

Audited Financial Statements of



Year ended December 31, 2007

# **KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH**

Financial Statements

Year ended December 31, 2007

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## AUDITORS' REPORT

To the Members of the Board of Kingston, Frontenac  
and Lennox and Addington Public Health

We have audited the consolidated statement of financial position of Kingston, Frontenac and Lennox and Addington Public Health as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Agency'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 financial position of Kingston, Frontenac and Lennox and Addington Public Health as at December 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

February 26, 2008

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Consolidated Statement of Financial Position

As at December 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Financial assets:		
Cash	\$ 5,156,948	\$ 3,233,988
Sundry accounts receivable	332,843	107,260
	<u>5,489,791</u>	<u>3,341,248</u>
<b>Liabilities</b>		
Trade accounts payable and accrued liabilities	1,014,051	893,375
Deferred revenue	218,126	149,933
Agency funds held in trust (note 6)	262,507	211,097
Long-term liabilities (note 4)	7,211,000	7,362,000
	<u>8,705,684</u>	<u>8,616,405</u>
	<u>\$ (3,215,893)</u>	<u>\$ (5,275,157)</u>

## Financial Position

Excess of Recoveries over Allowable Costs:

Provincial share of excess of recoveries over allowable costs

to be repaid by deduction from provincial grants in following year:

Mandatory programs	\$ 7,184	\$ 30,389
West Nile	25,924	39,585
Infection Control	224,023	103,086
Tobacco	116,413	38,783
Phred programs	100,315	10,051
Healthy babies	32,650	43,928
Speech programs	327,590	69,559
Syndromic Surveillance Project	(80,646)	—
	<u>753,453</u>	<u>335,381</u>

Municipal share of excess of recoveries over allowable costs,  
retained for future requirements (note 7)

3,031,934      1,503,220

Excess of recoveries over allowable costs, to be applied  
to future private sewage system programs as prescribed in  
Part VIII of the Building Code Act

77,951      116,473

3,863,338      1,955,074

Fund Balances:

    Building fund      131,769      131,769

Amounts to be recovered from future revenues (note 4)

(7,211,000)      (7,362,000)

Lease commitment (note 5)

**Total financial position**      **\$ (3,215,893)**      **\$ (5,275,157)**

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Member \_\_\_\_\_ Member

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Consolidated Statement of Financial Activities

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007 (unaudited)	Actual 2007	Actual 2006
<b>Revenue:</b>			
Municipal grants:			
City of Kingston	\$ 3,107,059	\$ 2,129,131	\$ 2,434,071
County of Frontenac	600,617	411,621	470,575
County of Lennox and Addington	1,003,394	687,650	786,137
	4,711,070	3,228,402	3,690,783
Provincial grants:			
Ministry of Health of Ontario	11,856,545	11,243,375	9,860,560
Other revenue:			
Ontario Works Program	–	431,274	463,295
Special Project Grants	–	411,879	622,214
Environmental inspection fees	342,859	349,412	348,549
Interest earned	50,000	112,115	91,304
Sundry	53,969	247,952	221,037
	446,828	1,552,632	1,746,399
	17,014,443	16,024,409	15,297,742
<b>Operating expenditures:</b>			
Mandatory programs	12,422,952	11,192,994	10,040,139
Private sewage program	342,859	349,412	348,549
Infection control	431,500	307,477	428,414
Tobacco	700,441	584,028	565,127
Healthy Babies program	1,137,354	1,108,632	1,082,743
Speech and infant hearing program	1,272,954	1,126,522	1,156,800
Public Health Research, Education and Development	274,692	174,378	529,283
West Nile	128,182	93,618	61,178
Ontario Works program	–	431,274	463,295
Special project expenditures	–	411,879	622,214
Syndromic Surveillance Project	303,509	244,195	–
	17,014,443	16,024,409	15,297,742
Building fund expenditures	–	–	41,858
	17,014,443	16,024,409	15,339,600
Decrease in fund balances	\$ –	\$ –	\$ (41,858)
Total population served		167,148	167,148
Per capita cost		\$ 95.87	\$ 91.77
Per capita cost (excluding Special Project, Ontario Works Program and building fund expenditures)		\$ 90.83	\$ 85.03
Per capita cost (municipal share)		\$ 19.31	\$ 22.08

See accompanying notes to financial statements.

