

Financial Statements

Annapolis Valley District Health Authority

[Operating as Annapolis Valley Health]

March 31, 2015



EY

MANAGEMENT'S REPORT

The consolidated 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 consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated 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"] are 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 consolidated financial statements on a monthly basis and external audited consolidated 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 consolidated financial statements. The external auditors have full and free access to financial management of Annapolis Valley District Health Authority and meet when required.

On behalf of Annapolis Valley District Health Authority:


Allan Horsburgh
Nova Scotia Health Authority
Vice-President, Stewardship and
Accountability


Janet Knox
Nova Scotia Health Authority
President and CEO

June 24, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Nova Scotia Health Authority

We have audited the accompanying financial statements of the **Annapolis Valley District Health Authority [the "Authority"]**, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net debt and cash flows for the years 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 consolidated 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits 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, 2015 and the results of its operations, changes in net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada
June 24, 2015

Chartered Accountants

Annapolis Valley District Health Authority

[Operating as Annapolis Valley Health]

STATEMENT OF FINANCIAL POSITION

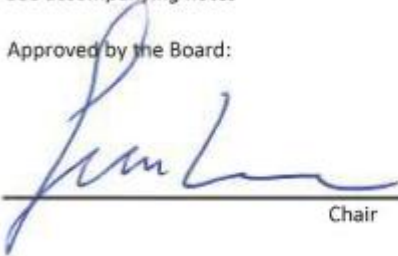
As at March 31,

	2015	2014
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents <i>[note 11]</i>	1,510,371	3,791,023
Restricted cash <i>[note 11]</i>	64,065	31,176
Accounts receivable <i>[note 3]</i>	19,310,991	16,922,120
Inventories for re-sale	8,570	9,453
Long-term receivables <i>[note 4]</i>	20,417,528	19,709,121
	41,311,525	40,462,893
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>[note 7]</i>	21,507,615	21,184,926
Restricted liabilities	64,065	31,176
Revenue received in advance	1,564,116	2,008,332
Long-term debt <i>[note 8]</i>	179,670	233,830
Employee future benefits – sick leave <i>[note 12]</i>	6,870,700	6,144,400
Employee future benefits <i>[note 12]</i>	12,388,279	12,096,535
	42,574,445	41,699,199
Net debt	(1,262,920)	(1,236,306)
NON-FINANCIAL ASSETS		
Inventories of supplies	1,503,865	1,576,233
Prepaid expenses	394,376	253,684
Tangible capital assets <i>[note 5]</i>	58,162,168	58,605,055
	60,060,409	60,434,972
Accumulated surplus	58,797,489	59,198,666

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,

	2015	2015	2014
	\$	\$	\$
	[budget]		
REVENUES			
Department of Health and Wellness	120,666,469	122,993,488	118,636,709
Veterans Affairs Canada	2,907,685	2,787,643	2,656,747
Patient services	3,411,127	3,761,741	3,474,777
Program recoveries	9,641,662	14,350,749	13,663,219
Capital revenue	4,900,000	3,949,508	3,618,917
Other	397,190	360,889	231,852
	141,924,133	148,204,018	142,282,221
EXPENSES [note 15]			
Addiction Services	3,502,359	3,787,878	3,196,111
Administration	2,870,650	2,584,293	2,489,263
Amortization of tangible capital assets	4,385,000	4,336,424	4,565,851
Clinical support	2,995,587	3,066,212	2,857,737
Community support	3,958,749	3,949,069	3,730,972
Continuing Care	2,812,377	2,844,556	2,601,393
Diagnostic Imaging	6,149,596	6,128,174	6,153,632
Emergency and ambulatory care	15,372,613	18,105,053	16,897,908
Employee future benefits [note 12]	—	2,615,390	2,380,606
Facility support	12,059,422	12,432,266	12,169,206
Finance	1,174,470	1,058,860	1,030,368
Food and Nutrition	4,938,164	4,930,345	4,664,304
Health Information	3,329,628	3,463,498	3,266,523
Human Resources	1,277,070	1,484,054	1,472,730
Information Technology	2,513,665	2,426,353	2,588,651
Inpatient care	29,273,620	30,309,878	29,283,859
Interest on long-term debt	12,900	10,351	12,891
Laboratory	7,293,282	7,617,619	7,666,914
Materials Management	3,181,887	3,314,533	3,143,644
Mental Health	10,254,496	10,351,859	10,073,880
Operating suite	12,636,655	13,896,716	13,514,654
Pharmacy	2,268,735	2,278,927	1,983,456
Public Health	2,830,414	2,800,612	2,474,099
Quality and Patient Safety	1,042,715	855,897	728,386
Rehabilitation	3,571,279	3,475,975	3,214,511
Sundry	1,716,699	480,403	1,080,496
	141,422,032	148,605,195	143,242,045
Annual (deficit) surplus	502,101	(401,177)	(959,824)
Accumulated surplus, beginning of year	59,198,666	59,198,666	60,158,490
Accumulated surplus, end of year	59,700,767	58,797,489	59,198,666

