

## **SECTION 8**

Financial Statements of

### **SUDBURY AND DISTRICT HEALTH UNIT**

Year ended December 31, 2008

## 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, 2008 and the statement of financial activities and changes in fund balance 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, 2008 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, E and F 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*

**COLLINS BARROW, SUDBURY - NIPISSING LLP**  
Chartered Accountants, Licensed Public Accountants

*Freelandt Caldwell Reilly LLP*

**FREELANDT CALDWELL REILLY LLP**  
Chartered Accountants, Licensed Public Accountants

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants, Licensed Public Accountants

Sudbury, Canada  
February 27, 2009

# SUDBURY & DISTRICT HEALTH UNIT

## Statement of Financial Position

Year Ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Financial Assets</b>		
Cash	\$ 4,485,708	\$ 4,826,143
Accounts receivable	577,237	331,230
Prepaid expenses	121,230	75,161
	<b>\$ 5,184,175</b>	<b>\$ 5,232,534</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,218,603	\$ 1,556,266
Deferred revenue	198,361	489,574
Payable to the Province of Ontario	569,138	452,960
Employee benefit obligations (note 3)	2,405,379	2,313,592
	<b>4,391,481</b>	<b>4,812,392</b>
<b>Board Position</b>		
Fund Balance:		
Reserves (Schedule C)	3,198,073	2,733,734
Amounts to be recovered (note 4)	(2,405,379)	(2,313,592)
Board Position	792,694	420,142
Commitments (note 5)		
Contingency (note 8)		
	<b>\$ 5,184,175</b>	<b>\$ 5,232,534</b>

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

# SUDBURY & DISTRICT HEALTH UNIT

## Statement of Financial Activities and Changes in Fund Balance

Year Ended December 31, 2008, with comparative figures for 2007

	2008	2008	2007
	Budget	Actual	Actual
	(Unaudited - note 7)		
<b>Revenues:</b>			
Provincial grants	\$ 18,488,006	\$ 17,827,981	\$ 16,570,523
Per capita revenue from Municipalities (Schedule D)	5,981,628	5,856,628	5,697,386
Other:			
Plumbing inspections and licences	265,959	265,268	264,727
Interest	70,000	127,048	152,627
Federal grant	-	-	20,133
Other	923,381	942,092	992,836
	25,728,974	25,019,017	23,698,232
<b>Expenditures:</b>			
Salaries and wages	15,764,400	15,564,974	14,037,358
Benefits	3,428,246	3,380,076	3,241,725
Transportation	525,744	438,579	434,495
Administration (Schedule E)	2,463,268	2,409,573	2,541,339
Supplies and materials	2,183,818	1,617,373	1,378,872
Capital (Schedule B)	478,786	554,825	371,880
Operational equipment and furnishings	884,712	681,065	660,690
	25,728,974	24,646,465	22,666,359
<b>Excess of revenues over expenditures</b>	-	372,552	1,031,873
Increase in employee benefit obligations		91,787	161,521
<b>Change in fund balance</b>	-	\$ 464,339	\$ 1,193,394

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, 2008, with comparative figures for 2007

	2008	2007
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenditures	\$ 372,552	\$ 1,031,873
Provision for employee benefit obligations	91,787	161,521
	464,339	1,193,394
<b>Change in non-cash working capital:</b>		
Accounts receivable	(246,007)	(71,296)
Prepaid expenses	(46,069)	(10,198)
Accounts payable and accrued liabilities	(337,663)	394,642
Deferred revenue	(291,213)	290,562
Payable to the Province of Ontario	116,178	(340,096)
<b>Net increase (decrease) in cash</b>	<b>(340,435)</b>	<b>1,457,008</b>
Cash, beginning of year	4,826,143	3,369,135
<b>Cash, end of year</b>	<b>\$ 4,485,708</b>	<b>\$ 4,826,143</b>

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

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2008

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## 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) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognized revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### (b) Revenue recognition

The Health Unit is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from fees, contracts and sales is recognized when the services are provided or the goods are sold.

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) 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.

### (d) 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 benefit 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.

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2008

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## 1. Significant accounting policies (continued):

### (d) Pension and employee benefits (continued):

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.

Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains (losses) are amortized over the average remaining service period of active employees.

### (e) 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 specified. Actual results could differ from those estimates.

### (f) 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. Future change in accounting policies:

### Tangible capital assets

The tangible capital assets of the Health Unit include buildings, vehicles, equipment, land, and computer hardware and software. Major categories of tangible capital assets are determined by type of asset, such as land, buildings and equipment.

The Health Unit currently reports tangible capital asset as an expenditure on the Statement of Financial Activities in the year of acquisition. Starting January 1, 2009 the Health Unit will report and account for these tangible capital assets on the Statement of Financial Position, with the amortization of costs of these tangible capital assets to be accounted for as expenses in the Statement of Financial Activities.

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2008

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## 2. Future change in accounting policies (continued):

For January 1, 2007 to December 31, 2008, the Health Unit is accumulating and disclosing the relevant information about the complete stock of tangible capital assets. At December 31, 2008, the Health Unit is in the preliminary stages of accumulating the information for the disclosure. As a result, tangible capital assets are excluded from that disclosure until the relevant information about the complete stock of tangible capital assets can be provided.

In accordance with the CICA Public Sector (PSG 7), the Health Unit would disclose the following information for each major category of tangible capital assets and in total:

- (a) cost at the beginning and end of the period;
- (b) additions in the period;
- (c) disposals in the period;
- (d) the amount of any write-downs in the period;
- (e) the amount of amortization of the costs of tangible capital assets for the period;
- (f) accumulated amortization at the beginning and end of the period; and
- (g) net carrying amount at the beginning and end of the period.

The Health Unit would also disclose the following information about tangible capital assets:

- (a) the method used for determining the cost of each major category of tangible capital assets;
- (b) the amortization method used including the amortization period or rate for each major category of tangible capital assets;
- (c) the net book value of tangible capital assets not being amortized because they are under construction or development or have been removed from service;
- (d) the nature and amount of contributed tangible capital assets received in the period;
- (e) the nature and use of tangible capital asset disclosed at nominal value;
- (f) the nature of the works of art and historical treasures held by the organization; and
- (g) the amount of interest included in cost in the period.

As previously stated, the Health Unit is excluded from these disclosures until the relevant information of the major categories of tangible capital assets can be provided.



# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2008

### 3. Employee benefit obligations:

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation dated December 31, 2008 and forms the basis for the estimated liability reported in these financial statements.

	2008	2007
Accumulated sick leave benefit	\$ 739,570	704,482
Other post-employment benefits	844,855	826,087
	1,584,425	1,530,569
Vacation pay	820,954	783,023
	\$ 2,405,379	2,313,592

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

	2008	2007
Discount rate	5%	5%
Health care trend rate:		
- initial	8%	8%
- ultimate	2%	2%
Salary escalation factor	4%	3%

The Health Unit has established reserves in the amount of \$318,794 (2007 - \$318,794) to mitigate the future impact of these obligations.

The accrued benefit obligations as at December 31, 2008 is \$1,508,380 (2007 - \$1,546,660). Total benefit plan related expenses was \$139,752 and was comprised of current service costs of \$72,623 (2007 - \$103,846), interest of \$72,144 (2007 - \$88,093) amortization of actuarial loss \$5,015 (2007 - \$1,461 loss). Benefits paid during the year were \$85,897 (2007 - \$33,863). The net unamortized actuarial gain of \$76,044 (2007 - \$81,059) will be amortized over the expected average remaining service period of 14 years.

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2008

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#### 4. Amounts to be recovered:

Amounts to be recovered represent liabilities established for accrual accounting purposes. These liabilities are to be funded from future years' budgetary allocations.

	2008	2007
Other post-employment benefits	\$ 2,405,379	\$ 2,313,592

#### 5. Commitments:

(a) Line of credit:

As at December 31, 2008, the total approved but not advanced line of credit amounted to \$500,000 (2007 - \$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 \$8,600 over the next year. 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 \$9,500 over the next year.

#### 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 258 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 2008 was \$1,053,616 (2007 - \$955,558) for current service and is included as an expenditure on the statement of financial activities and changes in fund balance.

#### 7. Budget figures:

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

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2008

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## **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.

