

Consolidated Financial Statements of

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

Year ended December 31, 2010

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Financial Statements

Year ended December 31, 2010

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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, 2010, and the consolidated statement of financial operations and accumulated surplus, consolidated statement of change in net 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, 2010, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
April 28, 2011
Sault Ste. Marie, Canada

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Financial assets:		
Cash and cash equivalents	6,037,351	5,887,653
Receivable from City of Sault Ste. Marie	1,203,765	704,000
Accounts receivable	985,455	309,433
Canada-Ontario Affordable Housing Program loans receivable (note 2)	3,439,723	2,092,773
	<u>11,666,294</u>	<u>8,993,862</u>
Financial liabilities:		
Accounts payable and accrued liabilities	510,125	796,708
Long-term debt (note 3)	4,944,207	5,293,791
Payable to Province of Ontario	2,638,370	2,334,601
Canada-Ontario Affordable Housing Program liability (note 2)	4,287,566	2,388,823
	<u>12,380,268</u>	<u>10,813,923</u>
Net debt	(713,974)	(1,820,061)
Non-financial assets:		
Tangible capital assets (note 4)	5,415,338	5,599,536
Prepaid expenses	621,589	555,218
	<u>6,036,927</u>	<u>6,154,754</u>
Accumulated Surplus (note 5)	<u>5,322,953</u>	<u>4,334,693</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, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Revenues:		
Province of Ontario (schedule 1)	56,862,858	58,198,347
Government of Canada (schedule 1)	4,235,356	4,247,912
Participating municipalities	22,099,304	25,315,978
Other	51,497	48,841
Investment income	60,307	48,651
Rental income	3,159,023	3,192,343
Total revenues	86,468,345	91,052,072
Expenses:		
General assistance	17,489,664	16,945,635
Ontario Disability Support Program	34,780,248	40,555,296
Housing Services	12,268,157	13,847,277
Administration (schedule 2)	10,679,425	10,490,798
Community Child Care	6,596,970	6,628,620
Land Ambulance	3,402,302	2,647,391
Amortization of tangible capital assets	263,319	248,178
Total expenses	85,480,085	91,363,195
Annual surplus (deficit)	988,260	(313,123)
Accumulated surplus, beginning of year	4,334,693	4,647,816
Accumulated surplus, end of year	5,322,953	4,334,693

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 Debt

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Annual surplus (deficit)	988,260	(313,123)
Acquisition of tangible capital assets	(79,121)	(388,656)
Amortization of tangible capital assets	263,319	248,178
	1,172,458	(453,601)
Acquisition of prepaid expenses	(621,589)	(555,218)
Use of prepaid expenses	555,218	540,945
Change in net financial debt	1,106,087	(467,874)
Net financial debt, beginning of year	(1,820,061)	(1,352,187)
Net financial debt, end of year	(713,974)	(1,820,061)

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, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Cash provided by (used for):		
Operating Activities:		
Annual surplus (deficit)	988,260	(313,123)
Items not involving cash:		
Amortization of tangible capital assets	263,319	248,178
Change in non-cash assets and liabilities:		
Accounts receivable	(676,022)	(192,099)
Prepaid expense	(66,371)	(14,273)
Accounts payable and accrued liabilities	(286,583)	44,528
Payable to Province of Ontario	303,769	(596,665)
Receivable from City of Sault Ste. Marie	(499,762)	(1,981,766)
Net change in cash from operating activities	26,610	(2,805,220)
Capital Activities:		
Canada-Ontario Affordable Housing Program loans receivables	(1,346,950)	(1,218,840)
Cash used to acquire tangible capital assets	(79,121)	(388,657)
Net change in cash from capital activities	(1,426,071)	(1,607,497)
Financing Activities:		
Canada-Ontario Affordable Housing Program liability	1,898,743	1,366,328
Long-term debt principal repayments	(349,584)	(326,969)
Net change in cash from financing activities	1,549,159	1,039,359
Net change in cash	149,698	(3,373,358)
Cash and cash equivalents, beginning of year	5,887,653	9,261,011
Cash and cash equivalents, end of year	6,037,351	5,887,653

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, 2010

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, 2010

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 valuation allowances for receivables and valuation of the 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, 2010

2. Canada-Ontario Affordable Housing Program:

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, \$1,518,932 (2009 - \$1,403,533) was advanced as loans under the program. The Board received funding during the year amounting to \$2,205,150 (2009 - \$1,532,296) 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 \$306,407 (2009 - \$165,291) in loan balances was forgiven.

