

SECTION 7

Financial Statements of

SUDBURY & DISTRICT HEALTH UNIT

Year ended December 31, 2003

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, 2003 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, 2003 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-MAHEU NOISEUX LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants



KPMG LLP
Chartered Accountants

Sudbury, Canada
March 11, 2004

SUDBURY & DISTRICT HEALTH UNIT

Statement of Financial Position

December 31, 2003, with comparative figures for 2002

	2003	2002
Financial Assets		
Cash	\$ 2,313,199	2,905,675
Accounts receivable	325,683	551,653
Prepaid expenses	106,544	3,714
	<u>\$ 2,745,426</u>	<u>3,461,042</u>

Liabilities

Accounts payable and accrued liabilities	\$ 1,323,069	2,201,477
Deferred revenue	218,632	361,383
Payable to the Province of Ontario	466,595	342,704
Employee benefit obligations (note 2)	1,665,539	1,537,977
Net long-term liabilities (note 3)	361,549	525,288
	<u>4,035,384</u>	<u>4,968,829</u>

Board Position

Fund Balance:		
Reserves (Schedule C)	737,130	555,478
Amounts to be recovered (note 4)	(2,027,088)	(2,063,265)
Board Position	<u>(1,289,958)</u>	<u>(1,507,787)</u>
Commitments (note 5)		
Contingency (note 8)		
	<u>\$ 2,745,426</u>	<u>3,461,042</u>

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

SUDBURY & DISTRICT HEALTH UNIT

Statement of Financial Activities

Year ended December 31, 2003, with comparative figures for 2002

	2003		2002
	Budget	Actual	Actual
	(Unaudited)		
	(note 7)		
Revenues:			
Provincial grants	\$ 9,380,379	9,075,483	9,268,003
Per capita revenue from Municipalities (Schedule D)	6,932,269	6,682,275	6,478,551
Other:			
Plumbing inspections and licenses	170,000	154,586	131,870
Interest	57,108	57,108	51,662
Sundry	11,140	9,631	44,760
Federal grant	117,479	117,479	38,976
Other	720,969	752,392	761,985
	17,389,344	16,848,954	16,775,807
Expenditures:			
Salaries (Schedule E)	10,445,673	10,409,629	9,299,311
Transportation	352,022	347,977	257,880
Administration (Schedule E)	3,265,037	3,315,055	2,840,926
Supplies and materials	1,988,585	1,448,466	1,255,298
Building	318,500	380,250	3,851,195
Equipment and furnishings	734,588	729,748	519,757
	17,104,405	16,631,125	18,024,367
Excess (deficiency) of revenue over expenditures			
	284,939	217,829	(1,248,560)
Debt principal repayments	(167,000)	(163,739)	(603,156)
Increase in employee benefit obligations	–	127,562	288,235
Change in fund balance	\$ 117,939	181,652	(1,563,481)

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, 2003, with comparative figures for 2002

	2003	2002
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 217,829	(1,248,560)
Provision for employee benefit obligations	127,562	288,235
	345,391	(960,325)
Change in non-cash working capital:		
Accounts receivable	225,970	31,834
Prepaid expenses	(102,830)	26,127
Accounts payable and accrued liabilities	(878,408)	635,832
Deferred revenue	(142,751)	(112,388)
Payable to the Province of Ontario	123,891	(122,058)
Payable to Northern Health Information Partnership	—	(167,111)
	(428,737)	(668,089)
Cash flows from financing activities:		
Decrease in net long-term liabilities	(163,739)	(603,156)
Net decrease in cash	(592,476)	(1,271,245)
Cash, beginning of year	2,905,675	4,176,920
Cash, end of year	\$ 2,313,199	2,905,675

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

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2003

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) 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.

(d) 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.

As at the date of these financial statements, the MOHLTC has not reviewed the settlement forms for 2001 and 2002.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2003

2. Employee benefit obligations:

The Health Unit provides certain employee benefits which will require funding in future periods.

An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements.

	2003	2002
Accumulated sick leave benefit	\$ 530,098	468,220
Vacation pay	615,117	573,774
Other post-employment benefits	520,324	495,983
	\$ 1,665,539	1,537,977

The Health Unit provides certain post-retirement benefits to retirees. The net expense for the post-retirement is \$127,562 (2002 - \$288,235), while benefit payments made on behalf of retirees amounted to \$24,380 (2002 - \$88,024). The significant actuarial assumptions adopted in measuring the Health Unit's accrued benefit obligation include a discount rate of 6% (2002 - 6%) and an assumed health care cost trend at December 31, 2003 of 4.5% to 8.5%, increasing by the inflation rate thereafter.

The Health Unit has established reserves in the amount of \$334,791 (2002 - \$352,109) to mitigate the future impact of these obligations.

3. Long-term liabilities:

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

	Interest Rate	Due Date	2003	2002
Royal Bank of Canada	6.7%	2005	\$ 525,288	678,444
Less amount paid out during year			(163,739)	(153,156)
Long-term liabilities, end of year			\$ 361,549	525,288

Principal payments required to retire the outstanding long-term debt are as follows:

2004	\$ 174,921
2005	186,628
	\$ 361,549

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2003

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.

	2003	2002
Long-term liabilities	\$ 361,549	525,288
Other post-employment benefits	1,665,539	1,537,977
	<u>\$ 2,027,088</u>	<u>2,063,265</u>

5. Commitments:

(a) Line of Credit:

As at December 31, 2003, the total approved but not issued line of credit amounted to \$500,000 (2002 - \$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 \$7,628.

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 and 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 2003 was \$364,199 (2002 - \$nil) 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.

SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2003

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 2002 comparative figures have been reclassified to conform with the presentation adopted in 2003.

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Current Fund Operations

Schedule A

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Revenues:		
Provincial grants	\$ 9,075,483	9,130,602
Per capita revenue from Municipalities (Schedule D)	6,682,275	6,478,551
Other:		
Plumbing inspections and licenses	154,586	131,870
Interest	57,108	51,662
Sundry	9,631	44,760
Federal grant	117,479	38,976
Other	752,392	691,985
	<u>16,848,954</u>	<u>16,568,406</u>
Expenditures:		
Salaries (Schedule E)	10,409,629	9,299,311
Transportation	347,977	257,880
Administration (Schedule E)	3,315,055	2,840,926
Supplies and materials	1,448,466	1,255,298
	<u>15,521,127</u>	<u>13,653,415</u>
Excess of revenue over expenditures	1,327,827	2,914,991
Adjustments and transfers (to) from other funds:		
Employee benefit obligations	127,562	288,235
Net transfer to reserves	(181,652)	(72,834)
Transfer to capital fund	(1,273,737)	(3,130,392)
	<u>(1,327,827)</u>	<u>(2,914,991)</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, 2003, with comparative figures for 2002

	2003	2002
Revenues:		
Provincial grants	\$ -	137,401
Other	-	70,000
	-	207,401
Expenditures:		
Equipment and furnishing	729,748	519,757
Building renovations	380,250	2,407,535
Construction	-	1,443,660
	1,109,998	4,370,952
Excess of expenditure over revenue	(1,109,998)	(4,163,551)
Transfers (to) from other funds:		
Transfer from operating fund	1,273,737	3,130,392
Transfer from reserves	-	186,740
Debt principal repayment	(163,739)	(603,156)
	1,109,998	2,713,976
Change in fund balance	-	(1,449,575)
Fund balance, beginning of year	-	1,449,575
Fund balance, end of year	\$ -	-

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Reserves

Schedule C

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Balance, beginning of year	\$ 555,478	669,384
Transfer to current fund	(17,318)	(6,580)
Transfer to capital fund	—	(186,740)
Transfer from current fund	198,970	79,414
Balance, end of year	\$ 737,130	555,478

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

	2003	2002
Reserve for Research and Development	\$ 9,615	7,294
Reserve for sick leave and vacation benefits	334,791	352,109
Reserve for working capital	392,724	196,075
	\$ 737,130	555,478

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Per Capita Revenue from Municipalities

Schedule D

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Township of Assiginack	\$ 29,122	28,233
Township of Baldwin	21,468	20,815
Township of Barrie Island	1,709	1,653
Township of Billings (and part of Allan)	18,424	17,861
Township of Burpee	11,998	11,638
Township of Central Manitoulin	64,369	62,409
Township of Chapleau	96,860	93,912
Town of Espanola	188,113	182,374
Municipality of French River	103,575	100,416
Township of Gordon (and part of Allan)	16,101	15,611
Town of Gore Bay	30,530	29,605
Municipality of Killarney	16,679	16,174
Municipality of Markstay-Warren	103,106	99,959
Township of Northeastern Manitoulin & The Islands	84,213	81,641
Township of Nairn & Hyman	15,488	15,013
Township of Sable and Spanish River	110,976	107,589
Municipality of St. Charles	46,932	45,497
City of Greater Sudbury	5,710,205	5,536,126
Township of Tehkummah	12,407	12,025
	\$ 6,682,275	6,478,551

SUDBURY & DISTRICT HEALTH UNIT

Schedule of Details of Expenditures

Schedule E

Year ended December 31, 2003, with comparative figures for 2002

	2003		2002
	Budget	Actual	Actual
Salaries:			
Security services	\$ 3,823	4,312	6,296
Medical officers	151,487	150,152	148,103
Nursing supervisory staff	502,344	560,564	487,195
Nursing staff	3,582,613	3,567,474	2,962,524
Nutritionists/Dietitians	196,388	193,224	180,953
Health inspectors - supervisory	229,724	232,506	228,081
Public health inspectors	1,153,776	1,146,977	1,081,386
Community workers	450,619	428,667	296,006
Clerical staff	1,615,846	1,546,609	1,497,918
Dental health educators	114,307	111,860	108,947
Dental hygienists	126,960	130,301	99,053
Genetic services	61,175	61,175	57,169
Anonymous testing	39,175	39,175	35,915
Teaching health	763,739	783,513	608,471
Focus	40,445	40,445	35,282
Healthy Babies/Healthy Children	859,915	859,915	835,811
Cervical Screen Pilot Project	—	—	26,030
Ontario Women's Health Council	56,898	56,898	162,858
Nutri-Step Projects	96,212	96,212	48,588
1-Track Survey	—	—	10,847
Early Years Programs	450,227	450,227	403,041
Recovery Voluntary Leave without pay	(50,000)	(50,577)	(21,163)
	\$ 10,445,673	10,409,629	9,299,311
Administration:			
Telephone	\$ 45,846	42,106	48,597
Rent	96,573	91,130	88,252
Building maintenance	187,297	157,264	114,427
Utilities	107,123	105,291	101,569
Advertising	305,263	306,123	211,187
Postage	62,972	65,273	50,579
Fringe benefits	1,872,387	1,824,573	1,416,950
Liability insurance	58,381	56,984	51,814
Professional fees	382,174	380,007	320,838
Staff education	120,936	126,535	121,633
Memberships and subscriptions	26,085	32,207	26,845
Employee benefit obligations	—	127,562	288,235
	\$ 3,265,037	3,315,055	2,840,926