

Financial Statements

South West Nova District Health Authority

[Operating as South West Health]

March 31, 2014

MANAGEMENT'S REPORT


The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and 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 annually.

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 South West Nova District Health Authority and meet when required.

On behalf of the South West Nova District Health Authority:



Blaise MacNeil
Chief Executive Officer



Deborah Nickerson
Chief Financial Officer

June 24, 2014.



INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the Board of Directors of the
South West Nova District Health Authority

We have audited the accompanying financial statements of the **South West Nova District Health Authority** [the “Authority”], which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net financial debt and cash flows for the year the 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 the Authority as at March 31, 2014 and the results of its operations, changes in net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada,
June 24, 2014.

Chartered Accountants

South West Nova District Health Authority
 [Operating as South West Health]

STATEMENT OF FINANCIAL POSITION

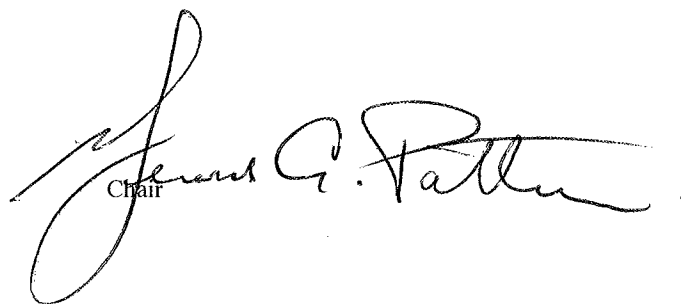
As at March 31,

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	—	111,931
Short-term investment	34,704	34,172
Accounts receivable <i>[note 3]</i>	9,783,665	8,591,183
Long-term assets <i>[note 4]</i>	17,737,855	16,668,767
	<u>27,556,224</u>	<u>25,406,053</u>
FINANCIAL LIABILITIES		
Bank indebtedness	724,367	—
Accounts payable and accrued liabilities <i>[note 7]</i>	11,734,675	11,705,319
Revenue received in advance	549,431	308,026
Employee future benefits <i>[note 8]</i>	17,303,250	16,116,819
	<u>30,311,723</u>	<u>28,130,164</u>
Net financial debt	<u>(2,755,499)</u>	<u>(2,724,111)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>[note 5]</i>	65,016,144	62,989,644
Inventories of supplies	1,495,124	1,353,894
Prepaid expenses	365,544	475,384
	<u>66,876,812</u>	<u>64,818,922</u>
Accumulated surplus	<u>64,121,313</u>	<u>62,094,811</u>

Commitments *[note 11]*

See accompanying notes

Approved by the Board:


 Chair

South West Nova District Health Authority
[Operating as South West Health]

STATEMENT OF OPERATIONS

Year ended March 31,

	2014	2014	2013
	\$	\$	\$
	[budget]		
REVENUES			
Department of Health and Wellness	83,360,241	88,140,256	86,824,822
Veterans Affairs Canada	1,900,000	2,126,531	2,054,691
Patient services	2,202,441	1,757,892	1,809,861
Physician funding	4,280,000	5,168,167	4,687,359
Program recoveries	4,870,015	7,380,035	5,901,627
Capital Revenue	—	5,665,193	4,664,753
Other	1,268,000	1,024,827	1,096,349
	97,880,697	111,262,901	107,039,462
EXPENSES			
Addiction services	2,519,885	2,285,234	2,410,648
Administration services	3,233,624	3,466,856	3,141,251
ALC Strategy	611,357	569,305	515,185
Amortization of tangible capital assets	—	3,638,691	3,503,268
Bad debts	136,933	293,440	299,464
Continuing Care	2,440,799	2,811,468	2,298,942
Diagnostic Imaging	4,346,793	4,582,151	4,108,490
ECG	487,175	532,035	470,895
Employee future benefits [note 8]	—	2,151,130	2,465,706
Environmental Services	3,641,169	3,495,977	3,450,367
Finance	976,812	943,017	919,766
Food and Nutrition	5,309,898	5,574,720	5,483,097
Health Information	1,991,114	2,112,732	2,090,456
Human Resources	840,241	811,702	828,193
Information Technology	1,671,992	1,973,870	1,887,279
Laboratory	6,283,489	6,454,939	6,711,100
Materials Management	1,527,654	1,896,091	1,897,844
Mental Health	4,919,820	5,129,547	4,920,385
Nurse Practitioners	1,431,076	1,375,925	1,186,973
Nursing	32,714,828	34,821,224	33,473,315
Other programs	903,880	941,721	1,234,194
Palliative Care	414,216	422,618	392,039
Pharmacy	1,368,110	1,572,551	1,400,580
Physicians Services	4,280,000	5,168,167	4,687,359
Plant and support	6,459,883	7,084,091	6,796,734
Primary Health Care	512,981	628,342	410,036
Public Health	2,527,302	2,280,798	2,985,544
Rehabilitation	2,167,759	2,187,816	1,796,359
Respiratory	615,537	666,677	694,580
Restorative Care	1,357,783	1,300,457	1,304,952
School of Nursing	1,364,018	1,357,555	1,352,754
Social Work	313,348	253,347	248,866
Stroke Program	511,221	452,205	511,351
	97,880,697	109,236,399	105,877,972
Annual surplus	—	2,026,502	1,161,490
Accumulated surplus, beginning of year	60,933,321	62,094,811	60,933,321
Accumulated surplus, end of year	60,933,321	64,121,313	62,094,811