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Increase of excess of recoveries over allowable costs:		
Provincial share of programs	\$ 418,072	\$ (286,337)
Municipal share of programs	1,528,714	912,604
Private sewage program	(38,522)	(40,224)
Net expenditures - building fund	-	(41,858)
	1,908,264	544,185
Change in non-cash working capital:		
Decrease (increase) in sundry accounts receivable	(225,583)	104,394
Decrease in funding due from the Province of Ontario	-	4,485
Increase in trade accounts payable and accrued liabilities	120,676	28,516
Increase (decrease) in deferred revenue	68,193	(15,560)
Increase in agency funds held in trust	51,410	720,817
	14,696	842,652
Net change in cash and cash equivalents	1,922,960	1,386,837
Cash and cash equivalents, beginning of year	3,233,988	1,847,151
Cash and cash equivalents, end of year	\$ 5,156,948	\$ 3,233,988

The Health Unit considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

See accompanying notes to financial statements.

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Notes to Financial Statements

Year ended December 31, 2007

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Kingston, Frontenac and Lennox and Addington Public Health is governed by a public health board as mandated by the Health Promotion and Protection Act for the purposes of promoting and protecting public health.

## 1. Significant accounting policies:

The financial statements of Kingston, Frontenac and Lennox and Addington Public Health (the "Agency") are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Agency are as follows:

### (a) Deferred revenue:

Deferred revenues represent special program grants which have been received but for which related program costs have yet to be incurred. These amounts will be recognized as revenues in the fiscal year that the program costs are incurred.

### (b) Capital assets:

The historical cost and accumulated depreciation of capital assets are not reported for local government purposes. Capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

### (c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## 2. Changes in accounting policies:

Commencing with the fiscal year beginning January 1, 2009, the Agency will be adopting CICA Public Sector Accounting Handbook Section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, buildings, vehicles, equipment, land, water systems and other utility systems.

As of December 31, 2007, the Agency has not adequate information to disclose any of the tangible assets by major category.

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2007

### 3. Pension agreements:

The Agency makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 176 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 current services in 2007 was \$684,179 (2006 - \$681,550) and is included as an expenditure on the "Consolidated Statement of Financial Activities".

### 4. Long-term liabilities:

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are made up of the following:

	2007	2006
Fixed rate term loan, maturing December 2013	\$ 7,211,000	\$ 7,362,000

This debt has a fixed interest rate of 6.09%, and is secured by a first collateral mortgage on the Agency's land and building and a general security agreement. Debt repayment costs will be recovered from future revenues.

(b) Principal due on long-term liabilities is summarized as follows:

2008	\$ 167,000
2009	176,000
2010	187,000
2011	201,000
2012 and thereafter	6,480,000
	\$ 7,211,000

(c) Interest rate risk management:

The Agency entered into an interest rate swap agreement to reduce its exposure to fluctuations in interest expense over a 25 year period. This agreement allows them to raise the above long-term borrowings at floating rates and effectively swap the debt into fixed rates. Under the interest rate swap, the Agency agrees with the counterparty to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to the notional amount. The net interest receivable or payable under the contract, including a 0.5% stamping fee, is settled monthly with the counterparty, which is a Canadian chartered bank.

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2007

## 5. Lease commitment:

The Agency leases a branch office in Napanee at an annual rental of \$38,832. The lease expires June 30, 2008.

## 6. Agency funds held in trust:

The Agency acts as a host agency, which receives funds in trust and makes disbursements on behalf of the Public Health Branch of the Ontario Ministry of Health for a variety of programs.

Each of these programs represent provincial activities that are not specific to this Agency or its municipal boundaries. The Agency has no recourse to the funds or obligation to settle any debts incurred by these programs. As a result, program revenues and expenditures are not reported on the "Consolidated Statement of Financial Activities" of the Agency. Net unspent (unfunded) funds at year end are reported as assets or liabilities on the "Consolidated Statement of Financial Position".

	2007	2006
Funds held in trust as cash, beginning of year	\$ 211,097	\$ (509,720)
Funds received during the year	907,347	2,388,575
Funds disbursed during the year	(855,937)	(1,667,758)
<b>Funds held in trust as cash, end of year</b>	<b>\$ 262,507</b>	<b>\$ 211,097</b>

## 7. Municipal funds:

The change in municipal excess of recoveries over allowable costs retained for future requirements is as follows:

	2007	2006
Balance, beginning of year	\$ 1,503,220	\$ 590,616
Interest earned	54,485	20,077
Municipal surplus	1,474,229	892,527
<b>Balance, end of year</b>	<b>\$ 3,031,934</b>	<b>\$ 1,503,220</b>

## 8. Provincial grants:

Provincial grants received from the Ministry of Health of Ontario are subject to annual final reviews and approval by the Ministry. Any adjustments resulting from the review will be reflected in the year of Ministry approval as an adjustment to provincial grant revenues on the consolidated statement of financial activities.

