

SECTION 7

Financial Statements of

SUDBURY & DISTRICT HEALTH UNIT

Year ended December 31, 2004

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, 2004 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, 2004 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

Sudbury, Canada
March 17, 2005



FREELANDT CALDWELL REILLY LLP
Chartered Accountants

SUDBURY & DISTRICT HEALTH UNIT

Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
Financial Assets		
Cash	\$ 2,906,596	2,313,199
Accounts receivable	318,271	325,683
Prepaid expenses	91,044	106,544
	<u>\$ 3,315,911</u>	<u>2,745,426</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 1,227,807	1,323,069
Deferred revenue	141,372	218,632
Payable to the Province of Ontario	1,112,459	466,595
Payable to Municipalities	113,140	—
Employee benefit obligations (note 2)	1,857,672	1,665,539
Net long-term liabilities (note 3)	186,628	361,549
	<u>4,639,078</u>	<u>4,035,384</u>
Board Position		
Fund Balance:		
Reserves (Schedule C)	721,133	737,130
Amounts to be recovered (note 4)	(2,044,300)	(2,027,088)
Board Position	<u>(1,323,167)</u>	<u>(1,289,958)</u>
Commitments (note 5)		
Contingency (note 8)		
	<u>\$ 3,315,911</u>	<u>2,745,426</u>

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

SUDBURY & DISTRICT HEALTH UNIT

Statement of Financial Activities

Year ended December 31, 2004, with comparative figures for 2003

	2004		2003
	Budget (Unaudited) (note 7)	Actual	Actual
Revenues:			
Provincial grants	\$ 10,162,959	9,377,406	9,075,483
Per capita revenue from Municipalities (Schedule D)	7,331,898	6,968,757	6,682,275
Other:			
Plumbing inspections and licenses	160,000	235,940	154,586
Interest	50,000	44,999	57,108
Federal grant	64,911	76,380	117,479
Other	523,163	829,234	762,023
	<u>18,292,931</u>	<u>17,532,716</u>	<u>16,848,954</u>
Expenditures:			
Salaries	11,149,817	11,167,174	10,409,629
Benefits	2,455,829	2,485,605	1,952,135
Transportation	302,207	277,675	347,977
Administration (Schedule E)	1,493,504	1,458,169	1,362,920
Supplies and materials	1,847,061	1,387,275	1,448,466
Building	235,000	242,603	380,250
Equipment and furnishings	587,264	547,424	729,748
	<u>18,070,682</u>	<u>17,565,925</u>	<u>16,631,125</u>
Excess (deficiency) of revenue over expenditures	222,249	(33,209)	217,829
Debt principal repayments	(181,421)	(174,921)	(163,739)
Increase in employee benefit obligations	–	192,133	127,562
Change in fund balance	<u>\$ 40,828</u>	<u>(15,997)</u>	<u>181,652</u>

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, 2004, with comparative figures for 2003

	2004	2003
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures	\$ (33,209)	217,829
Provision for employee benefit obligations	192,133	127,562
	158,924	345,391
Change in non-cash working capital:		
Accounts receivable	7,412	225,970
Prepaid expenses	15,500	(102,830)
Accounts payable and accrued liabilities	(95,262)	(878,408)
Deferred revenue	(77,260)	(142,751)
Payable to the Province of Ontario	645,864	123,891
Payable to Municipalities	113,140	—
	768,318	(428,737)
Cash flows from financing activities:		
Decrease in net long-term liabilities	(174,921)	(163,739)
Net increase (decrease) in cash	593,397	(592,476)
Cash, beginning of year	2,313,199	2,905,675
Cash, end of year	\$ 2,906,596	2,313,199

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

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2004

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, 2004

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.

	2004	2003
Accumulated sick leave benefit	\$ 605,157	530,098
Other post-employment benefits	568,906	520,324
	1,174,063	1,050,422
Vacation pay	683,609	615,117
	\$ 1,857,672	1,665,539

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

	2004	2003
Discount rate	6%	6%
Health care trend rate:		
- initial	10%	8.5%
- ultimate	5%	4.5%
Salary escalation factor	5%	4.5%

The Health Unit has established reserves in the amount of \$318,794 (2003 - \$334,791) to mitigate the future impact of these obligations.

The accrued benefit obligations as at December 31, 2004 is \$1,194,540 (2003 - \$1,050,422). Total benefit plan related expenses was \$151,983 and was comprised of current service costs of \$87,192 (2003 - \$74,117), interest of \$64,791 (2003 - \$58,678) amortization of actuarial loss of Nil (2003 - Nil). Benefits paid during the year were \$28,343 (2003 - \$24,380). The net unamortized actuarial loss was \$20,477 (2003 - Nil) 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, 2004

3. Long-term liabilities:

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

	Interest Rate	Due Date	2004	2003
Royal Bank of Canada	6.7%	2005	\$ 361,549	525,288
Less amount paid out during year			(174,921)	(163,739)
Long-term liabilities, end of year			\$ 186,628	361,549

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.

