

SECTION 8

Financial Statements of

SUDBURY AND DISTRICT HEALTH UNIT

Year ended December 31, 2005

AUDITORS' REPORT

To the Board Members of the
Sudbury & District Health Unit,
Members of Council, Inhabitants and Ratepayers
of the Participating Municipalities

We have audited the statement of financial position of the **Sudbury & District Health Unit** as at December 31, 2005 and the statement of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Health Unit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

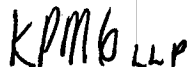
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence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

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

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



COLLINS BARROW, SUDBURY - NIPISSING LLP
Chartered Accountants



KPMG LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants

Sudbury, Canada
March 9, 2006

SUDBURY & DISTRICT HEALTH UNIT

Statement of Financial Position

December 31, 2005, with comparative figures for 2004

	2005	2004
Financial Assets		
Cash	\$ 2,329,693	2,906,596
Accounts receivable	399,230	318,271
Prepaid expenses	108,924	91,044
	\$ 2,837,847	3,315,911
Liabilities		
Accounts payable and accrued liabilities	\$ 1,232,196	1,227,807
Deferred revenue	183,459	141,372
Payable to the Province of Ontario	613,992	1,112,459
Payable to Municipalities	–	113,140
Employee benefit obligations (note 2)	2,031,343	1,857,672
Net long-term liabilities (note 3)	–	186,628
	4,060,990	4,639,078
Board Position		
Fund Balance: Reserves (Schedule C)	808,200	721,133
Total	808,200	721,133
Amounts to be recovered (note 4)	(2,031,343)	(2,044,300)
Board Position	(1,223,143)	(1,323,167)
Commitments (note 5)		
Contingency (note 8)		
	\$ 2,837,847	3,315,911

The accompanying notes are an integral part of this financial statement.

SUDBURY & DISTRICT HEALTH UNIT

Statement of Financial Activities

Year ended December 31, 2005, with comparative figures for 2004

	2005		2004
	Budget (Unaudited) (note 7)	Actual	Actual
Revenues:			
Provincial grants	\$ 12,735,102	11,754,054	9,377,406
Per capita revenue from Municipalities (Schedule D)	7,307,238	7,082,202	6,968,757
Other:			
Plumbing inspections and licenses	150,000	241,264	235,940
Interest	40,000	56,562	44,999
Federal grant	—	31,739	76,380
Other	493,785	693,047	829,234
	<u>20,726,125</u>	<u>19,858,868</u>	<u>17,532,716</u>
Expenditures:			
Salaries	12,458,685	12,310,558	11,167,174
Benefits	2,700,709	2,688,747	2,485,605
Transportation	351,825	345,616	277,675
Administration (Schedule E)	1,871,503	1,767,508	1,458,169
Supplies and materials	2,081,672	1,591,199	1,387,275
Building	304,385	345,386	242,603
Equipment and furnishings	700,747	709,830	547,424
	<u>20,469,526</u>	<u>19,758,844</u>	<u>17,565,925</u>
Excess (deficiency) of revenues over expenditures	256,599	100,024	(33,209)
Debt principal repayments	(185,972)	(186,628)	(174,921)
Increase in employee benefit obligations	—	173,671	192,133
Change in fund balance	\$ 70,627	87,067	(15,997)

The accompanying notes are an integral part of this financial statement.

SUDBURY & DISTRICT HEALTH UNIT

Statement of Changes in Financial Position

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenditures	\$ 100,024	(33,209)
Provision for employee benefit obligations	173,671	192,133
	273,695	158,924
Change in non-cash working capital:		
Accounts receivable	(80,959)	7,412
Prepaid expenses	(17,880)	15,500
Accounts payable and accrued liabilities	4,389	(95,262)
Deferred revenue	42,087	(77,260)
Payable to the Province of Ontario	(498,467)	645,864
Payable to Municipalities	(113,140)	113,140
	(390,275)	768,318
Cash flows from financing activities:		
Decrease in net long-term liabilities	(186,628)	(174,921)
Net increase (decrease) in cash	(576,903)	593,397
Cash, beginning of year	2,906,596	2,313,199
Cash, end of year	\$ 2,329,693	2,906,596

The accompanying notes are an integral part of this financial statement.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2005

1. Significant accounting policies:

These financial statements are prepared in accordance with accounting principles generally accepted in Canada for government organizations as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Capital assets:

The historical cost and accumulated amortization of capital assets are not recorded. Capital assets are reported as an expenditure on the statement of financial activities in the year of acquisition.