See accompanying notes



South West Nova District Health Authority
[Operating as South West Health]

**STATEMENT OF CHANGES IN
NET FINANCIAL DEBT**

Year ended March 31,

	2014	2013
	\$	\$
	<hr/>	<hr/>
Annual surplus	2,026,502	1,161,490
Acquisition of tangible capital assets	(5,665,191)	(4,664,751)
Amortization of tangible capital assets	3,638,691	3,503,268
	<hr/> 2	<hr/> 7
(Increase) decrease in supplies inventory	(141,230)	57,961
Decrease in prepaid expenses	109,840	546,929
	<hr/> (31,390)	<hr/> 604,890
(Decrease) increase in net financial debt	(31,388)	604,897
Net financial debt, beginning of year	(2,724,111)	(3,329,008)
Net financial debt, end of year	<hr/> (2,755,499)	<hr/> (2,724,111)

See accompanying notes



South West Nova District Health Authority
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STATEMENT OF CASH FLOWS

Year ended March 31,

	2014	2013
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	2,026,502	1,161,490
Items not affecting cash:		
Amortization of tangible capital assets	3,638,691	3,503,268
Employee future benefits expense <i>[note 8]</i>	2,151,130	2,465,706
Net change in non-cash working capital items <i>[note 10]</i>	(953,643)	(1,167,347)
Employee future benefits paid <i>[note 8]</i>	(964,699)	(984,410)
Cash provided by operating activities	<u>5,897,981</u>	<u>4,978,707</u>
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(5,665,191)	(4,664,751)
Cash used in capital activity	<u>(5,665,191)</u>	<u>(4,664,751)</u>
INVESTING ACTIVITY		
Increase in long-term assets	(1,069,088)	(1,453,959)
Cash used in investing activity	<u>(1,069,088)</u>	<u>(1,453,959)</u>
Net change in cash and cash equivalents	(836,298)	(1,140,003)
Cash and cash equivalents, beginning of year	111,931	1,251,934
Cash and cash equivalents, end of year	<u>(724,367)</u>	<u>111,931</u>

See accompanying notes



South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority [“South West Health”] was formed by an Act of the Province of Nova Scotia [the “Act”] 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. South West Health’s mission is to “Work with individuals, families and partners to promote and improve the health of our communities” and to “use resources wisely to provide access to a broad range of quality health services.”

The facilities owned and operated by South West Health are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, South West Health leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties, and supports four Community Health Boards.

South West Health is dependent on the Nova Scotia Department of Health and Wellness to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. South West 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 that were established to raise funds for the respective hospitals of South West Health.

The Province of Nova Scotia has announced its intention to reorganize the province’s 10 existing district health authorities, including South West Health, into two health authorities. The reorganization is expected to be completed on April 1, 2015. Although South West 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 South West Health in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

South West Nova District Health Authority
[Operating as South West Health]

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Bank indebtedness

Bank indebtedness consists of cash on hand, balances and overdrafts with financial institutions and money market investments with maturities of three months or less from the date of acquisition.

Inventories of supplies

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

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 – 12.5%
Building and building service equipment	2.5 – 10%
Equipment	5 – 33%

Tangible capital assets are written down when conditions indicate that they no longer contribute to South West 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 statements of operations.

Contributed capital assets are recorded into revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Deferred contributions

Revenue received in advance is 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 criterion has been met are reported as a liability described as deferred revenue. As at March 31, 2014, South West Health was in compliance with all restrictions applicable to these funding sources.

