

Consolidated Financial Statements of

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

Year ended December 31, 2012

DRAFT

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Financial Statements

Year ended December 31, 2012

---

	Page
Financial Statements	
Independent Auditors' Report	
Consolidated Statement of Financial Position .....	1
Consolidated Statement of Financial Operations and Accumulated Surplus .....	2
Consolidated Statement of Change in Net Financial Assets .....	3
Consolidated Statement of Cash Flows .....	4
Notes to Consolidated Financial Statements .....	5 - 14
Schedule 1 – Analysis of Program Revenue .....	15
Schedule 2 – Analysis of Administration Expenses .....	16

DRAFT



KPMG LLP  
Chartered Accountants  
111 Elgin Street, PO Box 578  
Sault Ste. Marie ON P6A 5M6

Telephone (705) 949-5811  
Fax (705) 949-0911  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2012, and the consolidated statements of financial operations and accumulated surplus, change in net financial assets and 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 public sector accounting statements, 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, 2012, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

May 16, 2013

Sault Ste. Marie, Canada

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 5,050,530	\$ 5,027,833
Receivable from City of Sault Ste. Marie	235,864	226,987
Accounts receivable	2,829,413	2,593,824
Canada-Ontario Affordable Housing Program loans receivable (note 2)	5,941,426	5,701,890
	<u>14,057,233</u>	<u>13,550,534</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	823,836	902,555
Long-term debt (note 3)	4,170,722	4,570,418
Payable to Province of Ontario	2,408,002	2,131,533
Canada-Ontario Affordable Housing Program liability (note 2)	6,142,340	5,726,352
	<u>13,544,900</u>	<u>13,330,858</u>
Net financial assets	512,333	219,676
<b>Non-financial assets:</b>		
Tangible capital assets (note 4)	5,433,011	5,481,000
Prepaid expenses	634,705	755,741
	<u>6,067,716</u>	<u>6,236,741</u>
<b>Accumulated Surplus</b> (note 5)	<u>\$ 6,580,049</u>	<u>\$ 6,456,417</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, 2012, with comparative figures for 2011

	2012	2011
<b>Revenues:</b>		
Province of Ontario (schedule 1)	\$ 26,734,258	\$ 26,363,465
Government of Canada (schedule 1)	4,149,374	4,198,692
Participating municipalities	19,035,636	18,382,491
Other	224,613	56,712
Investment income	78,926	102,902
Rental income	3,107,178	3,131,349
<b>Total revenues</b>	<b>53,329,985</b>	<b>52,235,611</b>
<b>Expenses:</b>		
General assistance	16,610,920	17,247,483
Housing Services	14,070,330	12,803,574
Administration (schedule 2)	11,856,090	10,678,371
Community Child Care	6,680,023	6,580,001
Land Ambulance	3,694,996	3,520,180
Amortization of tangible capital assets	293,994	272,538
<b>Total expenses</b>	<b>53,206,353</b>	<b>51,102,147</b>
<b>Annual surplus</b>	<b>123,632</b>	<b>1,133,464</b>
Accumulated surplus, beginning of year	6,456,417	5,322,953
<b>Accumulated surplus, end of year</b>	<b>\$ 6,580,049</b>	<b>\$ 6,456,417</b>

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

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Annual surplus	\$ 123,632	\$ 1,133,464
Acquisition of tangible capital assets	(337,498)	(343,427)
Loss (gain) on sale of tangible capital assets	61,493	(3,573)
Proceeds from sale of tangible capital assets	30,000	8,800
Amortization of tangible capital assets	293,994	272,538
	171,621	1,067,802
Acquisition of prepaid expenses	(634,705)	(755,741)
Use of prepaid expenses	755,741	621,589
	219,657	933,650
Change in net financial assets	219,657	933,650
Net financial assets (debt), beginning of year	219,676	(713,974)
	219,676	(713,974)
Net financial assets, end of year	\$ 512,333	\$ 219,676
	512,333	219,676

