

Sudbury & District Health Unit

Financial Statements
December 31, 2011



June 21, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of Sudbury & District Health Unit, which comprise the statement of financial position as at December 31, 2011 and the statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit 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 auditor's 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 auditor considers 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.

*PricewaterhouseCoopers LLP, Chartered Accountants
Mississauga Executive Centre, One Robert Speck Parkway, Suite 1100, Mississauga, Ontario, Canada L4Z 3M3
T: +1 905 949 7400, F: +1 416 814 3220*



We believe that the audit evidence we have obtained 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 Sudbury & District Health Unit as at December 31, 2011 and the results of its operations, accumulated surplus, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

The financial statements of Sudbury & District Health Unit for the year ended December 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on June 16, 2011.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Sudbury & District Health Unit

Statement of Financial Position

As at December 31, 2011

	2011 \$	2010 \$
Financial assets		
Cash and short-term investments	7,928,452	8,116,764
Accounts receivable	764,215	344,583
Receivable from the Province of Ontario	320,846	291,584
	<hr/> 9,013,513	<hr/> 8,752,931
Financial liabilities		
Accounts payable and accrued liabilities	1,359,562	2,405,877
Deferred revenue	336,750	365,408
Payable to the Province of Ontario	757,811	1,030,607
Employee benefit obligations (note 3)	2,899,221	2,723,702
	<hr/> 5,353,344	<hr/> 6,525,594
Net financial assets	3,660,169	2,227,337
Non-financial assets		
Tangible capital assets (note 4)	6,446,006	6,852,274
Prepaid expenses	175,586	117,184
	<hr/> 10,281,761	<hr/> 9,196,795
Accumulated surplus (note 5)		
Commitments and contingencies (note 6)		

Approved by the Board

_____ Board member _____ Board member

The accompanying notes are an integral part of these financial statements.

Sudbury & District Health Unit

Statement of Operations

For the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	Budget	Actual
	\$	\$
	(Unaudited)	Actual
		\$
Revenues (note 11)		
Provincial grants	19,082,468	19,440,756
Per capita revenue from municipalities (note 9)	6,482,334	6,221,601
Other		
Plumbing inspections and licences	198,407	313,542
Interest	67,000	81,317
Federal grant	-	-
Other	873,937	1,004,715
	<u>26,704,146</u>	<u>27,312,519</u>
		<u>25,766,892</u>
Expenses (note 11)		
Salaries and wages (note 7)	17,076,578	16,757,362
Benefits	4,201,093	4,153,657
Transportation	467,306	383,494
Administration (note 10)	2,747,638	2,282,615
Supplies and materials	1,403,737	1,380,007
Small operational equipment	807,794	575,356
Amortization of tangible capital assets (note 4)	-	695,062
	<u>26,704,146</u>	<u>26,227,553</u>
		<u>25,777,093</u>
Annual surplus (deficit)	<u>-</u>	<u>1,084,966</u>
		<u>(10,201)</u>

The accompanying notes are an integral part of these financial statements.

Sudbury & District Health Unit

Statement of Accumulated Surplus

For the year ended December 31, 2011

	2011	2010
	\$	\$
Accumulated surplus - Beginning of year	9,196,795	9,206,996
Annual surplus (deficit)	1,084,966	(10,201)
Accumulated surplus - End of year	<u>10,281,761</u>	<u>9,196,795</u>

The accompanying notes are an integral part of these financial statements.

Sudbury & District Health Unit
Statement of Changes in Net Financial Assets
For the year ended December 31, 2011

	2011 \$	2010 \$
Annual surplus (deficit)	1,084,966	(10,201)
Purchase of tangible capital assets	(288,794)	(522,005)
Amortization of tangible capital assets	695,062	496,114
Change in prepaid expenses	(58,402)	198,971
Change in net financial assets	1,432,832	162,879
Net financial assets - Beginning of year	2,227,337	2,064,458
Net financial assets - End of year	3,660,169	2,227,337

The accompanying notes are an integral part of these financial statements.