Pension plan

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

Employee future benefits

Employee future benefits are determined as outlined in note 8 and are recognized in the period during which benefits are earned by employees.

Revenue

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenues are recorded on an accrual basis, except when accruals cannot be determined with a reasonable degree of certainty or when their 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 deferred revenue when amounts have been received, but not all stipulations have been met.

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

Expenses

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

South West Nova District Health Authority
[Operating as South West Health]

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Measurement uncertainty

The preparation of South West Health's financial statements in conformity with Canadian public sector accounting 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 revenues and expenses during the reporting period. Significant estimates used by management in preparing these financial statements include amounts estimated 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 annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

	2014	2013
	\$	\$
Department of Health and Wellness		
Funding for operations	3,487,036	1,806,847
Capital grants	2,137,029	3,418,225
Patient care	560,894	473,868
HST rebates	641,634	674,373
Extended care facilities	458,750	459,198
Homecare/VON	356,921	187,333
Charitable foundations	1,227,154	437,463
Psychiatric recoveries	160,788	171,581
Other	753,459	962,295
	9,783,665	8,591,183

South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

4. LONG-TERM ASSETS

	2014	2013
	\$	\$
Employee future benefits receivable	17,662,001	16,585,743
Payroll advances receivable	75,854	83,024
	17,737,855	16,668,767

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, retirement health benefits, and estimated sick leave for retired and current employees, respectively.

5. TANGIBLE CAPITAL ASSETS

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	34,603	—	34,603	34,603
Land improvements	1,262,969	851,383	411,586	532,154
Building and building service equipment	103,907,558	47,791,465	56,116,093	56,241,261
Equipment	39,806,490	31,352,628	8,453,862	6,181,626
	145,011,620	79,995,476	65,016,144	62,989,644

6. CREDIT FACILITIES

South West Health has an operating line of credit available with a Canadian chartered bank totaling \$4.35 million. Interest is charged at prime less 0.75%. There was \$872,902 drawn on the operating line as at March 31, 2014 [2013 – \$nil].

South West Nova District Health Authority
[Operating as South West Health]

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
	\$	\$
Trade payables	3,144,252	2,392,422
Accrued liabilities	2,486,895	4,022,222
Vacation pay	565,435	466,736
Salaries and benefits	5,538,093	4,823,939
	11,734,675	11,705,319

8. EMPLOYEE FUTURE BENEFITS

Employee future benefits, other than pension, consist of post-retirement allowances and post-retirement health benefits. The cost of post-retirement allowances and post-retirement health benefits is actuarially determined using the projected benefits method prorated on service and uses assumptions provided by the provincial Department of Finance to 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 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.

South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

8. EMPLOYEE FUTURE BENEFITS [Cont'd]

At March 31, 2014, the total accrued benefit liability for employee future benefits, other than pension, amounted to \$17,303,250 [2013 – \$16,116,819]. Further information about South West Health's employee future benefits, other than pension, is as follows:

	2014			2013	
	Retirement allowance	Retirement health benefits	Sick Leave	Total	Total
	\$	\$	\$	\$	\$
Accrued benefit liability					
Accrued benefit obligation	9,162,047	4,426,456	5,058,000	18,646,503	17,574,711
Unamortized actuarial experience (gains) losses	(1,590,605)	353,652	(106,300)	(1,343,253)	(1,457,892)
Accrued benefit liability on the statement of financial position	7,571,442	4,780,108	4,951,700	17,303,250	16,116,819
Plan expenses					
Current service costs	643,100	204,300	323,000	1,170,400	1,098,700
Plan amendments	-	-	-	-	358,129
Interest cost	373,690	174,103	192,000	739,793	759,600
Current-year amortized actuarial loss (gain)	289,517	(51,280)	2,700	240,937	249,277
Net employee future benefits expense on the statement of operations	1,306,307	327,123	517,700	2,151,130	2,465,706
Change in accrued benefit liability					
Accrued benefit liability, beginning of year	7,040,897	4,641,922	4,434,000	16,116,819	14,635,523
Expense	1,306,307	327,123	517,700	2,151,130	2,465,706
Benefits paid	(775,762)	(188,937)	-	(964,699)	(984,410)
Accrued benefit liability, end of year	7,571,442	4,780,108	4,951,700	17,303,250	16,116,819

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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

8. EMPLOYEE FUTURE BENEFITS [Cont'd]

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

	<u>2014</u>	<u>2013</u>
Retirement allowance discount rate used to determine accrued benefit liability	4.1%	4.3%
Retirement allowance discount rate used to determine benefit expense	4.1%	4.3%
Retirement allowance salary increase rate	2.4 to 4.9%	2.4 to 4.9%
Health benefit discount rate used to determine accrued benefit liability	4.1%	4.3%
Health benefit discount rate used to determine benefit expense	4.1%	4.3%
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	4.1%	4.3%
Sick leave obligation discount rate used to determine benefit expense	4.1%	4.3%
Retirement allowance salary increase rate	2.4 to 4.9%	2.4 to 4.9%

9. PENSION PLANS

South West 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.

