

Financial Statements of

**ALGOMA DISTRICT SERVICES
ADMINISTRATION BOARD**

Year ended December 31, 2010

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Financial Statements

Year ended December 31, 2010

Page

Financial Statements

Auditors' Report	1
Statement of Financial Position	2
Statement of Financial Operations and Accumulated Surplus	3
Statement of Change in Net Financial Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6



KPMG LLP
111 Elgin Street at Queen
Suite 200
PO Box 578
Sault Ste Marie ON P6A 5M6

Telephone (705) 949-5811
Fax (705) 949-0911
Internet www.kpmg.ca

AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of Algoma District Services Administration Board, which comprise the statement of financial position as at December 31, 2010, and the statement of financial operations and accumulated surplus, statement of 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Algoma District Services Administration Board as at December 31, 2010, and its results of operations and its 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 24, 2011

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Financial assets:		
Cash and cash equivalents	4,371,992	4,469,968
Restricted investment (note 3)	939,002	905,944
Accounts receivable	561,428	521,684
Receivable from participating municipalities	22,498	-
Canada-Ontario Affordable Housing Program loans receivable (note 5)	2,453,729	1,277,333
	<u>8,348,649</u>	<u>7,174,929</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,377,414	1,392,407
Deferred revenue	768,573	878,168
Long-term debt (note 4)	2,321,318	2,355,727
Payable to participating municipalities	-	271,569
Payable to Province of Ontario	495,616	529,224
Canada-Ontario Affordable Housing Program liability (note 5)	2,778,490	1,401,697
	<u>7,741,411</u>	<u>6,828,792</u>
Net financial assets	607,238	346,137
Non-financial assets:		
Tangible capital assets (note 6)	10,010,389	10,343,706
Prepaid expenses	757,172	743,092
	<u>10,767,561</u>	<u>11,086,798</u>
Accumulated Surplus (note 7)	<u>11,374,799</u>	<u>11,432,935</u>

The accompanying notes are an integral part of the financial statements.

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Statement of Financial Operations and Accumulated Surplus

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

	Budget	2010	2009
	\$	\$	\$
	(unaudited)		
Revenues:			
Province of Ontario	19,004,434	17,284,695	17,102,001
Municipalities	12,514,041	12,514,044	13,522,881
Other	132,314	253,387	204,538
Rent	1,279,202	1,293,546	1,314,906
Total revenues	32,929,991	31,345,672	32,144,326
Expenses:			
Ontario Works and related	11,078,893	11,646,981	10,768,050
Children's Services	4,316,871	4,428,068	4,422,215
Ontario Disability Support Plan	1,957,123	1,657,763	3,210,487
Housing Services	8,006,994	5,780,370	5,386,889
Emergency Medical Services	7,577,074	7,623,038	7,526,520
Board and related	112,948	128,911	100,835
Administration rent	102,042	138,677	158,964
Total expenses	33,151,945	31,403,808	31,573,960
Annual surplus (deficit)	(221,954)	(58,136)	570,366
Accumulated surplus, beginning of year	11,432,935	11,432,935	10,862,569
Accumulated surplus, end of year	11,210,981	11,374,799	11,432,935

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

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Statement of Change in Net Financial Assets

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

	Budget	2010	2009
	\$	\$	\$
	(unaudited)		
Annual surplus (deficit)	(221,954)	(58,136)	570,366
Acquisition of tangible capital assets	(708,337)	(424,432)	(1,065,360)
Amortization of tangible capital assets	-	757,749	766,218
Gain on sales of tangible capital assets	-	-	(9,812)
Proceeds on sale of tangible capital assets	-	-	9,812
	(930,291)	275,181	271,224
Acquisition of prepaid expenses	-	(757,172)	(743,092)
Use of prepaid expenses	-	743,092	593,699
Change in net financial assets	(930,291)	261,101	121,831
Net financial assets, beginning of year	346,137	346,137	224,306
Net financial assets (net debt), end of year	(584,154)	607,238	346,137