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2007

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## **9. Fair value of financial instruments:**

The carrying values of cash, sundry accounts receivable, funding due from the Province of Ontario, accounts receivable – provincial funds, trade accounts payable and accrued liabilities and provincial funds held in trust approximate their fair values due to the relatively short periods to maturity of these financial instruments.

The carrying value of long-term liabilities at December 31, 2007 approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

## **10. Budget figures:**

Budget figures are compiled from the 2007 fiscal year operating budget approved by the Board of Health and are not subject to audit.

## **11. Comparative figures:**

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Statement of Operating Fund

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007 (unaudited)	Actual 2007	Actual 2006
<b>REVENUE:</b>			
Municipal grants:			
City of Kingston	\$ 3,107,059	\$ 2,129,131	\$ 2,434,071
County of Frontenac	600,617	411,621	470,575
County of Lennox and Addington	1,003,394	687,650	786,137
	4,711,070	3,228,402	3,690,783
Provincial grants:			
Ministry of Health of Ontario - operating	11,856,545	11,243,375	9,860,560
Other revenue:			
Ontario Works Program	–	431,274	463,295
Special Project Grants	–	411,879	622,214
Environmental inspection fees	342,859	349,412	348,549
Interest earned	50,000	112,115	91,304
Sundry	53,969	247,952	221,037
	446,828	1,552,632	1,746,399
<b>TOTAL REVENUE</b>	<b>\$ 17,014,443</b>	<b>\$ 16,024,409</b>	<b>\$ 15,297,742</b>

## MANDATORY PROGRAMS:

### Salaries, fees and benefits:

#### Salaries:

Medical	\$ 419,212	\$ 353,449	\$ 326,756
Program planning and evaluation	580,126	543,485	–
Family health	1,128,180	886,387	880,584
School health	1,218,284	1,073,712	1,020,247
Adult health	1,433,989	1,066,308	1,020,183
Infectious diseases	1,256,404	1,117,810	1,141,449
Environmental health	800,304	824,824	793,444
Administration	998,390	955,128	899,355
Dental program	286,575	281,702	270,257
	8,121,464	7,102,805	6,352,275

#### Fees for service and honoraria:

Board members	12,600	6,815	4,459
Consultants and professional fees	5,000	1,580	1,937
Legal	20,000	44,243	27,330
Audit	12,000	12,750	9,900
Children in need of treatment fees	220,000	183,919	182,413
	269,600	249,306	226,039

Carried forward	8,391,064	7,352,112	6,578,314
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# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Statement of Operating Fund (continued)

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007 (unaudited)	Actual 2007	Actual 2006
MANDATORY PROGRAMS (continued):			
Brought forward	\$ 8,391,064	\$ 7,352,112	\$ 6,578,314
Fringe benefits	1,859,232	1,514,327	1,264,569
	10,250,296	8,866,439	7,842,883
Travel:			
Mileage and fixed allowances	181,000	138,681	157,446
	10,431,296	9,005,120	8,000,329
Building occupancy	631,410	631,744	639,440
	11,062,706	9,636,864	8,639,769
Materials and supplies:			
Infectious disease program	(34,323)	53,249	178,423
Medical and health promotion	289,274	261,898	267,910
Administration	155,500	204,574	123,017
Information technology	150,000	288,731	225,216
	560,451	808,452	794,566
Building occupancy:			
Main office:			
Heat and utilities	111,300	102,797	85,430
Maintenance of equipment, building and grounds and housekeeping supplies	194,985	190,087	113,814
Branch offices:			
Rent and utilities, maintenance	80,400	63,558	70,867
	386,685	356,442	270,111
Other:			
Postage	25,000	32,181	24,678
Insurance	62,000	58,209	65,083
Telephone	99,500	106,998	79,540
Subscriptions and membership fees	32,100	25,752	32,145
Bank charges and payroll	10,000	11,712	10,841
Maintenance and repairs of office equipment	52,500	81,078	58,830
Donations, staff meetings and remembrances	11,750	12,442	12,828
Professional development and staff education	131,660	69,416	61,908
Express, freight and miscellaneous	10,000	14,848	11,240
	434,510	412,636	357,093
<b>MANDATORY PROGRAM EXPENDITURES BEFORE ALLOCATIONS</b>	<b>12,444,352</b>	<b>11,214,394</b>	<b>10,061,539</b>
Carried forward	12,444,352	11,214,394	10,061,539