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

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used for):		
Operating Activities:		
Annual surplus	\$ 123,632	\$ 1,133,464
Items not involving cash:		
Amortization of tangible capital assets	293,994	272,538
Loss (gain) on disposal of tangible capital assets	61,493	(3,573)
Change in non-cash assets and liabilities:		
Accounts receivable	(235,589)	(1,608,369)
Prepaid expense	121,036	(134,152)
Accounts payable and accrued liabilities	(78,719)	392,430
Payable to Province of Ontario	276,469	(506,837)
Receivable from City of Sault Ste. Marie	(8,877)	976,778
Net change in cash from operating activities	553,439	522,279
Capital Activities:		
Canada-Ontario Affordable Housing Program loans receivable	(239,536)	(1,602,167)
Cash used to acquire tangible capital assets	(337,498)	(343,427)
Proceeds from disposal of tangible capital assets	30,000	8,800
Net change in cash from capital activities	(547,034)	(1,936,794)
Financing Activities:		
Canada-Ontario Affordable Housing Program liability	415,988	778,786
Long-term debt principal repayments	(399,696)	(373,789)
Net change in cash from financing activities	16,292	404,997
Net change in cash	22,697	(1,009,518)
Cash and cash equivalents, beginning of year	5,027,833	6,037,351
Cash and cash equivalents, end of year	\$ 5,050,530	\$ 5,027,833

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, 2012

---

## 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.

(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.



# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

---

## 1. Significant accounting policies (continued):

### (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, 2012

## 2. Canada-Ontario Affordable Housing Program:

	2012	2011
Canada-Ontario Affordable Housing Program receivable:		
(a) Northern Housing and Homeownership Component	\$ 3,851,936	\$ 4,447,890
(b) New Rental Housing Component	1,188,000	1,254,000
(c) Ontario Renovation- Home Owner Component	872,490	-
(d) Investment in Affordable Housing	29,000	-
	<b>\$ 5,941,426</b>	<b>\$ 5,701,890</b>
Canada-Ontario Affordable Housing Program liability:		
(a) Northern Housing and Homeownership Component	\$ 3,999,230	\$ 4,472,352
(b) New Rental Housing Component	1,188,000	1,254,000
(c) Ontario Renovation- Home Owner Component	926,110	-
(d) Investment in Affordable Housing	29,000	-
	<b>\$ 6,142,340</b>	<b>\$ 5,726,352</b>

### (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, \$nil (2011 - \$1,607,595) was advanced as loans under the program. The Board received funding during the year amounting to \$10,968 (2011 - \$640,818) 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 \$105,168 (2011 - \$594,187) of the funds disbursed were returned, and \$79,979 (2011 - \$485,577) were re-issued. During the year, a total of \$473,266 (2011 - \$456,032) 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 annum providing the borrower maintains certain conditions of the program. During the year, \$nil (2011 - \$660,000) was advanced as loans under the program. The Board received funding during the year amounting to \$nil (2011 - \$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 (2011 - \$66,000) in loan balances was forgiven.

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

## 2. Canada-Ontario Affordable Housing Program:

### (c) Ontario Renovation- Home Owner Component:

Canada-Ontario Affordable Housing Program ("AHP") offers the Ontario renovations component which was established to provide assistance to qualifying homeowners with the costs of eligible repairs to their homes. The Program provides funding to proponents of the program for certain repair costs to low-income households in the form of a forgivable loan. The loan period is 20 years and is forgivable at a rate of 5% per annum providing the borrower maintains certain conditions of the program. During the year, \$906,054 was advanced as loans under the program. The Board received funding during the year amounting to \$959,673 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 \$33,563 in loan balances was forgiven.

## 3. Long-term debt:

	2012	2011
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	\$ 4,170,722	\$ 4,570,418

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

2013	\$ 427,428
2014	457,114
2015	488,896
2016	450,571
2017 and thereafter	2,346,713
	\$ 4,170,722

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

## 4. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions	Disposals	Balance at December 31, 2012
Land	\$ 1,488,538	–	–	\$ 1,488,538
Buildings	5,954,154	–	–	5,954,154
Vehicles	1,286,707	126,772	–	1,413,479
Furniture and equipment	557,306	210,726	144,527	623,505
<b>Total</b>	<b>\$ 9,286,705</b>	<b>337,498</b>	<b>144,527</b>	<b>\$ 9,479,676</b>

