

# Statement of Management Responsibility

PUBLIC HEALTH AGENCY OF CANADA

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2008 and all information contained in these statements rests with the agency's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the agency's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the agency.

Management is supported by the Audit Committee, which ensures that the Chief Public Health Officer has independent and objective advice, guidance and assurance as to the adequacy of risk management, control and accountability processes. Currently, the Audit Committee is comprised of the Chief Public Health Officer (Chair) and three members external to the Government, one of them being the Vice-Chair.

The financial statements of the agency have not been audited.

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**David Butler-Jones**  
Chief Public Health Officer  
Ottawa, Canada

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**James Libbey**  
Chief Financial Officer  
Ottawa, Canada

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# Statement of Operations (unaudited)

PUBLIC HEALTH AGENCY OF CANADA

For the year ended March 31  
(in dollars)

Expenses	2008				Total	2007 Total
	Disease Prevention and Control	Health Promotion	Emergency Preparedness and Response	Strengthen Public Health Capacity		
Salaries and employee benefits	106,120,032	34,896,383	32,140,543	23,929,464	197,086,422	183,791,847
Transfer payments	37,615,961	133,682,568	0	9,393,171	180,691,700	181,361,341
Professional and special services	34,763,620	11,589,503	43,980,983	8,295,517	98,629,623	70,287,779
Utilities, material and supplies	25,884,276	2,588,249	34,654,062	2,828,575	65,955,162	37,356,355
Travel and relocation	9,829,991	3,141,828	2,802,043	2,377,017	18,150,879	17,485,034
Accommodation	6,518,055	1,755,360	2,506,800	1,757,266	12,537,481	12,884,158
Purchased repair and maintenance	7,044,891	1,492,475	2,166,331	1,472,557	12,176,254	8,887,103
Information	3,265,658	1,481,318	1,568,185	913,120	7,228,281	8,623,347
Amortization of tangible capital assets	4,661,817	564,771	1,280,111	564,771	7,071,470	6,920,987
Communication	2,627,746	678,063	1,108,857	627,854	5,042,520	5,287,798
Rentals	919,044	247,179	245,219	218,499	1,629,941	1,428,167
Other	482,880	129,322	168,022	118,303	898,527	1,784,117
	<b>239,733,971</b>	<b>192,247,019</b>	<b>122,621,156</b>	<b>52,496,114</b>	<b>607,098,260</b>	<b>536,098,033</b>
<b>Revenues</b>						
Sales of goods and services						
Services of a Non-Regulatory Nature	55,999	15,557	66,315	15,077	152,948	88,871
Rights and Privileges	15,129	4,073	5,819	4,073	29,094	28,377
Interest	4,325	1,164	1,663	1,164	8,316	7,948
Other	174,190	46,850	67,110	46,753	334,903	216,299
	<b>249,643</b>	<b>67,644</b>	<b>140,907</b>	<b>67,067</b>	<b>525,261</b>	<b>341,495</b>
<b>Net cost of operations</b>	<b>239,484,328</b>	<b>192,179,375</b>	<b>122,480,249</b>	<b>52,429,047</b>	<b>606,572,999</b>	<b>535,756,538</b>

The accompanying notes form an integral part of the financial statements

# Statement of Financial Position (unaudited)

PUBLIC HEALTH AGENCY OF CANADA

At March 31

2008

2007

(in dollars)

## Assets

<b>Financial assets</b>		
Accounts receivable and advances (Note 4)	9,521,649	8,067,818
<b>Total financial assets</b>	<b>9,521,649</b>	<b>8,067,818</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 5)	66,628,734	63,517,725
<b>Total non-financial assets</b>	<b>66,628,734</b>	<b>63,517,725</b>
<b>TOTAL</b>	<b>76,150,383</b>	<b>71,585,543</b>

## Liabilities and Equity of Canada

<b>Liabilities</b>		
Accounts payable and accrued liabilities	138,536,755	94,035,266
Vacation pay and compensatory leave	8,931,198	8,432,076
Employee severance benefits (Note 6)	31,874,062	28,512,678
Other liabilities	2,023,455	2,763,581
	<b>181,365,470</b>	<b>133,743,601</b>
<b>Equity of Canada</b>	<b>(105,215,087)</b>	<b>(62,158,058)</b>
<b>TOTAL</b>	<b>76,150,383</b>	<b>71,585,543</b>