Sudbury & District Health Unit

Statement of Cash Flows

For the year ended December 31, 2011

	2011 \$	2010 \$
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	1,084,966	(10,201)
Non-cash items		
Amortization of tangible capital assets	695,062	496,114
Employee benefit obligations	175,519	226,356
Change in non-cash assets and liabilities		
Accounts receivable	(419,632)	(125,029)
Receivable from or payable to the Province of Ontario	(302,058)	1,204,934
Accounts payable and accrued liabilities	(1,046,315)	994,723
Deferred revenue	(28,658)	149,357
Prepaid expenses	(58,402)	198,971
	<hr/> 100,482	<hr/> 3,135,225
Investing activities		
Purchase of tangible capital assets	<hr/> (288,794)	<hr/> (522,005)
Increase (decrease) in cash and short-term investments during the year	(188,312)	2,613,220
Cash and short-term investments - Beginning of year	<hr/> 8,116,764	<hr/> 5,503,544
Cash and short-term investments - End of year	<hr/> <hr/> 7,928,452	<hr/> <hr/> 8,116,764

The accompanying notes are an integral part of these financial statements.

Sudbury & District Health Unit

Notes to Financial Statements

December 31, 2011

1 Nature of operations

The Sudbury & District Health Unit (Health Unit), was established in 1956, and is a progressive, accredited public health agency committed to improving health and reducing social inequities in health through evidence-informed practice. The Health Unit is funded through a combination of Ministry grants and through levies that are paid by the municipalities to whom the Health Unit provides public health services. The Health Unit works locally with individuals, families, community and partner agencies to promote and protect health and to prevent disease. Public health programs and services are geared toward people of all ages and delivered in a variety of settings including workplaces, day care and educational settings, homes, health care settings and community spaces.

The Health Unit is a non-profit public health agency and is therefore exempt from income taxes under the Income Tax Act (Canada).

2 Summary of significant accounting policies

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for governments established by the Public Sector Accounting Board. The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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.

Cash and short-term investments

Cash includes cash on hand and demand deposits that are readily convertible into known amounts of cash and subject to insignificant risk of change in value.

Short-term investments are recorded at the lower of cost or fair value. Short-term investments generally have a maturity of one year or less at acquisition and are held for the purpose of meeting future cash commitments.

Included in cash and short-term investments are \$2,106,889 (2010 - \$2,085,915) of guaranteed investment certificates which are cashable on demand.

Sudbury & District Health Unit

Notes to Financial Statements

December 31, 2011

Employee benefit obligations

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 and other compensated absence 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 pro-rated 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.

Non-financial assets

Tangible capital assets and prepaid expenses are accounted for as non-financial assets by the Health Unit. Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at cost, which include amounts that are directly related to the acquisition of the assets. The Health Unit provides for amortization using the straight-line method designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate %
Building	straight-line	2.5
Computer hardware	straight-line	30
Leasehold improvements	straight-line	10
Vehicles and equipment	straight-line	10
Computer software	straight-line	100

Prepaid expenses

Prepaid expenses are charged to expenses over the periods expected to benefit from them.

Sudbury & District Health Unit

Notes to Financial Statements

December 31, 2011

Accumulated surplus

Certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

The accumulated surplus consists of the following surplus accounts:

- Invested in tangible capital assets

This represents the net book value of the tangible capital assets that the Health Unit has on hand.

- Unfunded employee benefit obligations

This represents the unfunded future employee benefit obligations comprised of the accumulated sick leave benefits, other post-employment benefits and vacation pay and other compensated absences.

The accumulated surplus consists of the following reserves:

- Working capital reserve

This reserve is not restricted and is utilized for the operating activities of the Health Unit.

- Public health initiatives

This reserve is restricted and can only be used for public health initiatives.

- Corporate contingencies

This reserve is restricted and can only be used for corporate contingencies.

- Facility and equipment repairs and maintenance

This reserve is restricted and can only be used for facility and equipment repairs and maintenance.

- Sick leave and vacation

This reserve is restricted and can only be used for future sick leave and vacation obligations.

