

Financial Statements

Annapolis Valley District Health Authority
[Operating as Annapolis Valley Health]
March 31, 2014

Annapolis Valley District Health Authority
[Operating as Annapolis Valley Health]

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MARCH 31, 2014

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MANAGEMENT'S REPORT

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards; the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.


Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors [the "Board"] is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Annapolis Valley District Health Authority and meet when required.

On behalf of the Annapolis Valley District Health Authority:


Janet Knox
President and Chief Executive Officer


Wanda Matthews
Chief Financial Officer

June 24, 2014.

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 financial statements of the **Annapolis Valley District Health Authority** ["Annapolis Valley Health"], which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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 Health as at March 31, 2014 and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Accountants

Halifax, Canada,
June 24, 2014.

Annapolis Valley District Health Authority
 [Operating as Annapolis Valley Health]

STATEMENT OF FINANCIAL POSITION

As at March 31,

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents <i>[note 11]</i>	3,791,023	951,130
Restricted cash	31,176	27,001
Accounts receivable <i>[note 3]</i>	16,922,120	19,559,633
Inventories for re-sale	9,453	9,644
Long-term assets <i>[note 4]</i>	19,709,121	19,257,755
	<u>40,462,893</u>	<u>39,805,163</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>[note 7]</i>	21,184,926	21,756,870
Restricted liabilities	31,176	27,001
Revenue received in advance	2,008,332	1,995,658
Long-term debt <i>[note 8]</i>	233,830	285,350
Employee future benefits – sick leave <i>[note 12]</i>	6,144,400	5,531,000
Employee future benefits <i>[note 12]</i>	12,096,535	11,375,002
	<u>41,699,199</u>	<u>40,970,881</u>
Net debt	<u>(1,236,306)</u>	<u>(1,165,718)</u>
NON-FINANCIAL ASSETS		
Inventories of supplies	1,576,233	1,572,002
Prepaid expenses	253,684	155,439
Tangible capital assets <i>[note 5]</i>	58,605,055	59,596,767
	<u>60,434,972</u>	<u>61,324,208</u>
Accumulated surplus	<u>59,198,666</u>	<u>60,158,490</u>

Commitments *[note 9]*

See accompanying notes

Approved by the Board:


 Chair

Annapolis Valley District Health Authority
[Operating as Annapolis Valley Health]

STATEMENT OF OPERATIONS

Year ended March 31,

	2014	2014	2013
	\$	\$	\$
	[budget]		
REVENUES			
Department of Health and Wellness	113,974,911	118,636,709	115,282,375
Veterans Affairs Canada	2,747,841	2,656,747	2,693,606
Patient services	3,162,274	3,474,777	3,507,284
Program recoveries	9,827,234	13,663,219	11,253,521
Capital revenue	5,100,000	3,618,917	7,191,721
Other	121,000	231,852	206,441
	134,933,260	142,282,221	140,134,948
EXPENSES [note 16]			
Addiction Services	3,218,442	3,196,111	3,220,171
Administration	2,673,267	2,489,263	2,392,753
Amortization of tangible capital assets	4,750,003	4,565,851	4,301,254
Clinical support	2,689,153	2,857,737	2,701,034
Community support	3,668,061	3,730,972	3,490,944
Continuing Care	2,509,109	2,601,393	2,298,785
Diagnostic Imaging	6,048,185	6,153,632	6,065,679
Emergency and ambulatory care	14,556,285	16,897,908	14,900,817
Employee future benefits [note 12]	—	2,380,606	2,589,692
Facility support	11,795,652	12,169,206	11,917,041
Finance	1,160,794	1,030,368	1,013,356
Food and Nutrition	4,938,365	4,664,304	4,624,159
Health Information	3,087,268	3,266,523	3,043,884
Human Resources	1,107,054	1,472,730	1,139,985
Information Technology	2,244,627	2,588,651	2,393,341
Inpatient care	27,845,391	29,283,859	27,732,009
Interest on long-term debt	12,900	12,891	16,467
Laboratory	7,107,262	7,666,914	8,145,856
Materials Management	3,118,792	3,143,644	3,056,932
Mental Health	9,646,804	10,073,880	9,570,847
Operating suite	12,117,592	13,514,654	13,055,493
Pharmacy	2,181,054	1,983,456	1,905,345
Public Health	2,706,846	2,474,099	2,494,931
Quality and Patient Safety	793,329	728,386	709,562
Rehabilitation	3,482,531	3,214,511	3,117,298
Sundry	1,137,396	1,080,496	1,345,185
	134,596,162	143,242,045	137,242,820
Annual (deficit) surplus	337,098	(959,824)	2,892,128
Accumulated surplus, beginning of year	60,158,490	60,158,490	57,266,362
Accumulated surplus, end of year	60,495,588	59,198,666	60,158,490