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

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Statement of Cash Flows

December 31, 2010, with comparative figures for 2009

	2010	2009
	\$	\$
Cash provided by (used for):		
Operating Activities:		
Annual surplus (deficit)	(58,136)	570,366
Items not involving cash:		
Amortization of tangible capital assets	757,749	766,218
Gain on sale of tangible capital assets	-	(9,812)
Change in non-cash assets and liabilities:		
Accounts receivable	(39,744)	65,415
Receivable from participating municipalities	(22,498)	-
Prepaid expense	(14,080)	(149,393)
Accounts payable and accrued liabilities	(14,993)	(269,435)
Payable to Province of Ontario	(33,608)	11,744
Payable to participating municipalities	(271,569)	271,569
Deferred revenue	(109,595)	(29,283)
Net change in cash from operating activities	193,526	1,227,389
Capital Activities:		
Canada-Ontario Affordable Housing Program loans receivables	(1,176,396)	(742,219)
Cash used to acquire tangible capital assets	(424,432)	(1,065,360)
Proceeds on sale of tangible capital assets	-	9,812
Net change in cash from capital activities	(1,600,828)	(1,797,767)
Financing Activities:		
Canada-Ontario Affordable Housing Program liability	1,376,793	1,118,436
Long-term debt principal repayments	(34,409)	(32,557)
Net change in cash from financing activities	1,342,384	1,085,879
Net change in cash	(64,918)	515,501
Cash and cash equivalents, beginning of year	5,375,912	4,860,411
Cash and cash equivalents, end of year	5,310,994	5,375,912
Cash and cash equivalents are defined as follows:		
Cash and cash equivalents	4,371,992	4,469,968
Restricted investment	939,002	905,944
	5,310,994	5,375,912

The accompanying notes are an integral part of the financial statements.

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies:

The financial statements of 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) Fund accounting:

Funds within the financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(b) 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.

(c) Investments:

Investments are recorded at the lower of cost and market value.

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies (continued):

(d) 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
Parking lots	10
Furniture and equipment	5
Start-up costs	3
Computer hardware and software	3

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.

(e) 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.

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies (continued):

(f) 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.

(g) Deferred revenue:

Deferred revenues represent subsidies and other revenues which have been received but for which the related services have yet to be performed or expenditures incurred. These amounts will be recognized as revenues in the fiscal year their purpose has been fulfilled.

(h) 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 amount of tangible capital assets, 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.

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

2. Participating municipalities:

The participating municipalities are as follows:

- City of Elliot Lake
- Town of Blind River
- Town of Bruce Mines
- Town of Thessalon
- Village of Hilton Beach
- Township of Dubreuilville
- Township of Hilton
- Township of Hornepayne
- Municipality of Huron Shores
- Township of Jocelyn
- Township of Johnson
- Township of Laird
- Township of MacDonald, Meredith & Aberdeen Additional
- Township of The North Shore
- Township of Plummer and Plummer Additional
- Township of St. Joseph
- Town of Spanish
- Township of Tarbutt & Tarbutt Additional
- Municipality of Wawa
- Township of White River
- Certain unincorporated areas in the District of Algoma

3. Restricted investment:

The investment is restricted to the social housing capital reserve fund and is invested in Canadian short-term bond funds. At December 31, 2010, the market value of the funds was \$950,559 (2009 - \$922,272).

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

4. Long-term debt:

	2010	2009
	\$	\$
5.581% mortgage payable in monthly installments of \$5,128.35, including interest, due November 1, 2017 secured by land and building in Echo Bay, Ontario	861,929	875,505
5.740% mortgage payable in monthly installments of \$8,688.60, including interest, due November 1, 2018 secured by land and building in Dubreuilville, Ontario	1,459,389	1,480,222
	<u>2,321,318</u>	<u>2,355,727</u>

The minimum scheduled principal repayments for each of the next five years are due as follows:

2011	\$	36,391
2012		38,487
2013		40,702
2014		43,046
2015		45,525
2016 and thereafter		2,117,167
	\$	<u>2,321,318</u>

5. 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, \$1,297,902 (2009 - \$805,471) was advanced as loans under the program. The Board received funding during the year amounting to \$1,500,296 (2009 - \$1,181,688) 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 \$123,502 (2009 - \$63,252) in loan balances was forgiven.

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

6. Tangible capital assets:

	Balance at December 31, 2009 \$	Additions \$	Disposals \$	Balance at December 31, 2010 \$
Land	692,357	-	-	692,357
Buildings	9,595,753	-	-	9,595,753
Vehicles	1,993,112	233,044	-	2,226,156
Parking lots	256,058	-	-	256,058
Furniture and equipment	618,774	49,538	-	668,312
Start-up costs	74,406	-	-	74,406
Computer hardware and software	312,704	6,597	-	319,301
Work-in-progress	-	135,253	-	135,253
Total	13,543,164	424,432	-	13,967,596

