

Financial Statements

Annapolis Valley District Health Authority
Operating as Annapolis Valley Health
March 31, 2011

**Annapolis Valley District Health Authority Operating as
Annapolis Valley Health**

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MARCH 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

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

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

The financial statements as at March 31, 2010 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 25, 2010.

Ernst & Young LLP

Halifax, Canada,
June 28, 2011.

Chartered Accountants

Annapolis Valley District Health Authority
Operating as Annapolis Valley Health

STATEMENT OF FINANCIAL POSITION

As at March 31

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
ASSETS				
Current				
Cash and cash equivalents	3,671,751	1,047,179	4,718,930	6,695,252
Accounts receivable [note 3]	9,060,329	4,917,910	13,978,239	14,114,041
Inter-fund balances	3,578,021	(3,578,021)	—	—
Inventories	1,569,295	—	1,569,295	1,998,813
Prepaid expenses	482,816	14,564	497,380	455,179
	<u>18,362,212</u>	<u>2,401,632</u>	<u>20,763,844</u>	<u>23,263,285</u>
Long-term assets [note 4]	10,113,534	2,649,993	12,763,527	12,782,417
Property, plant and equipment [note 5]	—	56,714,790	56,714,790	57,360,477
	<u>28,475,746</u>	<u>61,766,415</u>	<u>90,242,161</u>	<u>93,406,179</u>
LIABILITIES				
Current				
Bank indebtedness	—	—	—	521,591
Accounts payable and accrued liabilities [note 7]	16,353,964	3,122,672	19,476,636	19,963,919
Revenue received in advance	2,362,356	—	2,362,356	4,223,937
Current portion of long-term debt [note 8]	—	46,630	46,630	44,360
	<u>18,716,320</u>	<u>3,169,302</u>	<u>21,885,622</u>	<u>24,753,807</u>
Long-term debt [note 8]	—	332,053	332,053	378,327
Deferred capital grants [note 9]	—	58,101,900	58,101,900	58,728,425
Employee future benefits [note 13]	9,657,458	—	9,657,458	9,211,335
	<u>28,373,778</u>	<u>61,603,255</u>	<u>89,977,033</u>	<u>93,071,894</u>
FUND BALANCES				
Restricted	—	38,161	38,161	38,161
Unrestricted	101,968	124,999	226,967	296,124
	<u>101,968</u>	<u>163,160</u>	<u>265,128</u>	<u>334,285</u>
	<u>28,475,746</u>	<u>61,766,415</u>	<u>90,242,161</u>	<u>93,406,179</u>

Commitments [notes 4 and 10]

See accompanying notes

Approved by the Board:

Chair

Annapolis Valley District Health Authority
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STATEMENT OF CHANGES IN FUND BALANCES

Year ended March 31

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
RESTRICTED				
Balance, beginning and end of year	—	38,161	38,161	38,161
UNRESTRICTED				
Balance, beginning of year	73,916	222,208	296,124	375,573
Transfer to deferred capital grants <i>[note 9]</i>	—	(73,297)	(73,297)	(79,449)
Excess (deficiency) of revenues over expenses	28,052	(23,912)	4,140	—
Balance, end of year	101,968	124,999	226,967	296,124
Fund balance	101,968	163,160	265,128	334,285

See accompanying notes

Annapolis Valley District Health Authority
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STATEMENT OF OPERATIONS