(b) Deferred revenue:

Certain programs of the Health Unit operate on fiscal year ends other than December 31. Revenues received in excess of expenditures incurred at December 31 are deferred until expenditures are incurred.

(c) Pension and employee benefits:

The Health Unit accounts for its participation in the Ontario Municipal Employee Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Health Unit's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

(d) Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2005

1. Significant accounting policies (continued):

(e) Prior years' funding adjustments:

The Ministry of Health and Long-Term Care ("MOHLTC") undertakes financial reviews of the Health Unit's operations from time to time, based on the Health Unit's submissions of annual settlement forms. Adjustments to the financial statements, if any, as a result of these reviews are accounted for in the period when notification is received from the Ministry.

2. Employee benefit obligations:

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation dated December 31, 2004 and forms the basis for the estimated liability reported in these financial statements.

	2005	2004
Accumulated sick leave benefit	\$ 661,431	605,157
Other post-employment benefits	649,717	568,906
	1,311,148	1,174,063
Vacation pay	720,195	683,609
	\$ 2,031,343	1,857,672

The significant actuarial assumptions adopted in measuring the Health Unit's accrued benefit obligation are as follows:

	2005	2004
Discount rate	6%	6%
Health care trend rate:		
- initial	10%	10%
- ultimate	5%	5%
Salary escalation factor	5%	5%

The Health Unit has established reserves in the amount of \$318,794 (2004 - \$318,794) to mitigate the future impact of these obligations.

The accrued benefit obligations as at December 31, 2005 is \$1,330,162 (2004 - \$1,194,540). Total benefit plan related expenses was \$167,421 and was comprised of current service costs of \$92,423 (2004 - \$87,192), interest of \$73,535 (2004 - \$64,791) amortization of actuarial loss of \$1,463 (2004 - \$Nil). Benefits paid during the year were \$30,336 (2004 - \$28,343). The net unamortized actuarial loss was \$19,014 (2004 - \$20,477) to be amortized over the expected average remaining service period of 14 years.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2005

3. Long-term liabilities:

The balance of long-term liabilities is made up of the following:

	Interest Rate	Due Date	2005	2004
Royal Bank of Canada	6.7%	2005	\$ 186,628	361,549
Less amount paid out during year			(186,628)	(174,921)
Long-term liabilities, end of year			\$ —	186,628

4. Amounts to be recovered:

Amounts to be recovered represent liabilities established for accrual accounting purposes. In some cases, the liabilities are to be funded from future years' budgetary allocations.

	2005	2004
Long-term liabilities	\$ —	186,628
Other post-employment benefits	2,031,343	1,857,672
	\$ 2,031,343	2,044,300

5. Commitments:

(a) Line of Credit:

As at December 31, 2005, the total approved but not issued line of credit amounted to \$500,000 (2004 - \$500,000).

(b) Lease commitment:

The Health Unit has entered into various operating leases with terms ranging from one to six years for equipment which require monthly payments of \$3,190 as well as an annual payment of \$79,800. The Health Unit has also entered into a lease agreement for office space with terms from five to ten years which require monthly payments of \$3,655.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2005

6. Pension agreements:

The Health Unit makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employee plan, on behalf of 187 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2005 was \$731,915 (2004 - \$655,872) for current service and is included as an expenditure on the statement of financial activities.

7. Budget figures:

The budget figures included in the Statement of Financial Activities are included for information purposes only. These amounts are unaudited.

8. Contingency:

In May 2002, a court decision was made stating that the Sudbury & District Health Unit was liable for breach of contract relating to the former Home Care program (subsequently transferred to the Manitoulin - Sudbury Community Care Access Centre). As of the date of these financial statements, damages have not been assessed. The Health Unit has filed an appeal of the decision.

The Ministry of Health and Long-Term Care (the "Ministry") has stated that it will cover reasonable costs that accrue to the Health Unit relating to the transfer of the former Home Care Program. Further, the Ministry is willing to assist with legal costs directly attributed to its defence in filing an appeal.

As any contingent loss relating to this matter cannot be reasonably estimated, no amounts have been accrued in the financial statements.

9. Comparative figures:

Certain 2004 comparative figures have been reclassified to conform with the presentation adopted in 2005.

