

Consolidated Financial Statements of

**DISTRICT OF SAULT STE. MARIE SOCIAL
SERVICES ADMINISTRATION BOARD**

Year ended December 31, 2011

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DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Financial Statements

Year ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying consolidated financial statements of District of Sault Ste. Marie Social Services Administration Board, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of financial operations and accumulated surplus, consolidated statement of change in net financial assets (debt) and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of District of Sault Ste. Marie Social Services Administration Board as at December 31, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
April 26, 2012

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DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
	\$	\$
Financial assets:		
Cash and cash equivalents	5,027,833	6,037,351
Receivable from City of Sault Ste. Marie	226,987	1,203,765
Accounts receivable	2,593,824	985,455
Canada-Ontario Affordable Housing Program loans receivable (note 2)	5,701,890	4,099,723
	<u>13,550,534</u>	<u>12,326,294</u>
Financial liabilities:		
Accounts payable and accrued liabilities	902,555	510,125
Long-term debt (note 3)	4,570,418	4,944,207
Payable to Province of Ontario	2,131,533	2,638,370
Canada-Ontario Affordable Housing Program liability (note 2)	5,726,352	4,947,566
	<u>13,330,858</u>	<u>13,040,268</u>
Net financial assets (debt)	219,676	(713,974)
Non-financial assets:		
Tangible capital assets (note 4)	5,481,000	5,415,338
Prepaid expenses	755,741	621,589
	<u>6,236,741</u>	<u>6,036,927</u>
Accumulated Surplus (note 5)	<u>6,456,417</u>	<u>5,322,953</u>

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

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Financial Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
	\$	\$
Revenues:		
Province of Ontario (schedule 1)	26,363,465	56,862,858
Government of Canada (schedule 1)	4,198,692	4,235,356
Participating municipalities	18,382,491	22,099,304
Other	56,712	51,497
Investment income	102,902	60,307
Rental income	3,131,349	3,159,023
Total revenues	52,235,611	86,468,345
Expenses:		
General assistance	17,247,483	17,489,664
Ontario Disability Support Program	-	34,780,248
Housing Services	12,803,574	12,268,157
Administration (schedule 2)	10,678,371	10,679,425
Community Child Care	6,580,001	6,596,970
Land Ambulance	3,520,180	3,402,302
Amortization of tangible capital assets	272,538	263,319
Total expenses	51,102,147	85,480,085
Annual surplus	1,133,464	988,260
Accumulated surplus, beginning of year	5,322,953	4,334,693
Accumulated surplus, end of year	6,456,417	5,322,953

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

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2011, with comparative figures for 2010

	2011 \$	2010 \$
Annual surplus	1,133,464	988,260
Acquisition of tangible capital assets	(343,427)	(79,121)
Disposal of tangible capital assets	102,530	-
Amortization on disposed tangible capital assets	(97,303)	-
Amortization of tangible capital assets	272,538	263,319
	1,067,802	1,172,458
Acquisition of prepaid expenses	(755,741)	(621,589)
Use of prepaid expenses	621,589	555,218
Change in net financial assets (debt)	933,650	1,106,087
Net financial assets (debt), beginning of year	(713,974)	(1,820,061)
Net financial assets (debt), end of year	219,676	(713,974)

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

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Cash Flows

December 31, 2011, with comparative figures for 2010

	2011	2010
	\$	\$
Cash provided by (used for):		
Operating Activities:		
Annual surplus	1,133,464	988,260
Items not involving cash:		
Amortization of tangible capital assets	272,538	263,319
Gain on disposed tangible capital assets	(3,573)	-
Change in non-cash assets and liabilities:		
Accounts receivable	(1,608,369)	(676,022)
Prepaid expense	(134,152)	(66,371)
Accounts payable and accrued liabilities	392,430	(286,583)
Payable to Province of Ontario	(506,837)	303,769
Receivable from City of Sault Ste. Marie	976,778	(499,762)
Net change in cash from operating activities	522,279	26,610
Capital Activities:		
Canada-Ontario Affordable Housing Program loans receivable	(1,602,167)	(2,006,950)
Cash used to acquire tangible capital assets	(343,427)	(79,121)
Cash earned on disposal of tangible capital assets	8,800	-
Net change in cash from capital activities	(1,936,794)	(2,086,071)
Financing Activities:		
Canada-Ontario Affordable Housing Program liability	778,786	2,558,743
Long-term debt principal repayments	(373,789)	(349,584)
Net change in cash from financing activities	404,997	2,209,159
Net change in cash	(1,009,518)	149,698
Cash and cash equivalents, beginning of year	6,037,351	5,887,653
Cash and cash equivalents, end of year	5,027,833	6,037,351

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

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

1. Significant accounting policies:

The consolidated financial statements of the District of Sault Ste. Marie Social Services Administration Board (the "Board") are prepared by management in accordance with Canadian generally accepted accounting principles 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:

Revenue and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenue as they are earned 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) Reporting entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity and the Sault Ste. Marie Housing Corporation. Inter-organization transactions and balances between these organizations have been eliminated.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing 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.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life – Years
Buildings	40
Vehicles	5 - 7
Furniture and equipment	5

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for use.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue.