Year ended March 31

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
REVENUES				
Department of Health and Wellness	110,667,033	—	110,667,033	109,366,944
Veterans Affairs Canada	2,569,856	—	2,569,856	2,328,634
Patient services	3,356,933	—	3,356,933	3,283,205
Program recoveries	9,706,636	—	9,706,636	8,778,460
Amortization of deferred capital grants <i>[note 9]</i>	—	4,943,141	4,943,141	4,579,913
Other	352,276	3,562	355,838	468,264
	126,652,734	4,946,703	131,599,437	128,805,420
EXPENSES				
Addiction Services	2,989,411	—	2,989,411	2,672,527
Administration	2,816,366	—	2,816,366	2,797,197
Amortization of property, plant and equipment	—	4,943,141	4,943,141	4,579,913
Clinical support	3,133,737	—	3,133,737	2,914,508
Community support	3,329,415	—	3,329,415	3,111,840
Continuing Care	2,199,027	—	2,199,027	1,816,972
Diagnostic Imaging	5,222,621	—	5,222,621	5,181,298
Emergency and ambulatory care	12,618,003	—	12,618,003	12,555,815
Employee future benefits <i>[note 13]</i>	1,327,428	—	1,327,428	1,313,978
Facility support	11,860,496	—	11,860,496	12,049,957
Finance	1,064,066	—	1,064,066	1,191,079
Food and Nutrition	4,829,246	—	4,829,246	4,756,257
Health Information	2,793,384	—	2,793,384	2,738,633
Human Resources	1,331,377	—	1,331,377	1,527,362
Information Technology	2,621,836	—	2,621,836	2,501,752
Inpatient care	27,244,932	—	27,244,932	25,813,160
Interest on long-term debt	—	19,021	19,021	21,877
Laboratory	8,357,285	—	8,357,285	7,806,109
Materials Management	3,006,241	—	3,006,241	3,144,847
Mental Health	8,173,937	—	8,173,937	7,933,527
Operating suite	12,524,139	—	12,524,139	12,503,826
Pharmacy	1,800,204	—	1,800,204	1,818,684
Public Health	2,591,379	—	2,591,379	2,756,736
Quality and patient safety	781,629	—	781,629	827,920
Rehabilitation	3,029,115	—	3,029,115	2,793,011
Sundry	979,408	8,453	987,861	1,676,635
	126,624,682	4,970,615	131,595,297	128,805,420
Excess (deficiency) of revenues over expenses	28,052	(23,912)	4,140	—

See accompanying notes

Annapolis Valley District Health Authority
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STATEMENT OF CASH FLOWS

Year ended March 31,

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
Net inflow (outflow) of cash related to the following activities:				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	28,052	(23,912)	4,140	—
Items not affecting cash				
Amortization of property, plant and equipment	—	4,943,141	4,943,141	4,579,913
Amortization of deferred capital grants <i>[note 9]</i>	—	(4,943,141)	(4,943,141)	(4,579,913)
Employee future benefits expense <i>[note 13]</i>	1,327,428	—	1,327,428	1,313,978
Changes in non-cash working capital items <i>[note 12]</i>	(3,166,567)	(1,781,850)	(4,948,417)	(1,142,011)
Employee future benefits paid <i>[note 13]</i>	(881,305)	—	(881,305)	(687,098)
Cash used in operating activities	(2,692,392)	(1,805,762)	(4,498,154)	(515,131)
FINANCING ACTIVITIES				
Proceeds received from grants for capital assets <i>[note 9]</i>	—	4,316,616	4,316,616	3,708,431
Transfer from unrestricted fund balance	—	(73,297)	(73,297)	(79,449)
Repayment of long-term debt	—	(44,004)	(44,004)	(41,845)
Cash provided by financing activities	—	4,199,315	4,199,315	3,587,137
INVESTING ACTIVITIES				
Increase in long-term assets	(331,109)	350,000	18,891	(285,793)
Acquisition of property, plant and equipment <i>[note 5]</i>	—	(1,174,783)	(1,174,783)	(3,298,861)
Cash used in investing activities	(331,109)	(824,783)	(1,155,892)	(3,584,654)
Net change in cash and cash equivalents	(3,023,501)	1,568,770	(1,454,731)	(512,648)
Cash and cash equivalents (bank indebtedness), beginning of year	6,695,252	(521,591)	6,173,661	6,686,309
Cash and cash equivalents, end of year	3,671,751	1,047,179	4,718,930	6,173,661

See accompanying notes

**Annapolis Valley District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority ["Annapolis Valley Health"] 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. Annapolis Valley Health's mission is "Working together to promote and improve the health of individuals, families and communities."

The facilities owned and operated by Annapolis Valley Health are Annapolis Community Health Centre, AVH Chipman, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, Annapolis Valley Health 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 Community Health Boards.

Annapolis Valley Health is dependent on the Nova Scotia Department of Health and Wellness to provide sufficient funds to continue operations, to replace essential equipment and to complete its capital projects. Annapolis Valley Health is a registered charity under the *Income Tax Act of (Canada)* and, therefore, is exempt from income tax.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries that were established to raise funds for the respective hospitals within Annapolis Valley Health.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements have been prepared by management of Annapolis Valley Health in accordance with Canadian generally accepted accounting principles ["GAAP"] for not-for-profit organizations and reflect the following significant accounting policies:

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 Annapolis Valley Health's capital assets.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Financial instruments

As permitted for not-for-profit organizations, Annapolis Valley Health has adopted Canadian Institute of Chartered Accountants ["CICA"] *Handbook* Section 3861, *Financial Instruments — Disclosures and Presentation*, in place of Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Annapolis Valley Health's designation of such instruments.