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Current Fund Operations

Schedule A

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Provincial grants	\$ 11,682,939	9,377,406
Per capita revenue from Municipalities (Schedule D)	7,082,202	6,968,757
Other:		
Plumbing inspections and licenses	241,264	235,940
Interest	56,562	44,999
Federal grant	31,739	76,380
Other	693,047	829,234
	19,787,753	17,532,716
Expenditures:		
Salaries	12,310,558	11,167,174
Benefits	2,688,747	2,485,605
Transportation	345,616	277,675
Administration (Schedule E)	1,767,508	1,458,169
Supplies and materials	1,591,199	1,387,275
Equipment and furnishings	719,175	468,381
	19,422,803	17,244,279
Excess of revenues over expenditures	364,950	288,437
Adjustments and transfers (to) from other funds:		
Employee benefit obligations	173,671	192,133
Net transfer (to) from reserves	(155,374)	15,997
Transfer to capital fund	(383,247)	(496,567)
	(364,950)	(288,437)
Change in fund balance	—	—
Balance, beginning of year	—	—
Balance, end of year	\$ —	—

The accompanying notes are an integral part of this financial statement.

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Capital Fund Operations

Schedule B

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Provincial grants	\$ 71,115	—
Expenditures:		
Re-roofing:		
Roofing materials and labour	177,620	—
Professional fees and permits	24,415	—
Development for resources, research evaluation and development		
Furniture and equipment	19,561	—
Renovations	83,848	—
Professional fees and permits	11,526	—
Miscellaneous building renovations		
Renovations for corporate and clinical services	13,163	47,134
Meeting rooms	2,294	95,050
Other	3,614	—
Equipment and furnishing	—	86,117
Development for clinical services	—	93,345
	336,041	321,646
Excess of expenditures over revenues	(264,926)	(321,646)
Adjustments and transfers from other funds:		
Transfer from operating fund	383,247	496,567
Transfer from Reserve	68,307	—
Debt principal repayment	(186,628)	(174,921)
	264,926	321,646
Change in fund balance	—	—
Fund balance, beginning of year	—	—
Fund balance, end of year	\$ —	—

The accompanying notes are an integral part of this financial statement.

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Reserves

Schedule C

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Balance, beginning of year	\$ 721,133	737,130
Transfer to current fund	(55,000)	(338,121)
Transfer to capital fund	(68,307)	-
Transfer from current fund	210,374	322,124
Balance, end of year	\$ 808,200	721,133

The balance of reserves on the statement of financial position consists of the following:

	2005	2004
Reserve for Research and Development	\$ 12,615	9,615
Reserve for sick leave and vacation benefits	318,794	318,794
Reserve for working capital	476,791	392,724
	\$ 808,200	721,133

The accompanying notes are an integral part of this financial statement.

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Per Capita Revenue from Municipalities

Schedule D

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Township of Assiginack	\$ 29,874	29,396
Township of Baldwin	22,259	21,902
Township of Barrie Island	1,835	1,806
Township of Billings (and part of Allan)	18,667	18,368
Township of Burpee	12,887	12,680
Township of Central Manitoulin	68,028	66,938
Township of Chapleau	101,534	99,908
Town of Espanola	198,343	195,166
Municipality of French River	108,876	107,132
Township of Gordon (and part of Allan)	16,519	16,254
Town of Gore Bay	31,202	30,703
Municipality of Killarney	16,909	16,639
Municipality of Markstay-Warren	104,112	102,444
Township of Northeastern Manitoulin & The Islands	90,404	88,957
Township of Nairn & Hyman	15,933	15,677
Township of Sable and Spanish River	114,929	113,088
Municipality of St. Charles	49,986	49,185
City of Greater Sudbury	6,066,237	5,969,065
Township of Tehkummah	13,668	13,449
	\$ 7,082,202	6,968,757

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Details of Expenditures

Schedule E

Year ended December 31, 2005, with comparative figures for 2004

		2005	2004
	Budget	Actual	Actual
Administration:			
Telephone	\$ 60,135	52,638	43,620
Rent	116,279	107,800	92,228
Building maintenance	251,307	255,901	186,394
Utilities	131,700	114,736	137,164
Advertising	321,820	321,144	302,342
Postage	67,788	70,391	69,527
Liability insurance	73,218	77,799	60,765
Professional fees	518,169	484,540	400,822
Staff education	258,339	220,334	136,041
Memberships and subscriptions	42,748	38,691	29,266
Strategic Planning	30,000	23,534	-
	\$ 1,871,503	1,767,508	1,458,169