Accumulated amortization	Balance at December 31, 2009 \$	Disposals \$	Amortization expense \$	Balance at December 31, 2010 \$
Land				
Buildings	1,324,293	-	232,601	1,556,894
Vehicles	1,182,564	-	298,839	1,481,403
Parking lots	64,722	-	25,606	90,328
Furniture and equipment	337,559	-	107,272	444,831
Start-up costs	61,807	-	12,599	74,406
Computer hardware and software	228,513	-	80,832	309,345
Total	3,199,458	-	757,749	3,957,207

	Net book value December 31, 2009 \$	Net book value December 31, 2010 \$
Land	692,357	692,357
Buildings	8,271,460	8,038,859
Vehicles	810,548	744,753
Parking lots	191,336	165,730
Furniture and equipment	281,215	223,481
Start-up costs	12,599	-
Computer hardware and software	84,191	9,956
Work-in-progress	-	135,253
Total	10,343,706	10,010,389

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

6. Tangible capital assets (continued):

	Balance at December 31, 2008 \$	Additions \$	Disposals \$	Balance at December 31, 2009 \$
Land	652,101	40,256	-	692,357
Buildings	8,834,776	760,977	-	9,595,753
Vehicles	1,945,647	243,646	196,181	1,993,112
Parking lots	256,058	-	-	256,058
Furniture and equipment	605,793	12,981	-	618,774
Start-up costs	74,406	-	-	74,406
Computer hardware and software	305,204	7,500	-	312,704
Total	12,673,985	1,065,360	196,181	13,543,164

Accumulated amortization	Balance at December 31, 2008 \$	Disposals \$	Amortization expense \$	Balance at December 31, 2009 \$
Land				
Buildings	1,091,692	-	232,601	1,324,293
Vehicles	1,105,059	196,181	273,686	1,182,564
Parking lots	39,116	-	25,606	64,722
Furniture and equipment	226,345	-	111,214	337,559
Start-up costs	37,005	-	24,802	61,807
Computer hardware and software	130,204	-	98,309	228,513
Total	2,629,421	196,181	766,218	3,199,458

	Net book value December 31, 2008 \$	Net book value December 31, 2009 \$
Land	652,101	692,357
Buildings	7,743,084	8,271,460
Vehicles	840,588	810,548
Parking lots	216,942	191,336
Furniture and equipment	379,448	281,215
Start-up costs	37,401	12,599
Computer hardware and software	175,000	84,191
Total	10,044,564	10,343,706

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

7. Accumulated surplus:

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

	2010	2009
	\$	\$
Invested in tangible capital assets	10,010,389	10,343,706
Operating fund	438,758	138,253
Unfunded long term debt	(2,321,318)	(2,355,727)
Reserves and reserve funds (note 9)	3,246,970	3,306,703
	<u>11,374,799</u>	<u>11,432,935</u>

8. Reserves and reserve funds:

	January 1	Transfers to	Transfers from	Surplus	December 31
	\$	\$	\$	\$	\$
Set aside for specific purposes by the Board:					
Reserves:					
Working funds	1,933,072	12,999	-	-	1,946,071
Severance	347,168	27,384	-	-	374,552
National Child Benefit Investment	110,466	175,000	(285,466)	-	-
Ambulances	60,000	180,000	(240,000)	-	-
Non-profit housing provider stabilization	6,481	-	-	-	6,481
	<u>2,457,187</u>	<u>395,383</u>	<u>(525,466)</u>	<u>-</u>	<u>2,327,104</u>
Reserve funds:					
Social housing capital reserve fund	849,516	314,400	(277,147)	33,097	919,866
2010 balances	<u>3,306,703</u>	<u>709,783</u>	<u>(802,613)</u>	<u>33,097</u>	<u>3,246,970</u>
2009 balances	<u>3,206,289</u>	<u>869,992</u>	<u>(791,692)</u>	<u>22,114</u>	<u>3,306,703</u>

ALGOMA DISTRICT SERVICES ADMINISTRATION BOARD

Notes to Financial Statements

Year ended December 31, 2010

9. Pension agreements:

The Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 125 members of its staff. The plan is a defined benefit plan 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 2010 was \$564,173 (2009, \$516,038) for current service and \$285 (2009, \$3,932) for past service. This amount is included as an expenditure on the statement of operations and accumulated surplus.

10. Expenditures by object:

Total expenditures by object are as follows:

	2010	2009
	\$	\$
Salaries and benefits	10,827,393	10,228,395
Materials, supplies and services	20,576,415	21,345,565
	<u>31,403,808</u>	<u>31,573,960</u>

11. Commitments:

The Board is committed to payments under an operating lease for the rental of office space for the next 5 years as follows:

2011	\$ 84,285
2012	84,285
2013	84,285
2014	84,285
2015	<u>42,142</u>
	\$ 379,282