	2004	2003
Long-term liabilities	\$ 186,628	361,549
Other post-employment benefits	1,857,672	1,665,539
	\$ 2,044,300	2,027,088

5. Commitments:

(a) Line of Credit:

As at December 31, 2004, the total approved but not issued line of credit amounted to \$500,000 (2003 - \$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 \$6,370 as well as an annual payment of \$34,835.

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 2004 was \$655,872 (2003 - \$364,199) for current service and is included as an expenditure on the statement of financial activities.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2004

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 2003 comparative figures have been reclassified to conform with the presentation adopted in 2004.

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Current Fund Operations

Schedule A

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Provincial grants	\$ 9,377,406	9,075,483
Per capita revenue from Municipalities (Schedule D)	6,968,757	6,682,275
Other:		
Plumbing inspections and licenses	235,940	154,586
Interest	44,999	57,108
Federal grant	76,380	117,479
Other	829,234	762,023
	<u>17,532,716</u>	<u>16,848,954</u>
Expenditures:		
Salaries	11,167,174	10,409,629
Benefits	2,485,605	1,952,135
Transportation	277,675	347,977
Administration (Schedule E)	1,458,169	1,362,920
Supplies and materials	1,387,275	1,448,466
Equipment and furnishings	468,381	—
	<u>17,244,279</u>	<u>15,521,127</u>
Excess of revenue over expenditures	288,437	1,327,827
Adjustments and transfers (to) from other funds:		
Employee benefit obligations	192,133	127,562
Net transfer (to) from reserves	15,997	(181,652)
Transfer to capital fund	(496,567)	(1,273,737)
	<u>(288,437)</u>	<u>(1,327,827)</u>
Change in fund balance	—	—
Balance, beginning of year	—	—
Balance, end of year	\$ —	—

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Capital Fund Operations

Schedule B

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Provincial grants	\$ -	-
Other	-	-
	-	-
Expenditures:		
Equipment and furnishing	86,117	729,748
Building renovations	-	380,250
Offices/workstations for corporate and clinical services:		
Renovations	5,322	-
Furniture and equipment	34,140	-
Professional fees	7,672	-
Development for clinical services:		
Renovations	49,824	-
Furniture and equipment	34,622	-
Professional fees	6,666	-
Other	2,233	-
Meeting rooms:		
Renovations	50,514	-
Furniture and equipment	30,923	-
Professional fees	10,138	-
Other	3,475	-
	321,646	1,109,998
Excess of expenditure over revenue	(321,646)	(1,109,998)
Adjustments and transfers from other funds:		
Transfer from operating fund	496,567	1,273,737
Debt principal repayment	(174,921)	(163,739)
	321,646	1,109,998
Change in fund balance	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ -	-

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Reserves

Schedule C

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Balance, beginning of year	\$ 737,130	555,478
Transfer to current fund	(338,121)	(17,318)
Transfer from current fund	322,124	198,970
Balance, end of year	\$ 721,133	737,130

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

	2004	2003
Reserve for Research and Development	\$ 9,615	9,615
Reserve for sick leave and vacation benefits	318,794	334,791
Reserve for working capital	392,724	392,724
	\$ 721,133	737,130

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Per Capita Revenue from Municipalities

Schedule D

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Township of Assiginack	\$ 29,396	29,122
Township of Baldwin	21,902	21,468
Township of Barrie Island	1,806	1,709
Township of Billings (and part of Allan)	18,368	18,424
Township of Burpee	12,680	11,998
Township of Central Manitoulin	66,938	64,369
Township of Chapleau	99,908	96,860
Town of Espanola	195,166	188,113
Municipality of French River	107,132	103,575
Township of Gordon (and part of Allan)	16,254	16,101
Town of Gore Bay	30,703	30,530
Municipality of Killarney	16,639	16,679
Municipality of Markstay-Warren	102,444	103,106
Township of Northeastern Manitoulin & The Islands	88,957	84,213
Township of Nairn & Hyman	15,677	15,488
Township of Sable and Spanish River	113,088	110,976
Municipality of St. Charles	49,185	46,932
City of Greater Sudbury	5,969,065	5,710,205
Township of Tehkummah	13,449	12,407
	<u>\$ 6,968,757</u>	<u>6,682,275</u>

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Details of Expenditures

Schedule E

Year ended December 31, 2004, with comparative figures for 2003

		2004	2003
	Budget	Actual	Actual
Administration:			
Telephone	\$ 38,425	43,620	42,106
Rent	100,199	92,228	91,130
Building maintenance	187,205	186,394	157,264
Utilities	131,450	137,164	105,291
Advertising	337,144	302,342	306,123
Postage	76,050	69,527	65,273
Liability insurance	70,800	60,765	56,984
Professional fees	378,654	400,822	380,007
Staff education	134,972	136,041	126,535
Memberships and subscriptions	38,605	29,266	32,207
	\$ 1,493,504	1,458,169	1,362,920