

Consolidated Financial Statements of

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

Year ended December 31, 2009

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Financial Statements

Year ended December 31, 2009

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AUDITORS' REPORT

To the Members of the District of Sault Ste. Marie Social Services
Administration Board and Members of Councils, Inhabitants and Ratepayers
of Participating Municipalities as listed in note 2

We have audited the statement of consolidated financial position of the District of Sault Ste. Marie Social Services Administration Board as at December 31, 2009 and the consolidated statements of financial operations and accumulated surplus, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 consolidated financial position of the Board as at December 31, 2009 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
March 19, 2010

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009 \$	2008 \$ (Restated note 2)
Financial assets:		
Cash and cash equivalents	5,887,653	9,261,011
Receivable from City of Sault Ste. Marie	704,000	—
Accounts receivable	309,433	117,334
Canada-Ontario Affordable Housing Program loans receivable (note 4)	2,092,773	873,933
	<u>8,993,862</u>	<u>10,252,278</u>
Financial liabilities:		
Accounts payable and accrued liabilities	796,708	752,181
Long-term debt (note 3)	5,293,791	5,620,760
Payable to City of Sault Ste. Marie	—	1,277,763
Payable to Province of Ontario	2,334,601	2,931,266
Canada-Ontario Affordable Housing Program liability (note 4)	2,388,823	1,022,495
	<u>10,813,923</u>	<u>11,604,465</u>
Net debt	(1,820,061)	(1,352,187)
Non-financial assets:		
Tangible capital assets (note 5)	5,599,536	5,459,058
Prepaid expenses	555,218	540,945
	<u>6,154,754</u>	<u>6,000,003</u>
Accumulated Surplus (note 6)	<u>4,334,693</u>	<u>4,647,816</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, 2009, with comparative figures for 2008

	2009	2008
	\$	\$
		(Restated note 2)
Revenues:		
Province of Ontario	58,198,347	57,351,330
Government of Canada	4,247,912	4,252,528
Participating municipalities	25,315,978	23,204,549
Other	48,841	162,947
Investment income	48,651	392,297
Rental income	3,192,343	3,129,878
Total revenues	91,052,072	88,493,529
Expenses:		
General assistance	16,945,635	15,574,477
Ontario Disability Support Program	40,555,296	41,322,381
Housing Services	13,847,277	11,974,295
Administration	10,490,798	10,047,200
Community Child Care	6,628,620	7,067,798
Land Ambulance	2,647,391	3,186,275
National Child Benefit Program	—	303,322
Amortization of tangible capital assets	248,178	221,198
Total expenses	91,363,195	89,696,946
Annual deficit	(313,123)	(1,203,417)
Accumulated surplus, beginning of year	4,647,816	5,851,233
Accumulated surplus, end of year	4,334,693	4,647,816

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, 2009

	2009 \$	2008 \$
		(Restated note 2)
Annual deficit	(313,123)	(1,203,417)
Acquisition of tangible capital assets	(388,656)	(193,187)
Amortization of tangible capital assets	248,178	221,198
	(453,601)	(1,175,406)
Acquisition of prepaid expenses	(555,218)	(540,945)
Use of prepaid expenses	540,945	465,432
Change in net financial debt	(467,874)	(1,250,919)
Net financial debt, beginning of year	(1,352,187)	(101,268)
Net financial debt, end of year	(1,820,061)	(1,352,187)

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, 2009, with comparative figures for 2008

	2009 \$	2008 \$ (Restated note 2)
Cash provided by (used for):		
Operating Activities:		
Annual surplus (deficit)	(313,123)	(1,203,417)
Items not involving cash:		
Amortization of tangible capital assets	248,178	221,198
Change in non-cash assets and liabilities:		
Accounts receivable	(192,099)	56,062
Prepaid expense	(14,273)	(75,513)
Accounts payable and accrued liabilities	44,527	160,713
Payable to Province of Ontario	(596,665)	592,402
Receivable (payable) to City of Sault Ste. Marie	(1,981,766)	129,329
Net change in cash from operating activities	(2,805,221)	(119,226)
Capital Activities:		
Canada-Ontario Affordable Housing Program loans receivables	(1,218,840)	(915,497)
Cash used to acquire tangible capital assets	(388,657)	(193,187)
Net change in cash from capital activities	(1,607,497)	(1,108,684)
Financing Activities:		
Canada-Ontario Affordable Housing Program liability	1,366,328	1,064,059
Long-term debt principal repayments	(326,969)	(316,843)
Net change in cash from financing activities	1,039,359	747,216
Net change in cash	(3,373,358)	(480,694)
Cash and cash equivalents, beginning of year	9,261,011	9,741,705
Cash and cash equivalents, end of year	5,887,653	9,261,011

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, 2009

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.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(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.

(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.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(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.