<u>Asset/Liability</u>	<u>Classification</u>
Cash and cash equivalents (bank indebtedness)	Held-for-trading
Accounts receivable	Loans and receivables
Long-term assets	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading financial instruments are measured at fair value, with changes in fair value recognized in the statement of operations. Loans and receivables are accounted for at amortized cost, using the effective interest rate method. "Other liabilities" are carried at amortized cost, using the effective interest rate method.

Transaction costs are expensed as incurred.

Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents consist of cash on hand, bank indebtedness, balances with banks and money market investments with maturities of three months or less from the date of acquisition.

Inventories

Inventories are recorded at the lower of cost and net realizable value, and include medical/surgical, drugs, and other general inventory. Cost is determined using the weighted average cost method.

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March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Property, plant and equipment

Purchased property, plant and equipment are recorded in the Capital Fund at cost. Contributed property, plant and equipment are recorded in the Capital Fund at fair value on the date of contribution. Property, plant and equipment 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 the amortization of the related assets.

Pension plan

Pension cost for multi-employer pension plans is equal to Annapolis Valley Health's share of the amounts contributed to the plans on behalf of the employees.

Employee future benefits

Employee future benefits are determined as outlined in note 13 and are recognized in the period during which benefits are earned by the employee.

Revenue recognition

Annapolis Valley Health follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year during 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.

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2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

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

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 revenues and expenses during the reporting period. 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 and Wellness for wage contract settlements, allowances for doubtful accounts, inventory valuations, estimated useful life for certain items of property, plant and equipment and employee future benefits assumptions. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

	2011		2010
	Operating Fund	Capital Fund	Total
	\$	\$	\$
Department of Health and Wellness			
Operating funding	5,954,901	—	5,954,901
Capital grants	—	4,283,803	4,283,803
Patient care	839,978	—	839,978
HST rebates	409,195	263,758	672,953
Psychiatric recoveries	110,710	—	110,710
Trade	1,745,545	370,349	2,115,894
	9,060,329	4,917,910	13,978,239
			14,114,041

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4. LONG-TERM ASSETS

	2011		2010
	Operating Fund	Capital Fund	Total
	\$	\$	\$
Employee future benefits receivable	9,889,274	—	9,889,274
Valley Regional Hospital Foundation receivable	—	2,649,993	2,649,993
Department of Health and Wellness Operating funding	—	—	—
Payroll advances receivable	224,260	—	224,260
	10,113,534	2,649,993	12,763,527
			12,782,417

The employee future benefits receivable represents an amount due from the Province of Nova Scotia Department of Health and Wellness. This receivable corresponds to retirement allowances and retirement health benefits for current and retired employees, respectively, for Annapolis Valley Health.

Annapolis Valley Health has committed to a redevelopment project for the Valley Regional Hospital in the amount of \$13.8 million, of which its share amounts to \$3.5 million. The Valley Regional Hospital Foundation [the "Foundation"], on behalf of the foundations supporting Annapolis Valley Health, has committed to a capital campaign to raise the community share. An amount of \$2,649,993 has been recorded as receivable from the Foundation to fund its share. The collectability of this amount is dependent on the Foundation's ability to successfully meet its campaign goals and the subsequent advancement of these funds to Annapolis Valley Health.

5. PROPERTY, PLANT AND EQUIPMENT

	2011		2010
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	129,784	—	129,784
Land improvements	660,006	502,315	157,691
Building and building service equipment	85,252,304	35,744,016	49,508,288
Equipment	52,212,940	45,293,913	6,919,027
	138,255,034	81,540,244	56,714,790
			57,360,477

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6. CREDIT FACILITIES

Annapolis Valley Health has an operating line of credit available with a Canadian chartered bank totaling \$5.63 million. Interest is charged at prime less 0.75%. There was no amount drawn on the operating line as at March 31, 2011 and 2010.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011		2010
	Operating Fund	Capital Fund	Total
	\$	\$	\$
Trade payables	1,983,387	—	1,983,387
Accrued liabilities	2,105,962	3,122,672	5,228,634
Vacation pay	3,994,489	—	3,994,489
Salary and benefits	7,184,161	—	7,184,161
Other	1,085,965	—	1,085,965
	16,353,964	3,122,672	19,476,636
			19,963,919

8. LONG-TERM DEBT

	2011	2010
	\$	\$
Nova Scotia Municipal Finance Corporation, with interest rates ranging from 4.65% to 5.01%, maturing October 17, 2017	378,683	422,687
Less: Current portion	46,630	44,360
	332,053	378,327

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NOTES TO FINANCIAL STATEMENTS

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8. LONG-TERM DEBT [Cont'd]

Principal payments required the next five years and thereafter are as follows:

	\$
2012	46,630
2013	49,015
2014	51,520
2015	54,160
2016	56,930
Thereafter	120,428
	<u>378,683</u>

Under the terms of the agreement, Annapolis Valley Health must satisfy certain restrictive covenants [note 15].