- Research and development

This reserve is restricted and can only be used for research and development.

Sudbury & District Health Unit

Notes to Financial Statements

December 31, 2011

Revenue recognition

Revenue from government grants and contributions is recognized in the period in which the events giving rise to the government transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met; and the amount can reasonably be estimated. Funding received under the funding arrangement, which relates to a subsequent fiscal period and the unexpended portions of contributions received for specific purposes, are reflected as deferred revenue in the year of receipt and are recognized as revenue in the period in which all the recognition criteria have been met.

Other revenues including certain user fees, rents and interest are recorded on the accrual basis, when earned and when the amounts can be reasonably estimated and collection is reasonably assured.

Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors. The budget figures are unaudited.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are certain accounts receivable, allowance for doubtful accounts, certain deferred revenues, amounts repayable to certain funders, employee benefit obligations, and the estimated useful lives and residual values of tangible capital assets.

3 Employee benefit obligations

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation dated December 31, 2007 and forms the basis for the estimated liability reported in these financial statements.

	2011 \$	2010 \$
Accumulated sick leave benefits	870,175	822,116
Other post-employment benefits	906,509	885,398
	<hr/>	<hr/>
	1,776,684	1,707,514
Vacation pay and other compensated absence	1,122,537	1,016,188
	<hr/>	<hr/>
	2,899,221	2,723,702

Sudbury & District Health Unit

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The significant actuarial assumptions adopted in measuring the Health Unit's other post-employment benefits are as follows:

	2011 %	2010 %
Discount rate	5	5
Health-care trend rate		
Initial	8	8
Ultimate	2	2
Salary escalation factor	4	4

The Health Unit has established reserves in the amount of \$318,794 (2010 - \$318,794) to mitigate the future impact of these obligations.

The accrued benefit obligations as at December 31, 2011 are \$1,715,685 (2010 - \$1,641,500). Total benefit plan related expenses were \$165,691 and were comprised of current service costs of \$88,823 (2010 - \$83,301), interest of \$81,883 (2010 - \$78,389) and amortization of actuarial loss of \$5,015 (2010 - \$5,015 loss). Benefits paid during the year were \$96,521 (2010 - \$92,671). The net unamortized actuarial gain of \$60,999 (2010 - \$66,014) will be amortized over the expected average remaining service period of 15 years

Sudbury & District Health Unit
Notes to Financial Statements
December 31, 2011

4 Tangible capital assets

	2011								
	Cost				Accumulated amortization				
	Balance - Beginning of year \$	Additions \$	Disposals \$	Balance - End of year \$	Balance - Beginning of year \$	Amortization \$	Disposals \$	Balance - End of year \$	Net book value of tangible capital assets \$
Land	26,939	-	-	26,939	-	-	-	-	26,939
Building	8,011,999	26,454	-	8,038,453	2,632,471	200,631	-	2,833,102	5,205,351
Leasehold improvements	391,330	-	-	391,330	110,895	42,927	-	153,822	237,508
Computer hardware	857,490	119,724	-	977,214	267,751	259,043	-	526,794	450,420
Computer software	92,987	26,879	-	119,866	-	119,866	-	119,866	-
Vehicles and equipment	1,901,017	115,737	-	2,016,754	1,418,371	72,595	-	1,490,966	525,788
	11,281,762	288,794	-	11,570,556	4,429,488	695,062	-	5,124,550	6,446,006

	2010								
	Cost				Accumulated amortization				
	Balance - Beginning of year \$	Additions \$	Disposals \$	Balance - End of year \$	Balance - Beginning of year \$	Amortization \$	Disposals \$	Balance - End of year \$	Net book value of tangible capital assets \$
Land	26,939	-	-	26,939	-	-	-	-	26,939
Building	8,011,999	-	-	8,011,999	2,432,171	200,300	-	2,632,471	5,379,528
Leasehold improvements	391,330	-	-	391,330	67,968	42,927	-	110,895	280,435
Computer hardware	623,824	361,166	(127,500)	857,490	207,590	187,661	(127,500)	267,751	589,739
Computer software	-	92,987	-	92,987	-	-	-	-	92,987
Vehicles and equipment	1,833,165	67,852	-	1,901,017	1,353,144	65,227	-	1,418,371	482,646
	10,887,257	522,005	(127,500)	11,281,762	4,060,873	496,115	(127,500)	4,429,488	6,852,274