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Current Fund Operations

Schedule A

Year Ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Revenues:</b>		
Provincial Grants	\$ 17,501,917	\$ 16,388,730
Per capita revenue from Municipalities (Schedule D)	5,856,628	5,697,386
Other:		
Plumbing inspections and licenses	265,268	264,727
Interest	127,048	152,627
Federal grant	-	20,133
Other	942,092	992,836
	<b>24,692,953</b>	<b>23,516,439</b>
<b>Expenditures:</b>		
Salaries and wages	15,564,974	14,037,358
Benefits	3,380,076	3,241,725
Administration (Schedule E)	2,409,573	2,541,339
Supplies and materials	1,617,373	1,378,872
Operational equipment and furnishings	681,065	660,690
Transportation	438,579	434,495
	<b>24,091,640</b>	<b>22,294,479</b>
<b>Excess of revenues over expenditures</b>	<b>601,313</b>	<b>1,221,960</b>
<b>Adjustments and transfers (to) from other funds:</b>		
Employee benefit obligations	91,787	161,521
Net transfer to reserves	(573,027)	(1,253,990)
Transfer to capital fund	(120,073)	(129,491)
	<b>(601,313)</b>	<b>(1,221,960)</b>
<b>Change in fund balance</b>	<b>-</b>	<b>-</b>
Balance, beginning of year	-	-
<b>Balance, end of year</b>	<b>-</b>	<b>-</b>

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Capital Fund Operations

Schedule B

Year Ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Revenues:</b>		
Provincial grants	\$ 326,064	\$ 181,793
<b>Expenditures:</b>		
<b>Main Office Renovations:</b>		
Contractor fees	-	110,222
Equipment and furnishings	-	62,288
Professional fees and permits	-	20,017
<b>Outreach Project - downtown Sudbury:</b>		
Contractor fees	326,530	47,257
Equipment and furnishings	93,283	-
Professional fees and permits	14,938	2,605
<b>Miscellaneous:</b>		
Equipment and furnishings	-	16,939
I & IT equipment	120,074	112,552
	<u>554,825</u>	<u>371,880</u>
<b>Excess of expenditures over revenues</b>	<b>(228,761)</b>	<b>(190,087)</b>
<b>Transfers from other funds:</b>		
Transfer from current fund	120,073	129,491
Transfer from Reserve	108,688	60,596
	<u>228,761</u>	<u>190,087</u>
<b>Change in fund balance</b>	<b>-</b>	<b>-</b>
Fund balance, beginning of year	-	-
<b>Fund balance, end of year</b>	<b>-</b>	<b>-</b>

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Reserves

Schedule C

Year Ended December 31, 2008, with comparative figures for 2007

	2008	2007
Balance, beginning of year	\$ 2,733,734	\$ 1,540,340
Transfer to current fund	-	(6,250)
Transfer to capital fund	(108,688)	(60,596)
Transfer from current fund	573,027	1,260,240
<b>Balance, end of year</b>	<b>\$ 3,198,073</b>	<b>\$ 2,733,734</b>

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

	2008	2007
Reserve for Research and Development	\$ 12,615	\$ 12,615
Reserve for sick leave and vacation benefits	318,794	318,794
Reserve for working capital	2,866,664	2,402,325
	<b>\$ 3,198,073</b>	<b>\$ 2,733,734</b>

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Per Capita Revenue from Municipalities

Schedule D

Year Ended December 31, 2008, with comparative figures for 2007

	2008	2007
Township of Assiginack	\$ 25,828	\$ 25,125
Township of Baldwin	17,804	17,320
Township of Barrie Island	1,581	1,538
Township of Billings (and part of Allan)	15,344	14,927
Township of Burpee	10,542	10,255
Township of Central Manitoulin	56,224	54,695
Municipality of St. Charles	40,059	38,970
Township of Chapleau	78,069	75,946
Municipality of French River	85,565	83,239
Township of Espanola	162,463	158,045
Township of Gordon (and part of Allan)	13,529	13,161
Town of Gore Bay	24,774	24,100
Municipality of Markstay-Warren	85,038	82,726
Township of Northeastern Manitoulin & The Islands	73,794	71,787
Township of Nairn & Hyman	13,529	13,161
Municipality of Killarney	13,002	12,648
Township of Sable and Spanish River	93,530	90,987
City of Greater Sudbury	5,034,943	4,898,045
Township of Tehkummah	11,010	10,711
	<b>\$ 5,856,628</b>	<b>\$ 5,697,386</b>