2. Change in accounting policies:

The Board has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires the recording and amortization of the tangible capital assets in the financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimate historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the cost and accumulated amortization of the assets. The Board applied a consistent method of estimating the cost of the tangible capital assets for which it did not have historical cost records. After defining a fair market value, an average CPI rate was used to deflate the value to an estimated historical cost at the year of acquisition.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

2. Change in accounting policies (continued):

This change in accounting policy has changed amounts reported in the prior periods as follows:

Accumulated surplus at January 1, 2008:

Operating fund balance	\$	3,396,174
Reserve funds		2,905,593
Amounts to be recovered		(5,937,603)
Accumulated surplus, as previously reported		364,164
Net book value of tangible capital assets recorded		5,487,069
Accumulated surplus, as restated	\$	5,851,233

Annual surplus for 2008:

Net expenditures, as previously reported	\$	(1,492,249)
Assets capitalized but previously expensed		193,187
Amortization expense not previously recorded		(221,198)
Amortization of subsidiary		316,843
Annual surplus, as restated	\$	(1,203,417)

3. Long-term debt:

	2009	2008
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 2010 to January 2023	\$ 5,293,791	\$ 5,620,760

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

3. Long-term debt (continued):

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

2010	\$ 349,584
2011	373,759
2012	399,696
2013	427,428
2014	457,114
2015 and thereafter	3,286,180
	<hr/> 5,293,791 <hr/>

4. 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. At December 31, 2009, \$2,319,474 (2008 - \$915,941) was advanced as loans under the program. The Board received funding during the year amounting to \$1,532,296 (2008 - \$1,064,503) 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 \$165,291 (2008 - \$42,007) in loan balances was forgiven.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

5. 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, 2009

5. Tangible capital assets (continued):

	Balance at December 31, 2007	Additions	Disposals	Balance at December 31, 2008
Cost	\$	\$	\$	\$
Land	1,488,538	—	—	1,488,538
Buildings	5,954,154	—	—	5,954,154
Vehicles	759,884	118,143	—	878,027
Furniture and equipment	252,274	75,045	—	327,319
Total	8,454,850	193,188	—	8,648,038

	Balance at December 31, 2007	Disposals	Amortization expense	Balance at December 31, 2008
Accumulated amortization	\$	\$	\$	\$
Buildings	2,471,103	—	101,108	2,572,211
Vehicles	436,882	—	91,520	528,402
Furniture and equipment	59,797	—	28,570	88,367
Total	2,967,782	—	221,198	3,188,980

	Net book value December 31, 2007	Net book value December 31, 2008
	\$	\$
Land	1,488,538	1,488,538
Buildings	3,483,051	3,381,943
Vehicles	323,002	349,625
Furniture and equipment	192,477	238,952
Total	5,487,068	5,459,058

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

6. Accumulated surplus:

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

	2009	2008
	\$	\$
Invested in tangible capital assets	5,599,536	5,459,058
Operating fund	1,311,813	1,758,163
Unfunded long-term debt	(5,293,791)	(5,620,760)
Reserves and reserve funds (note 7)	2,717,135	3,051,355
	4,334,693	4,647,816

7. Reserves and reserve funds:

	2009	2008
	\$	\$
Set aside for specific purposes by the Board:		
Reserves:		
Working funds	200,000	200,000
Ambulances	643,537	777,325
	843,537	977,325
Reserve funds:		
Social housing capital reserve fund	1,873,598	2,074,030
	2,717,135	3,051,355

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

8. Expenditures by object:

	Salaries	Materials	Contracted Services	Debt Services	Transfers	2009 Total	2008 Total
General assistance	\$ —	\$ —	\$ —	\$ —	\$ 16,945,635	\$ 16,945,635	\$ 15,574,477
Ontario Disability Support Program	—	—	—	—	40,555,296	40,555,296	41,322,381
Housing Services	—	—	6,693,087	703,260	6,777,898	14,174,245	12,291,138
Administration	54,586	—	10,436,212	—	—	10,490,798	10,047,200
Community Child Care	—	—	—	—	6,628,620	6,628,620	7,067,798
Land ambulance	—	—	3,036,048	—	—	3,036,048	3,379,462
National Child Benefit Program	—	—	—	—	—	—	303,322
	\$ 54,586	\$ —	\$ 20,165,347	\$ 703,260	\$ 70,907,449	\$ 91,830,642	\$ 89,985,778

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2009

9. 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.

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 for an inconsistent basis then 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 operations and the consolidated statement of changes in fund balances.

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 1 – Analysis of Program Revenue

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Provincial program revenue:		
Income maintenance	\$ 12,502,851	\$ 11,254,605
Ontario Works	2,015,931	2,139,120
Benefits	800,117	1,004,120
Ontario disability support program	32,462,063	31,092,833
Community childcare	5,846,767	6,079,200
Land ambulance	1,806,005	1,720,988
LEAP	2,000	3,200
EEVP	70,000	–
Other	668,546	641,872
	<u>56,174,300</u>	<u>53,935,938</u>
Provincial program administration:		
Ontario Works	1,847,794	1,869,478
Ontario disability support program	–	1,212,826
Community childcare	–	166,382
LEAP	176,253	166,706
	<u>2,024,047</u>	<u>3,415,392</u>
	<u>\$ 58,198,347</u>	<u>\$ 57,351,330</u>
Federal program revenue:		
Social housing	\$ 4,247,912	\$ 4,252,528

DISTRICT OF SAULT STE. MARIE SOCIAL SERVICES ADMINISTRATION BOARD

Schedule 2 – Analysis of Administration Expenses

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Program administration:		
Purchased services – City of Sault Ste. Marie	\$ 5,803,673	\$ 6,154,352
Other purchased services	4,536,046	3,741,030
	10,339,719	9,895,382
Other administration:		
Board expenses	125,919	92,513
Professional fees	25,160	17,550
Capital purchases	–	778
Miscellaneous	–	40,977
	151,079	151,818
	\$ 10,490,798	\$ 10,047,200