Sudbury & District Health Unit

Notes to Financial Statements

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5 Accumulated surplus

The accumulated surplus consists of individual fund surpluses and reserves as follows:

								2011	2010	
	Invested in tangible capital assets \$	Unfunded employee benefit obligations \$	Working capital \$	Public health initiatives \$	Corporate contingencies \$	Facility and equipment repairs and maintenance \$	Sick leave and vacation \$	Research and development \$	Total \$	Total \$
Balance - Beginning of year	6,852,274	(2,723,702)	2,935,569	757,000	500,000	500,000	318,794	56,860	9,196,795	9,206,997
Annual surplus (deficit)	(695,062)	(175,519)	1,919,881	-	-	35,666	-	-	1,084,966	(10,202)
Purchase of tangible capital assets	288,794	-	(288,794)	-	-	-	-	-	-	-
Balance - End of year-	6,446,006	(2,899,221)	4,566,656	757,000	500,000	535,666	318,794	56,860	10,281,761	9,196,795

Sudbury & District Health Unit

Notes to Financial Statements

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6 Commitments and contingencies

Line of credit

As at December 31, 2011, the Health Unit has available an operating line of credit of \$500,000 (2010 - \$500,000). There is no balance outstanding on the line of credit at year-end (2010 - \$nil).

Lease commitment

The Health Unit enters into operating leases in the ordinary course of business, primarily for real estate property and equipment. Payments for these leases are contractual obligations as scheduled per each agreement. Commitments for minimum lease payments in relation to non-cancellable operating leases at December 31, 2011 are as follows:

	\$
No later than 1 year	218,002
Later than 1 year and no later than 5 years	750,275
Later than 5 years	569,921

Contingencies

From time to time, the Health Unit is involved in lawsuits and claims arising in the ordinary course of business. Management has established policies and procedures to ensure adequate provisions will be made in the accounts where required such that the ultimate resolution with respect to any claims will not have a material adverse effect on the Health Unit's financial position or results of operations. As at December 31, 2011, no such claims exist.

7 Salaries and wages

Included in salaries and wages is compensation to the Medical Officer of Health and Associate Medical Officer of Health as follows:

	2011 \$	2010 \$
Medical Officer of Health		
Base salary	302,847	296,730
Compensation expenses	15,281	13,438
	<hr/> 318,128	<hr/> 310,168
Associate Medical Officer of Health		
Base salary	184,996	73,610
Compensation expenses	4,540	596
	<hr/> 189,536	<hr/> 74,206

Sudbury & District Health Unit

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8 Pension agreements

The Health Unit makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its members. 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 2011 was \$1,285,869 (2010 - \$1,085,144) for current service and is included within benefits expense on the statement of operations.

9 Per capita revenue from municipalities

	2011	2010
	\$	\$
Township of Assignack	28,290	27,686
Township of Baldwin	19,326	18,914
Township of Billings (and part of Allan)	16,911	16,549
Township of Burpee	10,744	10,514
Township of Central Manitoulin	60,077	58,794
Municipality of St. Charles	42,340	41,436
Township of Chapleau	80,865	79,139
Municipality of French River	82,709	80,943
Township of Espanola	173,237	169,539
Township of Gordon (and part of Allan)	16,211	15,865
Town of Gore Bay	27,209	26,628
Municipality of Markstay-Warren	91,037	89,093
Township of Northeastern Manitoulin & The Islands	77,496	75,841
Township of Nairn & Hyman	15,003	14,683
Municipality of Killarney	14,177	13,874
Township of Sables and Spanish River	99,429	97,306
City of Greater Sudbury	5,490,448	5,373,220
Township of Tehkummah	11,825	11,577
	<hr/>	<hr/>
	6,357,334	6,221,601