See accompanying notes

Annapolis Valley District Health Authority

[Operating as Annapolis Valley Health]

STATEMENT OF CHANGES IN NET DEBT

Year ended March 31,

	2015	2015	2014
	\$	\$	\$
	<u>[budget]</u>		
Annual (deficit) surplus	502,101	(401,177)	(959,824)
Acquisition of tangible capital assets	(4,900,000)	(3,893,537)	(3,574,139)
Amortization of tangible capital assets	4,385,000	4,336,424	4,565,851
(Increase) decrease in inventories of supplies	(4,000)	72,368	(4,231)
Increase in prepaid expenses	(98,000)	(140,692)	(98,245)
Increase in net debt	(114,899)	(26,614)	(70,588)
Net debt, beginning of year	(1,236,306)	(1,236,306)	(1,165,718)
Net debt, end of year	(1,351,205)	(1,262,920)	(1,236,306)

See accompanying notes

Annapolis Valley District Health Authority

[Operating as Annapolis Valley Health]

STATEMENT OF CASH FLOWS

Year ended March 31,

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Annual deficit	(401,177)	(959,824)
Items not affecting cash		
Amortization of tangible capital assets	4,336,424	4,565,851
Employee future benefits expense <i>[note 12]</i>	2,615,390	2,380,606
Changes in non-cash working capital items <i>[note 11]</i>	(2,392,294)	2,789,965
Employee future benefits paid <i>[note 12]</i>	(1,597,346)	(1,045,673)
Cash provided by operating activities	2,560,997	7,730,925
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(4,046,193)	(4,383,971)
Cash used by capital activity	(4,046,193)	(4,383,971)
FINANCING ACTIVITY		
Repayment of long-term debt	(54,160)	(51,520)
Cash used by financing activity	(54,160)	(51,520)
INVESTING ACTIVITY		
Increase in long-term receivables	(708,407)	(451,366)
Cash used by investing activity	(708,407)	(451,366)
Net change in cash and cash equivalents	(2,247,763)	2,844,068
Cash and cash equivalents, beginning of year	3,822,199	978,131
Cash and cash equivalents, end of year	1,574,436	3,822,199

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, as they are not controlled by Annapolis Valley Health.

The Province of Nova Scotia has passed legislation to reorganize the province’s 10 existing district health authorities, including Annapolis Valley Health, into two health authorities. The reorganization was completed April 1, 2015. Although Annapolis Valley Health was dissolved upon completion of the reorganization, its assets, liabilities, and operations will continue as part of the successor health authority, the Nova Scotia 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, 2015

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, 2015

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

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.

Prepaid expenses

Prepaid expenses include maintenance, support costs, memberships and subscriptions, and are charged to expense over the periods expected to benefit from it.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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

	2015	2014
	\$	\$
Department of Health and Wellness		
Operating funding	12,576,461	11,519,108
Capital grants	2,497,470	2,112,815
Patient care	765,571	710,426
HST rebates	783,839	798,027
Psychiatric recoveries	316,356	252,555
Trade	2,371,294	1,529,189
	<u>19,310,991</u>	<u>16,922,120</u>

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

4. LONG-TERM RECEIVABLES

	2015	2014
	\$	\$
Due from Province of Nova Scotia Department of Health and Wellness	20,023,064	18,586,717
Valley Regional Hospital Foundation receivable	252,483	952,483
Payroll advances receivable	141,981	169,921
	20,417,528	19,709,121

The receivable from the Province of Nova Scotia Department of Health and Wellness 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, 2015, an amount of \$252,483 [2014 – \$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
 [Operating as Annapolis Valley Health]

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

5. TANGIBLE CAPITAL ASSETS

	2015		2014	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Land	129,784	—	129,784	129,784
Land improvements	820,419	656,798	163,621	52,345
Building and building service equipment	93,746,193	44,992,776	48,753,417	50,390,730
Leasehold improvements	426,788	426,788	—	—
Equipment	62,277,872	53,162,526	9,115,346	8,032,196
	157,401,056	99,238,888	58,162,168	58,605,055

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, 2015 and March 31, 2014.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015 \$	2014 \$
Trade payables	4,001,601	3,991,244
Accrued liabilities	5,430,303	5,519,085
Vacation pay	2,195,020	2,433,900
Salary and benefits	7,475,206	7,022,952
Other	2,469,550	2,248,921
	21,571,680	21,216,102