(d) Reserves and reserve funds:

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

(e) Government subsidies:

Government subsidies are recognized in the financial statements as revenues in the period in which events giving rise to the subsidy occur, providing the subsidies are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(f) Use of estimates:

The preparation of the financial statements 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets and valuation allowances for receivables and Canada – Ontario Affordable Housing Program Loans. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

2. Canada-Ontario Affordable Housing Program:

	2011	2010
	\$	\$
Canada-Ontario Affordable Housing Program receivable:		
(a) Northern Housing and Homeownership Component	4,447,890	3,439,723
(b) New Rental Housing Component	1,254,000	660,000
	5,701,890	4,099,723
Canada-Ontario Affordable Housing Program liability:		
(a) Northern Housing and Homeownership Component	4,472,352	4,287,566
(b) New Rental Housing Component	1,254,000	660,000
	5,726,352	4,947,566

(a) Northern Housing and Homeownership Component:

Canada-Ontario Affordable Housing Program (“AHP”) offers the Northern Housing and Homeownership component which was established to encourage the repair of owned or rented housing in Northern Ontario. The Program provides funding for certain housing repairs to low to moderate income residents of Northern Ontario in the form of a forgivable loan. Phase 1 of the Program began in 2008, and in 2009 the Program was reinstated as Phase 2. The loan period for Phase 1 is 20 years (Phase 2 – 10 years) and is forgivable at a rate of 8% per annum for the first 10 years and 2% per annum for the remaining 10 years (Phase 2 - 10% per annum) providing the borrower maintains ownership of the dwelling. During the year, \$1,607,595 (2010 - \$1,518,932) was advanced as loans under the program. The Board received funding during the year amounting to \$640,818 (2010 - \$2,205,150) and this is reflected as a liability as the Board is required to reinvest or return the funding of any amounts repayable by the borrower under this agreement. During the year, a total of \$456,032 (2010 - \$306,407) in loan balances was forgiven.

(b) New Rental Housing Component:

Canada-Ontario Affordable Housing Program (“AHP”) offers the New Rental Housing component which was established to encourage the creation of new affordable rental housing units. The Program provides funding to proponents of the program for certain new rental housing units to low-income seniors and persons with disabilities in the form of a forgivable loan. The loan period is 20 years and is forgivable at a rate of 5% per

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

2. Canada-Ontario Affordable Housing Program (continued):

annum providing the borrower maintains certain conditions of the program. During the year, \$660,000 (2010 - \$660,000) was advanced as loans under the program. The Board received funding during the year amounting to \$660,000 (2010 - \$660,000) and this is reflected as a liability as the Board is required to return the funding of any amounts repayable by the borrower under this agreement. During the year, a total of \$66,000 (2010 - nil) in loan balances was forgiven.

3. Long-term debt:

	2011	2010
Canada Mortgage and Housing Corporation, various debentures, interest rates varying from 6.09% to 8.10%, annual payments totaling \$718,867, due dates ranging from January 2015 to January 2024, secured by real property	\$ 4,570,418	\$ 4,944,207

Principal repayments required for the next five years and thereafter are as follows:

2012	399,696
2013	427,428
2014	457,114
2015	488,896
2016	450,571
2017 and thereafter	2,346,713
	<u>\$ 4,570,418</u>

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

4. Tangible capital assets:

Cost	Balance at December 31, 2010 \$	Additions \$	Disposals \$	Balance at December 31, 2011 \$
Land	1,488,538	-	-	1,488,538
Buildings	5,954,154	-	-	5,954,154
Vehicles	1,116,668	256,863	86,824	1,286,707
Furniture and equipment	486,448	86,564	15,706	557,306
Total	9,045,808	343,427	102,530	9,286,705

Accumulated amortization	Balance at December 31, 2010 \$	Disposals \$	Amortization expense \$	Balance at December 31, 2011 \$
Buildings	2,774,427	-	101,108	2,875,535
Vehicles	691,702	86,825	122,888	727,765
Furniture and equipment	164,341	10,478	48,542	202,405
Total	3,630,470	97,303	272,538	3,805,705

	Net book value December 31, 2010 \$	Net book value December 31, 2011 \$
Land	1,488,538	1,488,538
Buildings	3,179,727	3,078,619
Vehicles	424,966	558,942
Furniture and equipment	322,107	354,901
Total	5,415,338	5,481,000