Contractual Obligations (Note 7)

The accompanying notes form an integral part of the financial statements

# Statement of Equity (unaudited)

## PUBLIC HEALTH AGENCY OF CANADA

For the year ended at March 31	2008	2007
(in dollars)		
<b>Equity of Canada, beginning of year</b>	<b>(62,158,058)</b>	<b>(42,247,854)</b>
Net cost of operations	<b>(606,572,999)</b>	<b>(535,756,538)</b>
Current year appropriations used (Note 3)	<b>606,866,740</b>	510,812,401
Refund of previous year expenditures	<b>(17,851,416)</b>	<b>(3,259,280)</b>
Revenue not available for spending (Note 3)	<b>(470,859)</b>	<b>(296,270)</b>
Change in net position in the Consolidated Revenue Fund (Note 3)	<b>(42,696,697)</b>	<b>(10,828,711)</b>
Services provided without charge by other government departments (Note 8)	<b>17,668,202</b>	19,418,194
<b>Equity of Canada, end of year</b>	<b>(105,215,087)</b>	<b>(62,158,058)</b>

The accompanying notes form an integral part of the financial statements

# Statement of Cash Flow (unaudited)

PUBLIC HEALTH AGENCY OF CANADA

For the year ended March 31

2008

2007

(in dollars)

## Operating activities

<b>Net cost of operations</b>	<b>606,572,999</b>	535,756,538
<b>Non-cash items:</b>		
Amortization of tangible capital assets (Note 5)	(7,071,470)	(6,920,987)
Gain (loss) on disposal of tangible capital assets	861	(14,112)
Services provided without charge by other government departments (Note 8)	(17,668,202)	(19,418,194)
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	1,453,831	2,182,890
Decrease (Increase) in accounts payable and accrued liabilities	(44,501,489)	(14,059,894)
Decrease (increase) in other liabilities	740,126	(361,084)
Decrease (increase) in vacation pay and compensatory leave	(499,122)	(1,044,707)
Decrease (increase) in employee severance benefits	(3,361,384)	(4,402,963)
Cash used by operating activities	<b>535,666,150</b>	<b>491,717,487</b>

## Capital investment activities

Acquisitions of tangible capital assets (Note 5)	10,182,479	4,711,940
Proceeds on disposal of tangible capital assets	(861)	(1,287)
Cash used by investment activities	<b>10,181,618</b>	<b>4,710,653</b>

## Financing activities

Net cash provided by Government of Canada	(545,847,768)	(496,428,140)
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The accompanying notes form an integral part of the financial statements

# Notes to the Financial Statements (unaudited)

PUBLIC HEALTH AGENCY OF CANADA

## 1. Authority and Objectives

The Public Health Agency of Canada (PHAC) was created as a new agency by orders in council on September 24, 2004 in response to growing concerns about the capacity of Canada's public health system to anticipate and respond effectively to public health threats. Its creation is the result of wide consultation with the provinces, territories, stakeholders and Canadians. It also follows recommendations from leading public health experts - including Dr. David Naylor's report, *Learning from SARS: Renewal of Public Health in Canada*, as well as other Canadian and international reports - for clear federal leadership on issues concerning public health and improved collaboration within and between jurisdictions. The Public Health Agency of Canada Act, assented to December 12, 2006, provides a statutory foundation for the new agency.

The agency is mandated to work in collaboration with its partners, to lead federal efforts and to mobilize pan-Canadian action in preventing disease and injury, and to promote and protect national and international public health through the following:

- ✓ Anticipating, preparing for, responding to and recovering from threats to public health;
- ✓ Carrying out surveillance of, monitoring, researching, investigating and reporting on diseases, injuries, other preventable health risks and their determinants, and the general state of public health in Canada and internationally;
- ✓ Using the best available evidence and tools to advise and support public health stakeholders nationally and internationally as they work to enhance the health of their communities;
- ✓ Providing public health information, advice and leadership to Canadians and stakeholders; and
- ✓ Building and sustaining a public health network with stakeholders.

## 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

### *(a) Parliamentary appropriations*

The agency is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the agency do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two bases of reporting.