Accumulated amortization	Balance at December 31, 2011	Disposals	Amortization expense	Balance at December 31, 2012
Buildings	\$ 2,875,535	–	101,108	\$ 2,976,643
Vehicles	727,765	–	137,887	865,652
Furniture and equipment	202,405	53,034	54,999	204,370
<b>Total</b>	<b>\$ 3,805,705</b>	<b>53,034</b>	<b>293,994</b>	<b>\$ 4,046,665</b>

	Net book value December 31, 2011	Net book value December 31, 2012
Land	\$ 1,488,538	\$ 1,488,538
Buildings	3,078,619	2,977,511
Vehicles	558,942	547,827
Furniture and equipment	354,901	419,135
<b>Total</b>	<b>\$ 5,481,000</b>	<b>\$ 5,433,011</b>

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

## 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
<b>Total</b>	<b>\$ 9,045,808</b>	<b>343,427</b>	<b>102,530</b>	<b>\$ 9,286,705</b>

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
<b>Total</b>	<b>\$ 3,630,470</b>	<b>97,303</b>	<b>272,538</b>	<b>\$ 3,805,705</b>

	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
<b>Total</b>	<b>\$ 5,415,338</b>	<b>\$ 5,481,000</b>

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

## 5. Accumulated surplus:

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

	2012	2011
Invested in tangible capital assets	\$ 5,463,011	\$ 5,481,000
Operating fund	2,204,078	2,543,527
Unfunded long-term debt	(4,170,722)	(4,570,418)
Reserves and reserve funds (note 6)	3,083,682	3,002,308
	<b>\$ 6,580,049</b>	<b>\$ 6,456,417</b>

## 6. Reserves and reserve funds:

	2012	2011
Set aside for specific purposes by the Board:		
Reserves:		
Working funds	\$ 200,000	\$ 200,000
Ambulances	968,238	902,046
	1,168,238	1,102,046
Reserve funds:		
Social housing capital reserve fund	1,915,444	1,900,262
	<b>\$ 3,083,682</b>	<b>\$ 3,002,308</b>

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

## 7. Expenditures by object:

	Salaries	Contracted Services	Debt Services	Transfers	Amortization	2012 Total	2011 Total
General assistance	\$ -	-	-	16,610,920	-	16,610,920	17,247,483
Ontario Disability Support Program	-	-	-	-	-	-	-
Housing Services	-	6,728,964	703,260	6,638,106	-	14,070,330	12,803,574
Administration	70,768	11,785,322	-	-	-	11,856,090	10,678,371
Community Child Care	-	-	-	6,680,023	-	6,680,023	6,580,001
Land ambulance	-	3,694,996	-	-	-	3,694,996	3,520,180
Amortization of tangible capital assets	-	-	-	-	293,994	293,994	272,538
	\$ 70,768	22,209,282	703,260	29,929,049	293,994	53,206,353	51,102,147

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2012

---

## 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, 2012, with comparative figures for 2011

	2012	2011
<b>Provincial program revenue:</b>		
Income maintenance	\$ 13,225,538	\$ 13,561,731
Ontario Works	1,873,701	1,915,644
Benefits	–	–
Ontario disability support program	–	–
Community childcare	5,937,872	5,793,020
Land ambulance	1,900,090	2,123,636
LEAP	–	3,654
Other	550,474	584,442
	<u>23,487,675</u>	<u>23,982,127</u>
<b>Provincial program administration:</b>		
Ontario Works	3,033,860	2,381,338
LEAP	212,723	–
	<u>3,246,583</u>	<u>2,381,338</u>
	<u>\$ 26,734,258</u>	<u>\$ 26,363,465</u>
<b>Federal program revenue:</b>		
Social housing	\$ 4,149,374	\$ 4,198,692

# DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 2 – Analysis of Administration Expenses

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
<b>Program administration:</b>		
Purchased services – City of Sault Ste. Marie	\$ 8,539,483	\$ 7,384,587
Other purchased services	3,108,090	3,055,966
	11,647,573	10,440,553
<b>Other administration:</b>		
Board expenses	172,770	215,879
Professional fees	35,747	21,939
	208,517	237,818
	\$ 11,856,090	\$ 10,678,371

DRAFT