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

4. Tangible capital assets:

Cost	Balance at December 31, 2009 \$	Additions \$	Disposals \$	Balance at December 31, 2010 \$
Land	1,488,538	-	-	1,488,538
Buildings	5,954,154	-	-	5,954,154
Vehicles	1,116,668	-	-	1,116,668
Furniture and equipment	407,327	79,121	-	486,448
Total	8,966,687	79,121	-	9,045,808

Accumulated amortization	Balance at December 31, 2009 \$	Disposals \$	Amortization expense \$	Balance at December 31, 2010 \$
Buildings	2,673,319	-	101,108	2,774,427
Vehicles	570,802	-	120,900	691,702
Furniture and equipment	123,030	-	41,311	164,341
Total	3,367,151	-	263,319	3,630,470

	Net book value December 31, 2009 \$	Net book value December 31, 2010 \$
Land	1,488,538	1,488,538
Buildings	3,280,835	3,179,727
Vehicles	545,866	424,966
Furniture and equipment	284,297	322,107
Total	5,599,536	5,415,338

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

5. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2011	2010
	\$	\$
Invested in tangible capital assets	5,481,000	5,415,338
Operating fund	2,543,527	1,970,232
Unfunded long-term debt	(4,570,418)	(4,944,207)
Reserves and reserve funds (note 6)	3,002,308	2,881,590
	6,456,417	5,322,953

6. Reserves and reserve funds:

	2011	2010
	\$	\$
Set aside for specific purposes by the Board:		
Reserves:		
Working funds	200,000	200,000
Ambulances	902,046	796,459
	1,102,046	996,459
Reserve funds:		
Social housing capital reserve fund	1,900,262	1,885,131
	3,002,308	2,881,590

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

7. Expenditures by object:

	Salaries \$	Contracted Services \$	Debt Services \$	Transfers \$	Amortization \$	2011 Total \$	2010 Total \$
General assistance	-	-	-	17,247,483	-	17,247,483	17,489,664
Ontario Disability Support Program	-	-	-	-	-	-	34,780,248
Housing Services	-	6,293,352	703,260	5,806,962	-	12,803,574	12,268,157
Administration	64,583	10,613,788	-	-	-	10,678,371	10,679,425
Community Child Care	-	-	-	6,580,001	-	6,580,001	6,596,970
Land ambulance	-	3,520,180	-	-	-	3,520,180	3,402,302
Amortization of tangible capital assets	-	-	-	-	272,538	272,538	263,319
	64,583	20,427,320	703,260	29,634,446	272,538	51,102,147	85,480,085

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2011

8. Contractual agreements:

The Board has entered into an agreement with the City of Sault Ste. Marie for the provision of administration services. The contract is renewed annually and is paid on the basis of full cost recovery.

The Board has entered into a lease agreement with the City of Sault Ste. Marie for rent, at 65 Old Garden River Road in Sault Ste. Marie, Ontario, for \$127,587 annually. The lease term ends December 31, 2017.

9. Comparative amounts:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

10. Budget figures:

Operating budgets are affected on an ongoing basis, depending on when various government programs become available to the Board. Additionally, the consolidated statements contain the financial results of the Sault Ste. Marie Housing Corporation which are budgeted on an inconsistent basis than those of the Board. Accordingly, the budgets are not directly comparable with current year actual amounts and therefore, budgets have not been reflected on the consolidated statement of financial operations and accumulated surplus and the consolidated statement of change in net financial assets (debt).

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 1 – Analysis of Program Revenue

Year ended December 31, 2011, with comparative figures for 2010

	2011 \$	2010 \$
Provincial program revenue:		
Income maintenance	13,561,731	13,154,692
Ontario Works	1,915,644	2,083,532
Benefits	-	745,957
Ontario disability support program	-	30,635,918
Community childcare	5,793,020	5,816,862
Land ambulance	2,123,636	1,747,442
LEAP	3,654	3,627
Other	584,442	496,389
	<u>23,982,127</u>	<u>54,684,419</u>
Provincial program administration:		
Ontario Works	2,381,338	1,983,094
LEAP	-	195,345
	<u>2,381,338</u>	<u>2,178,439</u>
	<u>26,363,465</u>	<u>56,862,858</u>
Federal program revenue:		
Social housing	4,198,692	4,235,356

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DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 2 – Analysis of Administration Expenses

Year ended December 31, 2011, with comparative figures for 2010

	2011 \$	2010 \$
Program administration:		
Purchased services – City of Sault Ste. Marie	7,384,587	6,199,280
Other purchased services	3,055,966	4,307,768
	<u>10,440,553</u>	<u>10,507,048</u>
Other administration:		
Board expenses	215,879	145,010
Professional fees	21,939	27,367
	<u>237,818</u>	<u>172,377</u>
	<u>10,678,371</u>	<u>10,679,425</u>

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