

# SECTION 7

Financial Statements of

## **SUDBURY & DISTRICT HEALTH UNIT**

Year ended December 31, 2002

## 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, 2002 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, 2002 and the results of its operations for the year then ended in accordance with the accounting principles generally accepted in Canada.

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 13, 2003

# SUDBURY & DISTRICT HEALTH UNIT

## Statement of Financial Position

December 31, 2002, with comparative figures for 2001

	2002	2001
<b>Financial Assets</b>		
Cash	\$ 2,905,675	4,176,920
Accounts receivable	551,653	583,487
Prepaid expenses	3,714	29,841
	<u>\$ 3,461,042</u>	<u>4,790,248</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,201,477	1,565,645
Deferred revenue	361,383	473,771
Payable to the Province of Ontario	342,704	464,762
Payable to Northern Health Information Partnership	–	167,111
Employee benefit obligations (note 3)	1,537,977	1,249,742
Net long-term liabilities (note 4)	525,288	1,128,444
	<u>4,968,829</u>	<u>5,049,475</u>
<b>Fund Balances:</b>		
Capital fund	–	1,449,575
Reserves (Schedule C)	555,478	669,384
Total	<u>555,478</u>	<u>2,118,959</u>
Amounts to be recovered (note 5)	<u>(2,063,265)</u>	<u>(2,378,186)</u>
	<u>(1,507,787)</u>	<u>(259,227)</u>
Commitments (note 6)		
Contingency (note 9)		
	<u>\$ 3,461,042</u>	<u>4,790,248</u>

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

# SUDBURY & DISTRICT HEALTH UNIT

## Statement of Financial Activities

Year ended December 31, 2002, with comparative figures for 2001

	2002		2001
	Budget (Unaudited) (note 8)	Actual	Actual
<b>Revenues:</b>			
Provincial grants	\$ 9,117,443	9,268,003	7,687,417
Per capita revenue from Municipalities (Schedule D)	6,478,551	6,478,551	4,983,626
<b>Other revenue:</b>			
Plumbing inspections and licenses	120,000	131,870	121,445
Interest	76,037	51,662	104,791
Sundry	3,000	44,760	156,324
Federal grant	38,976	38,976	–
Other	543,965	761,985	161,981
	16,377,972	16,775,807	13,215,584
<b>Expenditures:</b>			
Salaries (Schedule E)	10,725,271	9,316,109	7,993,237
Transportation	278,387	257,880	225,931
Administration (Schedule E)	3,527,417	2,870,274	2,403,475
Supplies and materials	1,320,717	1,209,152	907,705
Building	–	3,851,195	1,009,555
Equipment and furnishings	526,180	519,757	251,905
	16,377,972	18,024,367	12,791,808
<b>Excess (deficiency) of revenue over expenditure</b>			
	–	(1,248,560)	423,776
Long-term debt advances	–	–	1,850,000
Debt principal repayments	–	(603,156)	(721,556)
Increase in employee benefit obligations	–	288,235	17,866
<b>Change in fund balance</b>	\$ Nil	(1,563,481)	1,570,086

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, 2002, with comparative figures for 2001

	2002	2001
<b>Cash flows from operating activities:</b>		
Excess (deficiency) of revenue over expenditure	\$ (1,248,560)	423,776
Change in non-cash working capital:		
Accounts receivable	31,834	(391,302)
Prepaid expenses	26,127	(20,980)
Accounts payable and accrued liabilities	635,832	(192,355)
Deferred revenue	(112,388)	298,418
Payable to the Province of Ontario	(122,058)	9,976
Payable to Northern Health Information Partnership	(167,111)	136,095
Employee benefit obligations	288,235	17,866
	(668,089)	281,494
<b>Cash flows from financing activities:</b>		
Increase (decrease) in long-term liabilities	(603,156)	1,128,444
<b>Net increase (decrease) in cash</b>	<b>(1,271,245)</b>	<b>1,409,938</b>
Cash, beginning of year	4,176,920	2,766,982
<b>Cash, end of year</b>	<b>\$ 2,905,675</b>	<b>4,176,920</b>

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

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2002

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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) Capital assets:

The historical cost and accumulated amortization of capital assets are not recorded for Health Unit purposes. Capital assets are reported as an expenditure on the consolidated statement of operations and fund balances 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 appropriate 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.

## 2. Adoption of public sector accounting recommendations:

Commencing in 2000, the Health Unit has adopted the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The comparative information in these financial statements has been restated to conform with the accounting standards adopted for the current year.