South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

9. PENSION PLANS [Cont'd]

The second pension plan is also a multi-employer plan, administered by the Public Service Superannuation Plan Trustee Inc. The most recent actuarial valuation was completed as of 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.

South West 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 \$5,482,565 [2013 – \$5,295,146] for current service costs that are spread over a number of expense line items in the statement of operations.

10. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Net change in non-cash working capital items

	2014	2013
	\$	\$
Short-term investment	(532)	(713)
Accounts receivable	(1,192,482)	(2,241,950)
Inventories of supplies	(141,230)	57,961
Prepaid expenses	109,840	546,929
Accounts payable and accrued liabilities	29,356	536,406
Revenue received in advance	241,405	(65,980)
	(953,643)	(1,167,347)

(Bank indebtedness) cash and cash equivalents

	2014	2013
	\$	\$
Cash	133,350	96,708
Cash equivalents	15,185	15,223
Bank indebtedness	(872,902)	-
	(724,367)	111,931

Other information

	2014	2013
	\$	\$
Interest received	14,878	24,468

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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

11. COMMITMENTS

Lease and purchase commitments

South West Health has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments and purchase commitments over the next five years are as follows:

	\$
2015	2,910,235
2016	1,239,538
2017	834,957
2018	54,652
2019	—
	<u>5,039,382</u>

12. FINANCIAL INSTRUMENTS

South West Health's financial instruments are recorded at cost or amortized cost. Financial instruments are any contracts that give rise to financial assets for one entity and financial liabilities for 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. South West Health's financial assets include accounts receivable. South West Health's financial liabilities consist of accounts payable and accrued liabilities. Transaction costs from settling financial instruments are expensed as incurred.

Risk management

South West Health is exposed to a number of risks as a result of the financial instruments on its statement of financial position, which can affect its operating performance. These risks include interest rate risk, credit risk, and liquidity risk. South West 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. South West 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

12. FINANCIAL INSTRUMENTS [Cont'd]

Liquidity risk

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

Credit risk

South West Health is exposed to credit risk with respect to accounts receivable. South West 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.

Capital management

In managing capital, South West 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, South West Health has met its objective of having sufficient liquid resources to meet its current obligations.

South West Health maintains an available line of credit for periodic short-term requirements [note 6]. As at March 31, 2014, South West Health was in compliance with all covenants applicable to its debt instruments.

13. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Province of Nova Scotia. South West Health does not prepare an annual budget for the statement of net debt.

14. COMPARATIVE FIGURES

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

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NOTES TO FINANCIAL STATEMENTS

March 31, 2014

15. SUBSEQUENT EVENT

Subsequent to year end, collective bargaining agreements between South West Health and the Nova Scotia Government Employees' Union (NSGEU) for Public Health and Addictions were ratified. An estimated liability of \$210,000 has been recorded in the financial statements. Any contract settlement in excess of 1% will be funded by the Department of Health and Wellness. Neither the compensation payable nor the revenue receivable related to this excess settlement has been recorded in the financial statements.

16. EXPENSES BY OBJECT TYPE

	2014	2013
	\$	\$
Compensation	82,465,775	80,030,673
Medical/Surgical Supplies & Drugs	7,132,122	7,239,635
Plant and Maintenance	7,281,736	6,786,963
Travel and Education	1,107,726	1,013,477
Food and Dietary Supplies	1,318,163	1,342,065
Building and Equipment	3,628,824	3,271,723
Amortization	3,638,691	3,503,268
Other	2,663,362	2,690,168
	109,236,399	105,877,972

17. RECONCILIATION OF OPERATING SURPLUS

	2014	2013
	\$	\$
Revenue	111,262,901	107,039,462
Expenses	(109,236,399)	(105,877,972)
Annual surplus	2,026,502	1,161,490
Capital revenue	(5,665,193)	(4,664,753)
Amortization of tangible capital assets	3,638,691	3,503,268
Operating surplus	—	5