### *(b) Net Cash Provided by Government*

The agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the agency is deposited to the CRF and all cash disbursements made by the agency are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

## 2. Summary of significant accounting policies (continued)

### **(c) Change in net position in the Consolidated Revenue Fund**

The change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the agency. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

### **(d) Revenues**

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

### **(e) Expenses**

Expenses are recorded on an accrual basis:

- ✓ Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- ✓ Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- ✓ Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

### **(f) Employee future benefits**

- i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The agency's contributions to the Plan are charged to expenses in the year incurred and represent the total obligation to the Plan by the agency. Current legislation does not require the agency to make contributions for any actuarial deficiencies of the Plan.
- ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

### **(g) Accounts receivable**

Accounts receivable are stated at amounts expected to be ultimately realized. They are mainly comprised of amounts to be recovered from other government departments and the recovery is considered certain. As a result, no provision has been recorded as an offset against these amounts.

### **(h) Contingent liabilities**

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

## 2. Summary of significant accounting policies (continued)

### *(i) Tangible Capital Assets*

All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. The agency does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset Class</b>	
Buildings	25 years
Works and infrastructure	25 years
Machinery and equipment	8-12 years
Computer equipment	3-5 years
Computer software	3 years
Other Equipment	10-12 years
Motor Vehicles	4-7 years
Other Vehicles	10 years

### *(j) Measurement uncertainty*

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.



### 3. Parliamentary Appropriations

The agency receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the agency has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

**(a) Reconciliation of net cost of operations to current year appropriations used:**

(in dollars)	2008	2007
Net cost of operations	606,572,999	535,756,538
<i>Adjustments for items affecting net cost of operations but not affecting appropriations:</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets	(7,071,470)	(6,920,987)
Services provided without charge by other government departments	(17,668,202)	(19,418,194)
Revenues not available for spending	470,859	296,270
Refund/Adjustment of previous years expenses	17,851,416	3,259,280
Gain (loss) on disposal of tangible capital assets	861	(14,112)
Proceeds on disposal of tangible capital assets	(861)	(1,287)
Allowance for Contingent Liabilities	350,000	(350,000)
Vacation pay and compensatory leave	(499,122)	(1,044,707)
Decrease (increase) in severance benefits	(3,361,384)	(4,402,963)
Justice Canada legal fees	0	(1,022,689)
Allowance for bad debt expense	(7,264)	0
Other non appropriated amounts	46,429	(36,688)
	(9,888,738)	(29,656,077)
<i>Adjustments for items not affecting net cost of operations but affecting appropriations:</i>		
<i>Add (Less):</i>		
Acquisitions of tangible capital assets	10,182,479	4,711,940
	10,182,479	4,711,940
<b>Current year appropriations used</b>	<b>606,866,740</b>	<b>510,812,401</b>

### 3. Parliamentary Appropriations (continued)

**(b) Appropriations provided and used:**

(in dollars)	2008	2007
<b>Operating expenditures - Vote 35</b>	<b>457,409,339</b>	325,921,916
<b>Grants and contributions - Vote 40</b>	<b>201,778,702</b>	187,037,971
<b>Statutory Amounts</b>	<b>24,907,867</b>	23,190,268
<b>Less:</b>	<b>684,095,908</b>	536,150,155
Lapsed appropriations:	(77,229,168)	(25,337,754)
<b>Current year appropriations used</b>	<b>606,866,740</b>	510,812,401

**(c) Reconciliation of net cash provided by Government to current year appropriations used:**

(in dollars)	2008	2007
Net cash provided by Government	545,847,768	496,428,140
Revenue not available for spending	470,859	296,270
Refund/Adjustment of previous years expenses	17,851,416	3,259,280
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(1,453,832)	(2,182,890)
Variation in accounts payables and accrued liabilities	44,501,489	14,059,894
Variation in other liabilities	(740,126)	361,084
Justice Canada legal fees	0	(1,022,689)
Other adjustments	389,166	(386,688)
Change in net position in the Consolidated Revenue Fund	42,696,697	10,828,711
<b>Current year appropriations used</b>	<b>606,866,740</b>	510,812,401

### 4. Accounts receivable and advances

(in dollars)	2008	2007
Receivables from other Federal Government departments and agencies	8,125,095	6,667,560
Receivables from external parties	1,375,072	1,376,712
Employee advances	21,482	23,546
	9,521,649	8,067,818