The adoption of these standards has resulted in the inclusion of an accrual for vacation pay, sick leave and post-employment employee benefit obligations of \$1,537,977 (2001 - \$1,249,742) which were previously accounted for when settled.

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2002

### 3. Employee benefit obligations:

The Health Unit provides certain employee benefits which will require funding in future periods. Effective for 2001, the Health Unit retroactively adopted the new Canadian Institute of Chartered Accountants' recommendations for the accounting of employee future benefits from the cash basis to the accrual basis.

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

	2002	2001
Accumulated Sick Leave Benefit	\$ 468,220	409,330
Vacation Pay	573,774	456,000
Other post-employment benefits	495,983	384,412
	<u>\$ 1,537,977</u>	<u>1,249,742</u>

The Health Unit has established reserve funds in the amount of \$352,109 (2001 - \$358,689) to mitigate the future impact of these obligations.

### 4. Net long-term liabilities:

The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	Interest Rate	Due Date	2002	2001
Royal Bank of Canada	prime + 0%	2002	\$ 450,000	1,000,000
Less amount paid out during year			(450,000)	(550,000)
			–	450,000
Royal Bank of Canada	6.7%	2005	678,444	850,000
Less amount paid out during year			(153,156)	(171,556)
			<u>525,288</u>	<u>678,444</u>
Net long-term liabilities, end of year			<u>\$ 525,288</u>	<u>1,128,444</u>

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

2003	\$ 164,174
2004	175,358
2005	185,756
	<u>\$ 525,288</u>

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2002

## 5. 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.

	2002	2001
Long-term liabilities	\$ 525,288	1,128,444
Other post-employment benefits	1,537,977	1,249,742
	\$ 2,063,265	2,378,186

## 6. Commitments:

### (a) Line of Credit:

As at December 31, 2002, the total approved but not issued line of credit amounted to \$500,000 (2001 - \$500,000).

### (b) Lease commitment:

The Health Unit has entered into various operating leases for equipment which require monthly payments of \$59,140.

## 7. 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 2002 was \$nil (2001 - \$nil) for current service and is included as an expenditure on the statement of financial activities.

Effective August 1, 1998, OMERS declared a contribution holiday, which temporarily suspended payments to the plan and which ended December 31, 2002. OMERS contribution rates will be phased in over a period ending December 31, 2004.

## 8. Budget figures:

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

# SUDBURY & DISTRICT HEALTH UNIT

Notes to Financial Statement

Year ended December 31, 2002

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## 9. Contingency:

- (a) The Health Unit has entered into accountable contributions with government funding agencies. All such revenue is subject to audit for the various governments, with audit adjustments repayable to the government.
- (b) In May 2002, a court decision was made 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 the law-suit cannot be reasonably estimated, no amounts have been accrued in the financial statements.

## 10. Comparative figures:

Certain of the 2001 comparative figures have been restated to conform with the 2002 presentation.

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Current Fund Operations

Schedule A

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
	Actual	Actual
<b>Revenues:</b>		
Provincial grants	\$ 9,130,602	6,837,417
Per capita revenue from Municipalities (Schedule D)	6,478,551	4,983,626
<b>Other revenue:</b>		
Plumbing inspections and licenses	131,870	121,445
Interest	51,662	104,791
Sundry	44,760	156,324
Federal grant	38,976	—
Other	691,985	161,981
	<u>16,568,406</u>	<u>12,365,584</u>
<b>Expenditures:</b>		
Salaries (Schedule E)	9,316,109	7,993,237
Transportation	257,880	225,931
Administration (Schedule E)	2,870,274	2,403,475
Supplies and materials	1,209,152	907,705
	<u>13,653,415</u>	<u>11,530,348</u>
<b>Excess of revenue over expenditure</b>	<b>2,914,991</b>	<b>835,236</b>
<b>Transfers (to) from other funds:</b>		
Increase in employee benefit obligations	288,235	17,866
Net transfer to reserve fund	(72,834)	(120,511)
Transfer to capital fund	(3,130,392)	(732,591)
	<u>(2,914,991)</u>	<u>(835,236)</u>
<b>Change in fund balances</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, 2002, with comparative figures for 2001