3. Long-term debt:

	2010	2009
Canada Mortgage and Housing Corporation, various debentures, interest rates varying from 4.00% to 8.10%, annual payments totaling \$763,339, due dates ranging from January 2011 to January 2023, secured by real property	\$ 4,944,207	\$ 5,293,791

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

2011	\$ 373,789
2012	399,696
2013	427,428
2014	457,114
2015	488,896
2016 and thereafter	2,797,284
	\$ 4,944,207

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2010

4. Tangible capital assets:

	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Cost	\$	\$	\$	\$
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

	Balance at December 31, 2009	Disposals	Amortization expense	Balance at December 31, 2010
Accumulated amortization	\$	\$	\$	\$
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, 2010

4. Tangible capital assets:

	Balance at December 31, 2008	Additions	Disposals	Balance at December 31, 2009
Cost	\$	\$	\$	\$
Land	1,488,538	-	-	1,488,538
Buildings	5,954,154	-	-	5,954,154
Vehicles	878,027	308,648	70,007	1,116,668
Furniture and equipment	327,319	80,008	-	407,327
Total	8,648,038	388,656	70,007	8,966,687

	Balance at December 31, 2008	Disposals	Amortization expense	Balance at December 31, 2009
Accumulated amortization	\$	\$	\$	\$
Buildings	2,572,211	-	101,108	2,673,319
Vehicles	528,402	70,007	112,407	570,802
Furniture and equipment	88,367	-	34,663	123,030
Total	3,188,980	70,007	248,178	3,367,151

	Net book value December 31, 2008	Net book value December 31, 2009
	\$	\$
Land	1,488,538	1,488,538
Buildings	3,381,943	3,280,835
Vehicles	349,625	545,866
Furniture and equipment	238,952	284,297
Total	5,459,058	5,599,536

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2010

5. Accumulated surplus:

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

	2010	2009
	\$	\$
Invested in tangible capital assets	5,415,338	5,599,536
Operating fund	1,970,232	1,311,813
Unfunded long-term debt	(4,944,207)	(5,293,791)
Reserves and reserve funds (note 7)	2,881,590	2,717,135
	<u>5,322,953</u>	<u>4,334,693</u>

6. Reserves and reserve funds:

	2010	2009
	\$	\$
Set aside for specific purposes by the Board:		
Reserves:		
Working funds	200,000	200,000
Ambulances	796,459	643,537
	<u>996,459</u>	<u>843,537</u>
Reserve funds:		
Social housing capital reserve fund	1,885,131	1,873,598
	<u>2,881,590</u>	<u>2,717,135</u>

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2010

7. Expenditures by object:

	Contracted		Debt		2010		2009	
	Salaries	Services	Services	Amortization	Transfers	Amortization	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
General assistance	-	-	-	-	17,489,664	-	17,489,664	16,945,635
Ontario Disability Support Program	-	-	-	-	34,780,248	-	34,780,248	40,555,296
Housing Services	-	6,243,242	703,260	-	5,321,635	-	12,268,157	13,847,277
Administration	54,150	10,625,275	-	-	-	-	10,679,425	10,490,798
Community Child Care	-	-	-	-	6,596,970	-	6,596,970	6,628,620
Land ambulance	-	3,402,302	-	-	-	-	3,402,302	2,647,391
Amortization of tangible capital assets	-	-	-	263,319	-	263,319	263,319	248,178
	54,150	20,270,819	703,260	263,319	64,188,517	263,319	85,480,085	91,363,195

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2010

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. 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 debt.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 1 – Analysis of Program Revenue

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Provincial program revenue:		
Income maintenance	13,154,692	12,502,851
Ontario Works	2,083,532	2,015,931
Benefits	745,957	800,117
Ontario disability support program	30,635,918	32,462,063
Community childcare	5,816,862	5,846,767
Land ambulance	1,747,442	1,806,005
LEAP	3,627	2,000
EEVP	-	70,000
Other	496,389	668,546
	54,684,419	56,174,300
Provincial program administration:		
Ontario Works	1,983,094	1,847,794
LEAP	195,345	176,253
	2,178,439	2,024,047
	56,862,858	58,198,347
Federal program revenue:		
Social housing	4,235,356	4,247,912

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 2 – Analysis of Administration Expenses

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Program administration:		
Purchased services – City of Sault Ste. Marie	6,199,280	5,803,673
Other purchased services	4,307,768	4,536,046
	<u>10,507,048</u>	<u>10,339,719</u>
Other administration:		
Board expenses	145,010	125,919
Professional fees	27,367	25,160
	<u>172,377</u>	<u>151,079</u>
	<u>10,679,425</u>	<u>10,490,798</u>