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

8. LONG-TERM DEBT

	2015	2014
	\$	\$
Nova Scotia Municipal Finance Corporation, with interest rates ranging from 4.65% to 5.01%, maturing on October 17, 2017.	179,670	233,830

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

	\$
2016	56,930
2017	59,840
2018	62,900
	179,670

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:

	\$
2016	2,696,246
2017	1,180,073
2018	220,386
2019	73,515
2020	9,801

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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 Nova Scotia Health Employees' Pension Plan. The most recent actuarial valuation was as at July 1, 2014 and showed a funding excess for the entire multi-employer plan of \$935 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, 2013. At that time, there was an unfunded liability for the entire multi-employer plan of \$95 million. A projection to March 31, 2014, applying the same assumptions, indicated an unfunded liability of \$67 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, 2015 was \$7,316,138 [2014 – \$7,213,231] for current service costs, which is spread over a number of expense line items in the statement of operations.

11. ADDITIONAL CASH FLOW INFORMATION

Changes in non-cash working capital items

	2015	2014
	\$	\$
Accounts receivable	(2,388,871)	2,637,513
Inventories	73,251	(4,040)
Prepaid expenses	(140,692)	(98,245)
Accounts payable and accrued liabilities	355,578	(567,769)
Tangible capital asset additions remaining in accounts payable	152,656	809,832
Revenue received in advance	(444,216)	12,674
	(2,392,294)	2,789,965

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

11. ADDITIONAL CASH FLOW INFORMATION [Cont'd]

Cash and cash equivalents

	2015	2014
	\$	\$
Cash	1,509,371	3,790,023
Restricted cash	64,065	31,176
Cash equivalents	1,000	1,000
	1,574,436	3,822,199

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

Other information

	2015	2014
	\$	\$
Interest received	45,418	32,285

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, 2014. The results of these valuations were extrapolated to March 31, 2015. 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, 2017.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

12. EMPLOYEE FUTURE BENEFITS [Cont'd]

As at March 31, 2015, the total accrued benefit liability for employee future benefits, other than pension, amounted to \$19,258,979 [2014 – \$18,240,935]. Further information about Annapolis Valley Health’s employee future benefits, other than pension, is as follows:

	2015			2014	
	Retirement allowances	Retirement health benefits	Sick leave	Total	Total
	\$	\$	\$	\$	\$
Accrued benefit liability					
Accrued benefit obligation	10,253,357	4,323,439	5,839,000	20,415,796	20,837,950
Unamortized actuarial experience gains	(2,334,747)	146,230	1,031,700	(1,156,817)	(2,597,015)
Accrued benefit liability on the statement of financial position	7,918,610	4,469,669	6,870,700	19,258,979	18,240,935
Plan expenses					
Current service costs	816,200	226,600	446,000	1,488,800	1,372,200
Plan amendments	—	—	—	—	—
Interest cost	429,889	169,303	266,000	865,192	802,031
Current-year amortized actuarial loss	262,228	(15,130)	14,300	261,398	206,375
Net employee future benefits expense on the statement of operations	1,508,317	380,773	726,300	2,615,390	2,380,606
Change in accrued benefit liability					
Accrued benefit liability, beginning of year	7,871,501	4,225,034	6,144,400	18,240,935	16,906,002
Expense	1,508,317	380,773	726,300	2,615,390	2,380,606
Benefits paid	(1,461,208)	(136,138)	—	(1,597,346)	(1,045,673)
Accrued benefit liability, end of year	7,918,610	4,469,669	6,870,700	19,258,979	18,240,935

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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:

	<u>2015</u>	<u>2014</u>
Retirement allowance discount rate used to determine accrued benefit liability	4.10%	4.10%
Retirement allowance discount rate used to determine benefit expense	4.10%	4.10%
Health benefit discount rate used to determine accrued benefit liability	4.10%	4.10%
Health benefit discount rate used to determine benefit expense	4.10%	4.10%
Extended health care cost trend rates	6.8% decreasing over 14 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	6.8% decreasing over 14 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%	4.10%
Sick leave obligation discount rate used to determine benefit expense	4.10%	4.10%
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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015, 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, 2015, Annapolis Valley Health was in compliance with all covenants applicable to its debt instruments.

14. BUDGETED FIGURES

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

15. EXPENSES BY OBJECT TYPE

	2015	2014
	\$	\$
Compensation	109,257,510	103,987,677
Medical/surgical supplies	9,613,456	9,463,756
Drugs	3,356,312	3,416,350
Plant and maintenance	3,327,332	4,258,227
Utilities	3,489,951	3,641,152
Travel and education	1,108,440	970,628
Raw food	1,239,025	1,138,922
Building and equipment	2,747,893	2,908,939
Amortization of tangible capital assets	4,336,424	4,565,851
Other	10,128,852	8,890,543
	148,605,195	143,242,045