **Net employee future benefits expense** | **$ 921** | $ 921 |

**(thousands of dollars)**

## 8. BENEFITS LIABILITIES

| | Short-Term Disability | Long-Term Disability | Survivor Benefits | Health Care | Rehabilitation | Subtotal | Claims Administration | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $66,421 | $845,523 | $127,401 | $158,621 | $8,802 | $1,206,768 | $72,871 | $1,279,639 |
| Growth in present value of benefits liabilities | 4,754 | 61,496 | 9,213 | 11,721 | 656 | 87,840 | 5,313 | 93,153 |
| Change in actuarial assumptions (a) | - | 10,721 | 91 | - | - | 10,812 | 789 | 11,601 |
| Actuarial experience adjustments (b) | 13,740 | (6,664) | (249) | 3,611 | (1,852) | 8,586 | 507 | 9,093 |
| Total Growth | 18,494 | 65,553 | 9,055 | 15,332 | (1,196) | 107,238 | 6,609 | 113,847 |
| Claims costs incurred | 48,590 | 60,235 | 4,912 | 37,216 | 1,453 | 152,406 | 7,338 | 159,744 |
| Less: Claims payments made | (54,661) | (111,395) | (14,030) | (41,905) | (1,572) | (223,563) | (11,412) | (234,975) |
| Balance, end of year | $ 78,844 | $ 859,916 | $ 127,338 | $ 169,264 | $ 7,487 | $1,242,849 | $ 75,406 | $1,318,255 |

| | Short-Term Disability | Long-Term Disability | Survivor Benefits | Health Care | Rehabilitation | Subtotal | Claims Administration | Total 2004 |
|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $63,729 | $831,643 | $124,266 | $141,576 | $8,757 | $1,169,971 | $71,101 | $1,241,072 |
| Growth in present value of benefits liabilities | 4,640 | 49,853 | 9,050 | 10,508 | 662 | 74,713 | 4,552 | 79,265 |
| Change in actuarial assumptions (a) | - | 18,065 | 175 | 4,023 | 196 | 22,459 | 1,338 | 23,797 |
| Actuarial experience adjustments (b) | 1,765 | (37,773) | 1,108 | 5,442 | (949) | (30,407) | (2,368) | (32,775) |
| | 6,405 | 30,145 | 10,333 | 19,973 | (91) | 66,765 | 3,522 | 70,287 |
| Claims costs incurred | 44,049 | 51,738 | 6,849 | 32,456 | 1,572 | 136,664 | 6,576 | 143,240 |
| Claims payments made | (47,762) | (68,003) | (14,047) | (35,384) | (1,436) | (166,632) | (8,328) | (174,960) |
| Balance, end of year | $ 66,421 | $ 845,523 | $ 127,401 | $ 158,621 | $ 8,802 | 1,206,768 | $72,871 | $1,279,639 |

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer price index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

**(thousands of dollars)**

2005 and 2004

| Category | Inflation Formula | Resulting Inflation Rate | Resulting Net Interest Rate |
|---|---|---|---|
| Supplementary Benefits | 0.5% + CPI | 4.5% | 3.0% |
| LTD, Survivor Pensions | 50 % * CPI | 2.0% | 5.5% |
| Medical Aid, Rehabilitation non-income | 1.75% + CPI | 5.75% | 1.75% |
| All others | CPI | 4.0% | 3.5% |

The WCB's independent actuaries, in their report of February 20, 2006, have noted that limited claims experience is available in respect of earnings-loss benefits to be granted in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities for benefits to be granted in the future is $270,000.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

a) In 2005, a change was made in the actuarial assumptions increasing the benefits liabilities by $11,601, reflecting changes to the expected average age at accident date.

In 2004, changes were made in the actuarial assumptions increasing the overall benefits liabilities by $23,797. The changes included;

- Provisions for payments relating to medical claims increased the liability by $4,200, as a result of increasing the cost increase assumption from 1.5% to 1.75% greater than the consumer price index.
- Based on experience, the liability for permanent impairment benefit and extended earnings replacement benefit awards was increased by $19,600 reflecting changes to the expected average age at accident date.

b) Actuarial experience adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year. In 2005, actuarial experience adjustments increasing benefits liabilities totalled $9,093. The adjustments included:

- An increase of $9,071 reflecting changes in average payments.
- A decrease of $41,082 reflecting a change in the expected volume of future permanent awards.
- An increased of $25,122 reflecting revised estimates for chronic pain related benefits.
- Other non-specific experience adjustments increasing benefits liabilities by $15,982.

**(thousands of dollars)**

In 2004, actuarial experience adjustments decreasing benefits liabilities totalled $32,775. The adjustments included:

- An increase of $6,546 reflecting changes in average payments.
- A decrease of $57,920 reflecting a change in the expected volume of future permanent awards.
- Other non-specific experience adjustments increasing benefits liabilities by $18,599.