See accompanying notes

Annapolis Valley District Health Authority
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STATEMENT OF CHANGES IN NET DEBT

Year ended March 31,

	2014	2014	2013
	\$	\$	\$
	[budget]		
Annual (deficit) surplus	337,098	(959,824)	2,892,128
Acquisition of tangible capital assets	(5,100,000)	(3,574,139)	(7,156,939)
Amortization of tangible capital assets	4,750,003	4,565,851	4,301,254
(Increase) decrease in inventories of supplies	89,000	(4,231)	(89,108)
(Increase) decrease in prepaid expenses	(10,000)	(98,245)	298,039
(Increase) decrease in net debt	66,101	(70,588)	245,374
Net debt, beginning of year	(1,165,718)	(1,165,718)	(1,411,092)
Net debt, end of year	(1,099,617)	(1,236,306)	(1,165,718)

See accompanying notes

Annapolis Valley District Health Authority
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STATEMENT OF CASH FLOWS

Year ended March 31,

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Annual (deficit) surplus	(959,824)	2,892,128
Items not affecting cash		
Amortization of tangible capital assets	4,565,851	4,301,254
Tangible capital asset additions remaining in accounts payable	809,832	(1,968,974)
Employee future benefits expense [note 12]	2,380,606	2,589,692
Changes in non-cash working capital items [note 11]	1,975,958	(3,034,897)
Employee future benefits paid [note 12]	(1,045,673)	(973,829)
Cash provided by operating activities	7,726,750	3,805,374
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(4,383,971)	(5,187,965)
Cash used by capital activity	(4,383,971)	(5,187,965)
FINANCING ACTIVITY		
Repayment of long-term debt	(51,520)	(47,059)
Cash used by financing activity	(51,520)	(47,059)
INVESTING ACTIVITY		
Increase in long-term assets	(451,366)	(594,954)
Cash used by investing activity	(451,366)	(594,954)
Net change in cash and cash equivalents	2,839,893	(2,024,604)
Cash and cash equivalents, beginning of year	978,131	3,002,735
Cash and cash equivalents, end of year	3,818,024	978,131

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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* (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.

The Province of Nova Scotia has announced its intention to reorganize the province’s 10 existing district health authorities, including Annapolis Valley Health, into two health authorities. The reorganization is expected to be completed on April 1, 2015. Although Annapolis Valley Health will be dissolved upon completion of the reorganization, it is expected its assets, liabilities, and operations will continue as part of a successor health authority. As a result, these financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements have been prepared by management of Annapolis Valley Health in accordance with Canadian public sector accounting [“PSA”] standards and reflect the following significant accounting policies:

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Cash and cash equivalents

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.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value on the date of contribution except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Tangible capital assets transferred from the 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 – 12.5%
Equipment	5 – 33%

Tangible capital assets are written down when conditions indicate that they no longer contribute to Annapolis Valley Health's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Revenue received in advance

Certain amounts are received pursuant to legislation or agreement with an external party and may only be used for the stipulated purpose of the resources. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met. Amounts received before the specified criteria have been met are reported as a liability described as revenue received in advance.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

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 12 and are recognized in the period during which benefits are earned by the employee.

Revenue

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis, except when accruals cannot be determined with a reasonable degree of certainty or when estimation is impracticable.

Government transfers [revenue from non-exchange transactions] are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as revenue received in advance when amounts have been received, but not all stipulations have been met.

Restricted contributions and restricted investment income are recognized as revenue in the year during which the related expenses are incurred, services are performed or when stipulations are met.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Measurement uncertainty

The preparation of financial statements in conformity with Canadian PSA standards 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 revenue 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 tangible capital assets and employee future benefits assumptions.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed periodically to reflect new information as it becomes available. As a result of measurement uncertainty, actual results could differ from estimates included in these financial statements.

3. ACCOUNTS RECEIVABLE

	2014	2013
	\$	\$
Department of Health and Wellness		
Operating funding	11,519,108	11,021,992
Capital grants	2,112,815	4,670,633
Patient care	710,426	610,527
HST rebates	798,027	919,611
Psychiatric recoveries	252,555	296,105
Trade	1,529,189	2,040,765
	16,922,120	19,559,633

Annapolis Valley District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

4. LONG-TERM ASSETS

	2014	2013
	\$	\$
Employee future benefits receivable	18,586,717	17,409,169
Valley Regional Hospital Foundation receivable	952,483	1,652,483
Payroll advances receivable	169,921	196,103
	19,709,121	19,257,755

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, and estimated sick leave for current employees of Annapolis Valley Health.