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Details of Expenditures

Schedule E

Year Ended December 31, 2008, with comparative figures for 2007

	2008		2007
	Budget	Actual	Actual
Administration:			
Professional fees	\$ 825,286	\$ 805,616	\$ 1,009,035
Advertising	251,078	271,534	307,343
Building maintenance	275,313	271,535	280,862
Staff education	337,515	312,932	258,201
Utilities	148,112	143,636	146,295
Rent	220,804	218,544	166,158
Liability insurance	90,200	90,154	82,102
Postage	93,674	88,713	91,269
Telephone	172,090	162,169	160,144
Memberships and subscriptions	49,171	44,715	39,638
Strategic Planning	25	25	292
	<b>\$ 2,463,268</b>	<b>\$ 2,409,573</b>	<b>\$ 2,541,339</b>



# SUDBURY & DISTRICT HEALTH UNIT

Revenue and Expenditures by Funding Sources

Schedule F

Year ended December 31, 2008

	OLHA	PHRED	WnV	VBD	UIJP	Meningococcal	HPV	Infection Control	MCYS	One-Time	Other	Total
<b>Revenues:</b>												
Provincial grants	\$ 12,780,579	246,392	1,500	47,546	65,890	26,894	19,423	377,580	1,568,964	326,064	1,727,925	17,188,757
Unorganized Territories	639,224	-	-	-	-	-	-	-	-	-	-	639,224
Municipalities	5,548,113	289,299	3,367	15,849	-	-	-	-	-	-	-	5,856,628
Plumbing inspections and licenses	265,268	-	-	-	-	-	-	-	-	-	-	265,268
Interest	66,663	-	-	-	-	-	-	-	1,971	-	58,414	127,048
Other	-	-	-	-	-	-	-	-	-	-	942,092	942,092
<b>Total Revenues</b>	<b>\$ 19,299,847</b>	<b>535,691</b>	<b>4,867</b>	<b>63,395</b>	<b>65,890</b>	<b>26,894</b>	<b>19,423</b>	<b>377,580</b>	<b>1,570,935</b>	<b>326,064</b>	<b>2,728,431</b>	<b>25,019,017</b>
<b>Expenditures:</b>												
Salaries and wages	12,628,234	417,963	-	9,610	41,773	18,957	17,419	286,066	1,151,374	-	991,578	15,564,974
Benefits	2,818,813	96,363	-	928	3,345	2,109	1,432	47,745	217,022	-	190,319	3,380,076
Transportation	274,504	6,918	-	-	5,329	1,309	572	5,995	44,663	-	99,289	438,579
Administration (Schedule E)	2,079,049	3,944	-	2,005	1,838	-	-	-	29,253	-	293,484	2,409,573
Supplies and materials	509,660	15,616	841	46,731	13,605	4,519	-	35,774	114,623	-	876,004	1,617,373
Capital (Schedule B)	120,074	-	-	-	-	-	-	-	-	434,751	-	554,825
Operational equipment and furnishings	658,013	4,931	-	4,121	-	-	-	-	14,000	-	-	681,065
<b>Total Expenditures</b>	<b>\$ 19,088,347</b>	<b>547,735</b>	<b>841</b>	<b>63,395</b>	<b>65,890</b>	<b>26,894</b>	<b>19,423</b>	<b>377,580</b>	<b>1,570,935</b>	<b>434,751</b>	<b>2,450,674</b>	<b>24,646,465</b>

OLHA - MOHLTC Mandatory Cost-Shared  
 PHRED - Public Health Research Education and Development  
 WnV - West Nile Virus  
 VBD - Vector Borne Disease  
 UIJP - Universal Influenza Immunization Program  
 HPV - Human Papilloma Virus  
 MCYS - Ministry of Children and Youth Services  
 Other - Includes 100% Ministry funded and Non-Ministry funded services