Sudbury & District Health Unit

Notes to Financial Statements

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10 Administration expenses

	<u>2011</u>	<u>2010</u>
	Budget \$ (Unaudited)	Actual \$ Actual \$
Administration		
Professional fees	958,797	692,754
Advertising	278,654	215,815
Building maintenance	347,633	336,659
Staff education	327,817	254,745
Utilities	160,232	149,356
Rent	263,641	251,037
Liability insurance	88,461	88,461
Postage	68,572	64,811
Telephone	207,114	183,564
Memberships and subscriptions	44,024	42,720
Strategic planning	2,693	2,693
	<u>2,747,638</u>	<u>2,282,615</u>
		<u>3,267,834</u>

Sudbury & District Health Unit
Notes to Financial Statements
December 31, 2011

11 Revenues and expenses by funding sources

	OLHA \$	VBD \$	CINOT Exp. \$	SDWS \$	Influenza \$	Men. C \$	HPV \$	HSO \$	MCYS \$	CID and IC – PHN \$	Other \$	Total \$
Revenues												
Provincial grants	14,033,983	48,714	28,618	115,822	53,650	12,257	18,530	337,973	1,440,150	473,779	1,984,195	18,547,671
Provincial grants - One-Time	-	-	-	99,231	-	-	-	39,252	14,621	-	-	153,104
Unorganized territories	739,981	-	-	-	-	-	-	-	-	-	-	739,981
Municipalities	6,303,659	21,646	32,029	-	-	-	-	-	-	-	-	6,357,334
Plumbing and inspections	313,542	-	-	-	-	-	-	-	-	-	-	313,542
Interest	81,317	-	-	-	-	-	-	-	-	-	-	81,317
Other	724,990	3,347	-	-	-	-	-	-	-	-	391,233	1,119,570
	22,197,472	73,707	60,647	215,053	53,650	12,257	18,530	377,225	1,454,771	473,779	2,375,428	27,312,519
Expenses												
Salaries and wages	14,008,254	13,935	-	141,699	23,707	10,917	16,736	234,325	1,110,570	363,370	833,849	16,757,362
Benefits	3,571,143	1,167	-	26,333	1,964	1,077	1,323	61,267	228,614	74,761	186,008	4,153,657
Transportation	227,866	9,074	-	22,911	2,374	263	471	12,136	48,702	1,821	57,876	383,494
Administration (note 11)	2,048,789	2,003	39,932	-	15,731	-	-	26,116	12,114	2,846	135,084	2,282,615
Supplies and materials	891,060	40,714	-	24,110	9,874	-	-	3,588	45,771	30,981	333,909	1,380,007
Equipment and furnishings - I & IT	555,255	1,406	-	-	-	-	-	6,583	9,000	-	3,112	575,356
Amortization of capital purchases	691,226	-	-	-	-	-	-	3,836	-	-	-	695,062
	21,993,593	68,299	39,932	215,053	53,650	12,257	18,530	347,851	1,454,771	473,779	1,549,838	26,227,553
Annual surplus (deficit)	203,879	5,408	20,715	-	-	-	-	29,374	-	-	825,590	1,084,966

OLHA - MOHLTC Mandatory Cost-Shared including unorganized territories
VBD - Vector borne diseases
CINOT - Children in need of treatment - Expansion Program
SDWS - Small Drinking Water Systems
Men. C - Meningococcal Vaccine Program
HPV - Human papilloma virus
HSO - Healthy Smiles Ontario
MCYS - Ministry Children and Youth Services
CID - Infectious Diseases Control Initiative
IC – PHN - Infection Prevention and Control Nurses Initiative
Other - Other Ministry Grants which include:
Chief Nursing Officer
Enhanced Food Safety - Haines Initiative
Enhanced Safe Water Initiative
MOH/AMOH Compensation Initiative
Needle Exchange Program Initiative
Infection and Prevention Control Week
Sexually Transmitted Infections Week
World Tuberculosis Day
Public Health Nurses Initiative