9. DEFERRED CAPITAL GRANTS

	2011 \$	2010 \$
Balance, beginning of year	58,728,425	59,599,907
Transfer from Capital Fund	73,297	79,449
	<u>58,801,722</u>	<u>59,679,356</u>
Grants received for:		
Capital assets purchased	4,221,444	3,579,513
Future capital asset purchases	21,875	49,469
Total grants received for capital assets	<u>4,243,319</u>	<u>3,628,982</u>
	63,045,041	63,308,338
Amortization of deferred capital grants	<u>(4,943,141)</u>	<u>(4,579,913)</u>
Balance, end of year	<u>58,101,900</u>	<u>58,728,425</u>

**Annapolis Valley District Health Authority
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10. COMMITMENTS

Lease and purchase commitments

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

	\$
2012	3,311,732
2013	2,272,381
2014	1,543,228
2015	272,064
2016	29,939
	<u>7,429,344</u>

11. PENSION PLAN

Annapolis Valley Health contributes to two pension plans on behalf of its employees. The first plan is a multi-employer plan administered by Health Association Nova Scotia. The most recent actuarial valuation was as at October 31, 2010 and showed a funding excess for the entire multi-employer plan of \$100 million. A projection to December 31, 2010 applying the same assumptions indicated a funding excess of \$110 million.

The second plan is also a multi-employer plan, administered by the Province of Nova Scotia. The most recent actuarial valuation was completed as at December 31, 2009. At that time, there was an unfunded liability for the entire multi-employer plan of \$1,503 million. A projection to March 31, 2010 applying the same assumptions indicated an unfunded liability of \$1,516 million.

Annapolis Valley Health bears no direct financial responsibility for the unfunded liability of either plan as the responsibility lies with the plan administrators. The amount contributed to the plans for the year ended March 31, 2011 was \$6,472,160 [2010 – \$6,190,103] for current service costs which are spread over a number of expense line items in the statement of operations.

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12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	2011		2010	
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Accounts receivable	1,590,756	(1,454,954)	135,802	(2,835,804)
Inter-fund balances	(748,182)	748,182	—	—
Inventories	429,518	—	429,518	30,567
Prepaid expenses	(56,765)	14,564	(42,201)	62,211
Accounts payable and accrued liabilities	(2,520,313)	(1,089,642)	(3,609,955)	4,371,732
Revenue received in advance	(1,861,581)	—	(1,861,581)	(2,770,717)
	(3,166,567)	(1,781,850)	(4,948,417)	(1,142,011)

Cash and cash equivalents

	2011		2010	
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Cash	3,671,751	1,046,179	4,717,930	6,172,661
Cash equivalents	—	1,000	1,000	1,000
	3,671,751	1,047,179	4,718,930	6,173,661

Other information

	2011	2010
	\$	\$
Interest paid (received)	2,180	(24,270)

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**12. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF
CASH FLOWS [Cont'd]**

Non-cash transactions

During the year, property, plant and equipment totaling \$3,122,672 [2010 – \$1,089,642] were acquired and accrued in accounts payable and accrued liabilities. There was also an amount of \$255,039 [2010 – \$15,476,806] transferred from construction in progress into capital assets available for use. These non-cash transactions have been excluded from the statement of cash flows.

13. EMPLOYEE FUTURE BENEFITS

Employee future benefits, other than pension, consist of retirement allowances and post-retirement health benefits. The cost of retirement allowances and post-retirement health benefits is actuarially determined using the projected benefits method prorated on service and use assumptions provided by the Provincial Department of Finance for District Health Authorities. Actuarial gains and losses arise from changes in assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains and losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees. Past service costs arising from plan amendments are expensed when incurred. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

The last actuarial valuation for retirement allowances was completed as at September 30, 2010. The last actuarial valuation for post-retirement health benefits for CUPE, NSGEU and NSNU employees was completed as at March 31, 2009. The results of these valuations were extrapolated to March 31, 2011. The next actuarial valuation for retirement allowances will be completed as at September 30, 2013. The next actuarial valuation for post-retirement health benefits for CUPE, NSGEU and NSNU employees will be completed as at March 31, 2012.