In 2004, Annapolis Valley Health committed to a redevelopment project for the Valley Regional Hospital in the amount of \$13.8 million, of which its share amounts to \$3.0 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. As at March 31, 2014, an amount of \$952,483 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.

Annapolis Valley District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

5. TANGIBLE CAPITAL ASSETS

	2014		2013	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Land	129,784	—	129,784	129,784
Land improvements	660,006	607,661	52,345	96,426
Building and building service equipment	92,746,922	42,356,192	50,390,730	51,370,046
Leasehold improvements	426,788	426,788	—	—
Equipment	59,544,020	51,511,824	8,032,196	8,000,511
	153,507,520	94,902,465	58,605,055	59,596,767

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 \$ nil drawn on the operating line as at March 31, 2014 and 2013.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014 \$	2013 \$
Trade payables	3,991,244	5,128,713
Accrued liabilities	5,519,085	5,773,032
Vacation pay	2,433,900	2,670,748
Salary and benefits	7,022,952	6,212,088
Other	2,248,921	1,999,290
	21,216,102	21,783,871

Annapolis Valley District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

8. LONG-TERM DEBT

	2014	2013
	\$	\$
Nova Scotia Municipal Finance Corporation, with interest rates ranging from 4.65% to 5.01%, maturing on October 17, 2017	233,830	285,350

Principal payments required over the next four years are as follows:

	\$
2015	54,160
2016	56,930
2017	59,840
2018	62,900
	233,830

Under the terms of the agreement, Annapolis Valley Health must satisfy certain restrictive covenants [note 13].

9. 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:

	\$
2015	4,086,167
2016	1,463,072
2017	1,104,360
2018	135,042
2019	62,702

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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

10. 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 April 1, 2012 and showed a funding excess for the entire multi-employer plan of \$444 million. A projection to December 31, 2012, applying the same assumptions, indicated a funding excess of \$351 million.

The second plan is also a multi-employer plan, administered by the Public Service Superannuation Plan Trustee Inc. The most recent actuarial valuation was completed as at December 31, 2012. At that time, there was an unfunded liability for the entire multi-employer plan of \$181 million. A projection to March 31, 2013, applying the same assumptions, indicated an unfunded liability of \$155 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, 2014 was \$7,213,231 [2013 – \$6,886,329] for current service costs, which are spread over a number of expense line items in the statement of operations.

11. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	2014	2013
	\$	\$
Accounts receivable	2,637,513	(6,524,037)
Inventories	(4,040)	(87,692)
Prepaid expenses	(98,245)	298,039
Accounts payable and accrued liabilities	(567,769)	3,448,050
Revenue received in advance	12,674	(169,257)
	<u>1,980,133</u>	<u>(3,034,897)</u>

Cash and cash equivalents

	2014	2013
	\$	\$
Cash	3,821,199	977,131
Cash equivalents	1,000	1,000
	<u>3,822,199</u>	<u>978,131</u>

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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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

Restricted Cash

	2014	2013
	\$	\$
Cash	<u>31,176</u>	<u>27,001</u>
	<u>31,176</u>	<u>27,001</u>

Restricted cash and the corresponding liability on the Statement of Financial Position pertain to trust accounts set up on behalf of employees of the District.

Other information

	2014	2013
	\$	\$
Interest received	<u>(32,285)</u>	<u>(23,234)</u>

12. EMPLOYEE FUTURE BENEFITS

Employee future benefits, other than pension, consist of retirement allowances, post-retirement health benefits, and estimated sick leave. These costs are actuarially determined using the projected benefits method prorated on service and 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 Province of Nova Scotia Department of Health and Wellness fully funds this liability; accordingly, an offsetting accounts receivable balance is recorded.

The last actuarial valuation for retirement allowances was completed as at March 31, 2013. The last actuarial valuation for post-retirement health benefits was completed as at March 31, 2012. The last actuarial valuation for estimated sick leave was completed as at March 31, 2011. The results of these valuations were extrapolated to March 31, 2014. The next actuarial valuation for retirement allowances will be completed as at March 31, 2016. The next actuarial valuation for post-retirement health benefits will be completed as at March 31, 2015. The next actuarial valuation for estimated sick leave will be completed as at March 31, 2014.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

12. EMPLOYEE FUTURE BENEFITS [Cont'd]

As at March 31, 2014, the total accrued benefit liability for employee future benefits, other than pension, amounted to \$18,240,935 [2013 – \$16,906,002]. Further information about Annapolis Valley Health's employee future benefits, other than pension, is as follows:

	2014			2013	
	Retirement allowances \$	Retirement health benefits \$	Sick leave \$	Total \$	Total \$
Accrued benefit liability					
Accrued benefit obligation	10,468,476	4,085,474	6,284,000	20,837,950	18,773,592
Unamortized actuarial experience gains	(2,596,975)	139,560	(139,600)	(2,597,015)	(1,867,590)
Accrued benefit liability on the statement of financial position	7,871,501	4,225,034	6,144,400	18,240,935	16,906,002
Plan expenses					
Current service costs	782,500	217,700	372,000	1,372,200	1,264,200
Plan amendments	—	—	—	—	332,510
Interest cost	404,892	159,139	238,000	802,031	807,700
Current-year amortized actuarial loss	225,495	(22,520)	3,400	206,375	185,282
Net employee future benefits expense on the statement of operations	1,412,887	354,319	613,400	2,380,606	2,589,692
Change in accrued benefit liability					
Accrued benefit liability, beginning of year	7,383,231	3,991,771	5,531,000	16,906,002	15,290,139
Expense	1,412,887	354,319	613,400	2,380,606	2,589,692
Benefits paid	(924,617)	(121,056)	—	(1,045,673)	(973,829)
Accrued benefit liability, end of year	7,871,501	4,225,034	6,144,400	18,240,935	16,906,002

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NOTES TO FINANCIAL STATEMENTS

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12. EMPLOYEE FUTURE BENEFITS [Cont'd]

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

	2014	2013
Retirement allowance discount rate used to determine accrued benefit liability	4.10%	4.30%
Retirement allowance discount rate used to determine benefit expense	4.10%	4.30%
Retirement allowance salary increase rate	2.40 to 4.90%	2.40 to 4.90%
Health benefit discount rate used to determine accrued benefit liability	4.10%	4.30%
Health benefit discount rate used to determine benefit expense	4.10%	4.30%
Extended health care cost trend rates	7.0% decreasing over 15 years to an ultimate rate of 4.5% per annum	7.0% 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	7.0% decreasing over 15 years to an ultimate rate of 4.5% per annum
Sick leave obligation discount rate used to determine accrued benefit liability	4.10%	4.30%
Sick leave obligation discount rate used to determine benefit expense	4.10%	4.30%
Retirement allowance salary increase rate	2.40 to 4.90%	2.40 to 4.90%

13. FINANCIAL INSTRUMENTS

Annapolis Valley Health's financial instruments are recorded at cost or amortized cost. Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities of another entity. Financial assets represent a contractual right to receive cash in the future and financial liabilities represent a contractual obligation to deliver cash in the future. Annapolis Valley Health's financial assets include accounts receivables and amounts due from government. Annapolis Valley Health's financial liabilities consist of accounts payable and accrued liabilities and amounts due to government.

Transaction costs are expensed as incurred.



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13. FINANCIAL INSTRUMENTS [Cont'd]

Risk management

Annapolis Valley Health is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include interest rate risk, credit risk, and liquidity risk. Annapolis Valley Health's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Annapolis Valley Health is subject to interest rate risk relating to short-term borrowings. Interest rate risk is mitigated through the use of fixed-rate financing where applicable.

Liquidity risk

Annapolis Valley Health is exposed to liquidity risk through its contractual obligations and financial liabilities. Annapolis Valley Health manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on regular and as-needed bases, and by matching its long-term financing arrangements with its cash flow needs.

Credit risk

Annapolis Valley Health is exposed to credit risk with respect to accounts receivable. 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, 2014.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

13. FINANCIAL INSTRUMENTS [Cont'd]

Capital management

In managing capital, Annapolis Valley Health focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2014, Annapolis Valley Health has met its objective of having sufficient liquid resources to meet its current obligations. 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]. As at March 31, 2014, Annapolis Valley Health was in compliance with all covenants applicable to its debt instruments.

14. SUBSEQUENT EVENT

Subsequent to year end, collective bargaining agreements between Annapolis Valley Health and Nova Scotia Government Employees' Union – Public Health and Addictions [NSGEU] were ratified. An estimated liability of \$239,000 has been recorded in the financial statements. The contract settlement in excess of 1% will be funded by the Department of Health and Wellness. Neither the revenue receivable nor the compensation payable related to this excess settlement has been recorded in the financial statements.

15. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been approved by the Board of Directors of Annapolis Valley Health.

Annapolis Valley District Health Authority
[Operating as Annapolis Valley Health]

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

16. EXPENSES BY OBJECT TYPE

	2014	2013
	\$	\$
Compensation	103,987,677	99,482,663
Medical/surgical supplies	9,463,756	8,984,470
Drugs	3,416,350	3,226,027
Plant and maintenance	4,258,227	4,686,291
Utilities	3,641,152	3,381,445
Travel and education	970,628	886,806
Raw food	1,138,922	1,090,056
Building and equipment	2,908,939	2,526,913
Amortization	4,565,851	4,301,254
Other	8,890,543	8,676,895
	143,242,045	137,242,820