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Statement of Operating Fund (continued)

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007 (unaudited)	Actual 2007	Actual 2006
<b>MANDATORY PROGRAMS (continued):</b>			
Brought forward	\$ 12,444,352	\$ 11,214,394	\$ 10,061,539
Less expenditures allocated to: Private sewage program	(21,400)	(21,400)	(21,400)
<b>TOTAL MANDATORY PROGRAMS EXPENDITURES</b>	<b>\$ 12,422,952</b>	<b>\$ 11,192,994</b>	<b>\$ 10,040,139</b>
<b>PRIVATE SEWAGE PROGRAM:</b>			
Salaries and wages	\$ 228,351	\$ 227,569	\$ 221,669
Fringe benefits	52,500	50,717	49,766
	280,851	278,286	271,435
Travel	25,000	25,753	25,033
Equipment, materials and supplies	22,008	30,373	37,081
Administrative expenses	15,000	15,000	15,000
<b>TOTAL PRIVATE SEWAGE PROGRAM EXPENDITURES</b>	<b>\$ 342,859</b>	<b>\$ 349,412</b>	<b>\$ 348,549</b>
<b>INFECTION CONTROL:</b>			
Salaries	\$ 313,272	\$ 203,203	\$ 287,088
Benefits	72,053	47,283	65,872
Materials and supplies	30,191	40,687	59,677
Travel	15,984	16,304	15,777
<b>TOTAL INFECTION CONTROL PROGRAM EXPENDITURES</b>	<b>\$ 431,500</b>	<b>\$ 307,477</b>	<b>\$ 428,414</b>
<b>HEALTHY BABIES PROGRAM:</b>			
Salaries	\$ 832,388	\$ 827,745	\$ 771,119
Benefits	191,449	189,661	175,242
Materials and supplies	58,517	20,373	84,425
Travel	55,000	70,853	51,957
<b>TOTAL HEALTHY BABIES PROGRAM EXPENDITURES</b>	<b>\$ 1,137,354</b>	<b>\$ 1,108,632</b>	<b>\$ 1,082,743</b>

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

Statement of Operating Fund (continued)

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007 (unaudited)	Actual 2007	Actual 2006
PRESCHOOL SPEECH AND INFANT HEARING PROGRAMS:			
Salaries	\$ 811,666	\$ 781,333	\$ 716,511
Materials, supplies and contract staff	450,288	339,383	435,506
Travel	11,000	5,806	4,783
<b>TOTAL PRESCHOOL SPEECH AND INFANT HEARING PROGRAMS</b>	<b>\$ 1,272,954</b>	<b>\$ 1,126,522</b>	<b>\$ 1,156,800</b>
<b>SYNDROMIC SURVEILLANCE PROJECT</b>	<b>\$ 303,509</b>	<b>\$ 244,195</b>	<b>\$ —</b>
<b>PUBLIC HEALTH RESEARCH, EDUCATION AND DEVELOPMENT</b>	<b>\$ 274,692</b>	<b>\$ 174,378</b>	<b>\$ 529,283</b>
<b>WEST NILE</b>	<b>\$ 128,182</b>	<b>\$ 93,618</b>	<b>\$ 61,178</b>
<b>ONTARIO TOBACCO STRATEGY</b>	<b>\$ 700,441</b>	<b>\$ 584,028</b>	<b>\$ 565,127</b>
<b>ONTARIO WORKS PROGRAM</b>	<b>\$ —</b>	<b>\$ 431,274</b>	<b>\$ 463,295</b>
<b>SPECIAL PROJECT EXPENDITURES</b>	<b>\$ —</b>	<b>\$ 411,879</b>	<b>\$ 622,214</b>
<b>TOTAL OPERATING EXPENDITURE</b>	<b>\$ 17,014,443</b>	<b>\$ 16,024,409</b>	<b>\$ 15,297,742</b>

# KINGSTON, FRONTENAC AND LENNOX AND ADDINGTON PUBLIC HEALTH

## Statement of Building Fund Activities

Year ended December 31, 2007, with comparative figures for 2006

	2007		2006	
Revenues	\$	–	\$	–
Expenditures related to: 221 Portsmouth Avenue		–		41,858
Net expenditures		–		(41,858)
Opening building fund balance		131,769		173,627
Closing building fund balance	\$	131,769	\$	131,769