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13. EMPLOYEE FUTURE BENEFITS [Cont'd]

At March 31, 2011, the total accrued benefit liability for employee future benefits, other than pension, amounted to \$9,657,458 [2010 – \$9,211,335]. Further information about Annapolis Valley Health's employee future benefits, other than pension, is as follows:

	2011		2010
	Retirement allowances	Retirement health benefits	Total
	\$	\$	\$
Accrued benefit liability			
Accrued benefit obligation	8,837,417	3,164,565	12,001,982
Unamortized actuarial experience gains	(2,333,574)	(10,950)	(2,344,524)
Accrued benefit liability on the statement of financial position	6,503,843	3,153,615	9,657,458
Plan expenses			
Current service costs	612,400	154,300	766,700
Interest cost	372,300	128,500	500,800
Current-year amortized actuarial loss (gain)	89,788	(29,860)	59,928
Net employee future benefits expense on the statement of operations	1,074,488	252,940	1,327,428
Change in accrued benefit liability			
Accrued benefit liability, beginning of year	6,264,077	2,947,258	9,211,335
Expense	1,074,488	252,940	1,327,428
Benefits paid	(834,722)	(46,583)	(881,305)
Accrued benefit liability, end of year	6,503,843	3,153,615	9,657,458

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March 31, 2011

13. EMPLOYEE FUTURE BENEFITS [Cont'd]

The significant actuarial assumptions used in the measurement of Annapolis Valley Health's accrued benefit liability are as follows:

	2011	2010
Retirement allowance discount rate used to determine accrued benefit liability	4.75%	4.75%
Retirement allowance discount rate used to determine benefit expense	4.75%	4.95%
Retirement allowance salary increase rate	2.65 to 5.15%	2.65 to 5.15%
Health benefit discount rate used to determine accrued benefit liability	4.75%	4.75%
Health benefit discount rate used to determine benefit expense	4.75%	4.95%
Extended health care cost trend rates	7.0% decreasing over 15 years to an ultimate rate of 4.5% per annum	6.25% decreasing over 15 years to an ultimate rate of 4.5% per annum
Prescription drug coverage trend rates	7.0% decreasing over 15 years to an ultimate rate of 4.5% per annum	10.0% decreasing over 15 years to an ultimate rate of 4.5% per annum

14. FINANCIAL INSTRUMENTS

Fair value

The carrying values of financial instruments, which consist of accounts receivable, accounts payable and accrued liabilities, and long-term assets approximate their fair values.

Credit risk

Annapolis Valley Health performs an evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers that there is no significant exposure to credit risk as at March 31, 2011.

**Annapolis Valley District Health Authority
Operating as Annapolis Valley Health**

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15. CAPITAL MANAGEMENT

Annapolis Valley Health considers its fund balances, debt facilities and deferred contributions as its capital.

Fund balances

As a not-for-profit organization, Annapolis Valley Health's operations are reliant on revenues generated annually. As at March 31, 2011, Annapolis Valley Health has an accumulated net fund balance of \$313,664 [2010 – \$334,285] which is presented in the statement of financial position. The majority of this amount represents accumulated net fund balances dedicated to Annapolis Valley Health's capital asset acquisition and development. A further portion represents financial resources that are subject to external restrictions for future use. Annapolis Valley Health, through its policies, has placed internal restrictions on the use of certain other portions of its accumulated net assets. Unrestricted funds represent capital that may be utilized for general business operations, a portion of which is retained as working capital.

Debt

Annapolis Valley Health maintains an available line of credit for periodic short-term requirements [note 6]. Annapolis Valley Health's capital management program also utilizes building financing related to building improvements to the Annapolis Community Health Centre, which is comprised of long-term debt financing [note 8]. At March 31, 2011, Annapolis Valley Health was in compliance with all covenants applicable to its debt instruments.

Deferred contributions

Revenue received in advance of operating purposes and deferred capital grants are received for capital purposes. These contributions are received in advance of the expenditures they are intended to fund. At March 31, 2011, Annapolis Valley Health was in compliance with all restrictions applicable to these funding sources.

16. COMPARATIVE FIGURES

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