## 5. Tangible capital assets

Cost	Opening Balance	Acquisitions	Disposals and write offs	Closing balance
<i>(in dollars)</i>				
Land	604,137	0	0	604,137
Buildings	71,741,239	3,241,323	0	74,982,562
Works and Infrastructure	564,425	0	0	564,425
Machinery and Equipment	39,124,653	6,469,458	0	45,594,111
Computer Equipment	3,074,332	76,494	0	3,150,826
Computer Software	1,042,061	35,110	0	1,077,171
Other Equipment	2,300,208	253,561	0	2,553,769
Motor Vehicles	129,190	75,544	0	204,734
Other Vehicles	84,253	30,989	0	115,242
	118,664,498	10,182,479	0	128,846,977
<b>Accumulated Amortization</b>				
	Opening Balance	Amorization	Disposals and write offs	Closing balance
<i>(in dollars)</i>				
Buildings	28,662,037	2,879,401	0	31,541,438
Works and Infrastructure	47,056	22,577	0	69,633
Machinery and Equipment	22,957,501	3,256,944	0	26,214,445
Computer Equipment	2,067,775	485,116	0	2,552,891
Computer Software	753,318	172,165	0	925,483
Other Equipment	516,073	238,368	0	754,441
Motor Vehicles	58,760	16,899	0	75,659
Other Vehicles	84,253	0	0	84,253
	55,146,773	7,071,470	0	62,218,243
<b>Net Tangible Capital Assets</b>				
	Opening Balance			Closing balance
<i>(in dollars)</i>				
Land	604,137			604,137
Buildings	43,079,202			43,441,124
Works and Infrastructure	517,369			494,792
Machinery and Equipment	16,167,152			19,379,666
Computer Equipment	1,006,557			597,935
Computer Software	288,743			151,688
Other Equipment	1,784,135			1,799,328
Motor Vehicles	70,430			129,075
Other Vehicles	0			30,989
	63,517,725			66,628,734

Amortization expense for the year ended March 31, 2008 is \$7,071,470 (2007: \$6,920,987)

## 6. Employee benefits

### *(a) Pension benefits*

The agency's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the agency contribute to the cost of the Plan. The expense presented below represents approximately 2.1 times ( 2.2 in 2006-07) the contributions by employees.

(in dollars)	2008	2007
Expense for the year	18,157,208	17,090,105

The agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

### *(b) Severance benefits*

The agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in dollars)	2008	2007
Accrued benefit obligation, beginning of year	28,512,678	24,109,715
Expense for the year	4,521,290	5,019,311
Benefits paid during the year	(1,159,906)	(616,348)
Accrued benefit obligation, end of year	31,874,062	28,512,678

## 7. Contingent liabilities

### *(a) Contaminated sites*

The Public Health Agency has no contaminated sites

### *(b) Claims and litigation*

In the normal course of its operations, Public Health Agency becomes involved in various legal actions. There are a number of claims for which a reasonable estimate of the potential liability cannot presently be determined. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the department's financial statements.

## 8. Contractual Obligations

The nature of the agency's activity results in multi-year contracts and obligations whereby the agency will be committed to make some future payments when the services/goods are received. Contractual obligations that can be reasonably estimated are as follows:

(in dollars)	2008	2009	2010	2011	2012 and thereafter	Total
Transfer payments	0	45,900,000	0	0	45,900,000	91,800,000
Operating contracts	26,250,000	5,100,000	5,150,000	0	0	36,500,000
Contractual Obligations	26,250,000	51,000,000	5,150,000	0	45,900,000	128,300,000

## 9. Related party transactions

The agency is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The agency enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the agency received services which were obtained without charge from other Government departments as presented in part (a).

### (a) Services provided without charge

During the year the agency received services without charge from other departments. These services without charge have been recognized in the agency's Statement of Operations as follows:

(in dollars)	2008	2007
Accommodation	5,775,245	7,800,000
Employer's contribution to the health and dental insurance plans	11,134,396	11,547,800
Legal services	758,561	70,394
	17,668,202	19,418,194

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the agency's Statement of Operations.

### (b) Payables and receivables outstanding at year-end with related parties:

(in dollars)	2008	2007
Accounts receivable with other government departments and agencies	8,125,095	6,667,560
Accounts payable to other government departments and agencies	7,372,774	6,555,838

## 10. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.