## 9. ASSESSMENTS

| | **2005** | 2004 |
|---|---|---|
| Assessed employers | **$ 199,967** | $ 189,444 |
| Self-insured employers (Note 12) | **38,355** | 32,520 |
| Assessment reporting penalties and interest | **1,501** | 1,703 |
| | **$ 239,823** | $ 223,667 |

Assessment revenue is shown net of bad debt expense of $425 in 2005 (2004 - $1,056).

## 10. ADMINISTRATION COSTS

| | **2005** | 2004 |
|---|---|---|
| Salaries and staff expense | **$ 26,782** | $ 22,455 |
| Amortization | **2,470** | 2,444 |
| Communications | **1,788** | 1,520 |
| Services contracted | **1,732** | 1,594 |
| Building operations | **1,729** | 1,435 |
| Supplies | **1,072** | 974 |
| Professional fees | **1,055** | 281 |
| Travel and accommodations | **733** | 527 |
| Training and development | **688** | 458 |
| Equipment rental | **36** | 29 |
| Miscellaneous | **17** | 13 |
| | **38,102** | 31,730 |
| Decrease in liability for future administration costs | **(4,074)** | (1,752) |
| | **$ 34,028** | $29,978 |

(thousands of dollars)

## 11. LEGISLATED OBLIGATIONS

| | **2005** | 2004 |
|---|---|---|
| Occupational Health and Safety | **$ 5,711** | $ 5,851 |
| Workers' Compensation Appeals Tribunal | **1,361** | 1,301 |
| Workers' Advisers Program | **2,027** | 2,264 |
| Injured Workers' Associations | **134** | 75 |
| | **$ 9,233** | $ 9,491 |

The WCB is required by the *Act* to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Environment and Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the *Act* to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the *Act* to absorb the operating costs of the WAP.

Injured Workers' Associations provide advice and assistance to workers on workers' compensation issues. The WCB is required by the *Act* to provide funding to Injured Workers' Associations on such terms and conditions as the Minister of the Department of Environment and Labour deems appropriate or the Governor in Council prescribes.

## 12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers -federal and provincial government bodies and former bodies- who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

| | **2005** | 2004 |
|---|---|---|
| Revenue | **$ 38,355** | $ 32,520 |
| Claims costs incurred | | |
| Short-term disability | **$ 4,264** | $ 4,296 |
| Long-term disability | **21,066** | 15,931 |
| Survivor benefits | **3,054** | 3,045 |
| Health care | **4,850** | 4,433 |
| Rehabilitation | **120** | 122 |
| | **33,354** | 27,827 |
| Administration costs | **5,001** | 4,693 |

(thousands of dollars)

| | | |
|---|---|---|
| | **$ 38,355** | $ 32,520 |

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. One employer reached an agreement with the WCB and the WCB continues to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self-insured with the three remaining employers. As a number of years have passed since the transition, all parties have a better understanding of the value of the liabilities and resolution is anticipated through agreement with respective actuaries.

## 13. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for its own incurred claims and a share of administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

| | **2005** | 2004 |
|---|---|---|
| Revenue | **$ 5,498** | $ 3,909 |
| Claims costs incurred | **$ 4,669** | $ 3,139 |
| Administration costs | **829** | 770 |
| | **$ 5,498** | $ 3,909 |

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2005, the amount receivable from the Province of Nova Scotia was $1,292 (2004 - $596).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $684 in 2005 (2004 - $748). Total funds invested in notes due from the Province as at December 31, 2005 were $10,000 (2004 - $25,000) bearing an average interest rate of 3.22% (2004 – 2.48%).

## 14. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the statements of Operations and Unfunded Liability.

(thousands of dollars)

| Industry | Payee | 2005 | 2004 |
|---|---|---|---|
| Construction | Nova Scotia Construction Safety Association | **$ 871** | $ 819 |
| Forestry | Forestry Safety Society | **283** | 276 |
| Trucking | Nova Scotia Trucking Safety Association | **231** | 208 |
| Retail Gasoline | Retail Gasoline Dealers' Association | **21** | 20 |

## 15. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

| | |
|---|---|
| **2006** | **$1,325** |
| **2007** | **1,300** |
| **2008** | **1,250** |
| **2009** | **1,041** |
| **2010** | **227** |
| | **$5,143** |

## 16. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2005 were $1,502 (2004 - $1,115) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have any entitlement to any surplus that may arise in this Plan.

## 17. CONTINGENCIES

On October 3, 2003 the Supreme Court of Canada found that certain sections of the Workers' Compensation Act, relating to compensation for chronic pain, were unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the Act and policies relating to chronic pain benefits were to be of no force and effect by April 3, 2004. It was expected that the changes associated with the regulations and policies would result in costs that will increase the benefits liability. In 2004 and 2005, the WCB began adjudicating claims under the new regulations and policies. Throughout 2005, the WCB has received appeals relating to the new regulations and policies. Unresolved issues surrounding these appeals have the potential to increase benefits liabilities relating to chronic pain benefits. The probability and magnitude of such an increase are currently undeterminable.