	2002	2001
<b>Revenues:</b>		
Provincial grants	\$ 137,401	850,000
Other	70,000	—
	<u>207,401</u>	<u>850,000</u>
<b>Expenditures:</b>		
Construction	1,443,660	872,514
Building renovations	2,407,535	137,041
Equipment and furnishing	519,757	251,905
	<u>4,370,952</u>	<u>1,261,460</u>
<b>Excess of expenditure over revenue</b>	<b>(4,163,551)</b>	<b>(411,460)</b>
<b>Transfers (to) from other funds:</b>		
Transfer from operating fund	3,130,392	732,591
Transfer from reserves	186,740	—
Financing received	—	1,850,000
Debt principal repayment	(603,156)	(721,556)
	<u>2,713,976</u>	<u>1,861,035</u>
<b>Change in fund balances</b>	<b>(1,449,575)</b>	<b>1,449,575</b>
Fund balance, beginning of year	1,449,575	—
<b>Fund balance, end of year</b>	<b>\$ —</b>	<b>1,449,575</b>

# SUDBURY & DISTRICT HEALTH UNIT

Schedule of Reserves

Schedule C

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Balance, beginning of year	\$ 669,384	548,873
Transfer to current fund	(6,580)	(29,175)
Transfer to capital fund	(186,740)	—
Transfer from current fund	79,414	149,686
<b>Balance, end of year</b>	<b>\$ 555,478</b>	<b>669,384</b>

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

	2002	2001
Reserve for Research and Development	\$ 7,294	—
Reserve for sick leave and vacation benefits	352,109	358,689
Reserve for working capital	196,075	310,695
	<b>\$ 555,478</b>	<b>669,384</b>

# SUDBURY & DISTRICT HEALTH UNIT

Per Capita Revenue from Municipalities

Schedule D

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Township of Assiginack	\$ 28,233	21,725
Township of Baldwin	20,815	16,009
Township of Barrie Island	1,653	1,278
Township of Billings (and part of Allan)	17,861	13,746
Township of Burpee	11,638	8,953
Township of Central Manitoulin	62,409	48,003
Township of Chapleau	93,912	72,242
Town of Espanola	182,374	140,298
Municipality of French River	100,416	77,245
Township of Gordon (and part of Allan)	15,611	12,007
Town of Gore Bay	29,605	22,778
Municipality of Killarney	16,174	12,442
Municipality of Markstay-Warren	99,959	76,889
Township of Northeastern Manitoulin & The Islands	81,641	62,802
Township of Nairn & Hyman	15,013	11,546
Township of Sable and Spanish River	107,589	82,762
Municipality of St. Charles	45,497	34,996
City of Greater Sudbury	5,536,126	4,258,649
Township of Tehkummah	12,025	9,256
	<b>\$ 6,478,551</b>	<b>4,983,626</b>

# SUDBURY & DISTRICT HEALTH UNIT

Details of Expenditure

Schedule E

Year ended December 31, 2002, with comparative figures for 2001

	2002		2001
	Budget	Actual	Actual
<b>Salaries:</b>			
Security services	\$ 6,947	6,296	7,434
Medical officers	146,592	148,103	140,265
Nursing supervisory staff	225,219	222,088	209,820
Nursing staff	3,960,990	2,962,524	2,822,300
Nutritionists/Dietitians	275,442	215,829	192,979
Health inspectors - supervisory	231,796	228,081	242,987
Public health inspectors	1,167,947	1,047,593	895,308
Community workers	378,948	296,006	192,662
Clerical staff	1,512,860	1,511,563	1,438,420
Dental officers	330,226	319,313	314,793
Dental health educators	109,979	108,947	105,790
Dental hygienists	125,191	99,053	86,348
Genetic services	57,169	57,169	73,843
Anonymous testing	35,915	35,915	40,542
Teaching health	665,710	556,335	420,407
Focus	37,165	35,282	34,007
Healthy Babies/Healthy Children	835,811	835,811	775,332
Cervical Screen Pilot Project	26,030	26,030	-
Ontario Women's Health Council	162,858	162,858	-
Nutri-Step Projects	48,588	48,588	-
1-Track Survey	10,847	10,847	-
Early Years Programs	403,041	403,041	-
Recovery Voluntary Leave without pay	(30,000)	(21,163)	-
	<b>\$ 10,725,271</b>	<b>9,316,109</b>	<b>7,993,237</b>
<b>Administration:</b>			
Telephone	\$ 44,647	48,597	119,776
Rent	91,919	88,252	99,681
Building maintenance	84,326	111,767	109,391
Utilities	110,265	101,569	96,121
Advertising	225,400	211,187	132,464
Postage	48,575	50,579	48,917
Fringe benefits	2,403,715	1,416,950	1,297,054
Liability insurance	30,384	51,814	32,241
Professional fees	332,263	352,846	297,210
Staff education	128,147	121,633	120,781
Memberships and subscriptions	27,776	26,845	31,973
Employee benefit obligations	-	288,235	17,866
	<b>\$ 3,527,417</b>	<b>2,870,274</b>	<b>2,403,475</b>