

**Perth District Health Unit
Financial Statements
For the year ended December 31, 2018**

**Perth District Health Unit
Financial Statements
For the year ended December 31, 2018**

Contents

Independent Auditors' Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Change in Net Financial Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13
Schedule of Financial Activities, Other Programs	14 - 16

Independent Auditors' Report

To the Board of Directors of Perth District Health Unit

Opinion

We have audited the financial statements of Perth District Health Unit (the Health Unit), which comprise the statement of financial position as at December 31, 2018, the statements of changes in net financial assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Unit as at December 31, 2018, and its results of operations, its change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Health Unit in accordance with the ethical requirements that are relevant to the audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Health Unit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Health Unit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Unit's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Health Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Unit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Health Unit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
April 20, 2019

Perth District Health Unit Statement of Financial Position

December 31	2018	2017
Financial Assets		
Cash	\$ 1,035,661	\$ -
Investment (Note 4)	274,363	268,807
Accounts receivable	215,763	172,665
	1,525,787	441,472
Liabilities		
Bank indebtedness (Note 5)	-	64,207
Accounts payable	206,233	205,755
Due to province	67,047	99,104
Deferred revenue (Note 8)	1,204,811	50,772
	1,478,091	419,838
Net Financial Assets	47,696	21,634
Non-financial Assets		
Prepaid expenses	73,765	117,241
Tangible capital assets (Note 6)	1,525,388	1,354,875
	1,599,153	1,472,116
Accumulated Surplus (Note 7)	\$ 1,646,849	\$ 1,493,750

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

Perth District Health Unit Statement of Change in Net Financial Assets

For the year ended December 31	2018	2017
Annual surplus	\$ 153,099	\$ 16,437
Acquisition of tangible capital assets	(300,749)	(168,173)
Amortization of tangible capital assets	130,236	128,334
Prepayment of expenses	43,476	(44,447)
Change in net financial assets	26,062	(67,849)
Net financial assets, beginning of the year	21,634	89,483
Net financial assets, end of year	\$ 47,696	\$ 21,634

Perth District Health Unit Statement of Operations

For the year ended December 31	Budget	Mandatory Program	Other Programs (Schedule)	Total 2018	Total 2017
Revenue					
Ministry of Health and Long-Term Care					
- operating	\$ 5,597,800	\$ 4,834,603	\$ 1,236,982	\$ 6,071,585	\$ 5,801,383
- immunization programs	14,369	18,139	-	18,139	21,021
- flu campaign	15,357	2,490	-	2,490	1,925
- adjustment to prior years' funding	-	(16,979)	-	(16,979)	-
Ministry of Health Promotion	355,700	-	344,534	344,534	349,477
MYCS	885,143	-	885,143	885,143	885,143
Health Canada	67,390	-	69,566	69,566	69,212
County of Perth	731,961	722,284	9,678	731,962	711,397
City of Stratford	658,232	648,959	9,273	658,232	673,009
Town of St Marys	133,139	131,323	1,816	133,139	138,928
Municipal larvicide funding	3,862	-	2,885	2,885	2,620
Huron County	50,000	-	50,000	50,000	50,000
Interest	2,600	12,056	-	12,056	6,168
Other	644,650	84,038	316,898	400,936	473,156
	9,160,203	6,436,913	2,926,775	9,363,688	9,183,439
Expenses					
Administrative expenses	184,218	213,611	-	213,611	188,955
Amortization of capital assets	-	130,236	-	130,236	128,334
Benefits	1,625,183	1,058,749	532,277	1,591,026	1,575,168
Children in need of treatment	6,000	-	-	-	-
One time	289,284	76,109	-	76,109	90,556
Recoveries from other programs	14,360	(59,287)	59,287	-	6,505
Equipment	71,282	57,589	1,282	58,871	46,944
Fees for service	59,166	56,059	33,462	89,521	91,104
Other	61,682	-	26,164	26,164	24,551
Program supplies	259,620	191,489	81,822	273,311	219,632
Property expense and rent	253,645	225,690	-	225,690	224,025
Salaries	6,611,693	4,330,247	2,089,513	6,419,760	6,461,272
Travel	134,766	46,542	59,748	106,290	109,956
	9,570,899	6,327,034	2,883,555	9,210,589	9,167,002
Annual surplus (deficit)	(410,696)	109,879	43,220	153,099	16,437
Accumulated surplus, beginning of year	940,123	1,091,789	401,961	1,493,750	1,477,313
Accumulated surplus, end of year	\$ 529,427	\$ 1,201,668	\$ 445,181	\$ 1,646,849	\$ 1,493,750

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

Perth District Health Unit Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from operating activities		
Annual surplus for the year	\$ 153,099	\$ 16,437
Amortization of capital assets	130,236	128,334
	283,335	144,771
Changes in non-cash working capital balances		
Accounts receivable	(43,098)	(5,742)
Prepaid expenses	43,476	(44,447)
Accounts payable	478	(7,546)
Due to province	(32,057)	53,085
Deferred revenue	1,154,039	(134,060)
	1,406,173	6,061
Cash flows from investing activities		
Purchase of long-term investments	(5,556)	(7,249)
Cash flows from capital activities		
Purchase of capital assets	(300,749)	(168,173)
Increase (decrease) in cash and cash equivalents during the year		
	1,099,868	(169,361)
Cash and cash equivalents, beginning of year	(64,207)	105,154
Cash and cash equivalents, end of year	\$ 1,035,661	\$ (64,207)
Represented by		
Cash	\$ 1,035,661	\$ -
Bank indebtedness	-	(64,207)
	\$ 1,035,661	\$ (64,207)

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

Perth District Health Unit Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

Management Responsibility

The financial statements of the Perth District Health Unit are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards.

Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, construction, development, or betterment of the tangible capital assets. Contributed tangible capital assets are recorded at their fair value on the date of contribution, with a corresponding amount recorded as revenue. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	-	10 to 75	years
Leasehold improvements	-	1 to 6	years
Furniture and equipment	-	5 to 10	years
Technological systems	-	3 to 5	years

Revenue Recognition

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Segmented Information

The Perth District Health Unit provides a variety of different programs to the residents of Perth County. Distinguishable functional segments have been separately disclosed in the statement of financial activities and the schedule of financial activities, according to the various programs administered by the Health Unit. Administrative expenses have been allocated to segments in accordance with budgets approved by the Province of Ontario.

Perth District Health Unit Notes to Financial Statements

December 31, 2018

2. Purpose of Organization

Perth District Health Unit (Health Unit) is one of 35 public health units located in Ontario. It is governed by a Board of Health which is comprised of six elected municipal representatives and two provincial representatives. The mission of the Health Unit is to work in partnership with our community to foster conditions in which people can be healthy. We promote health, protect health, prevent disease and provide community health services for the people of Perth County. Perth District Health Unit is deemed incorporated under the Health Protection and Promotion Act and is a registered charitable organization.

3. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

4. Investment

	<u>2018</u>	<u>2017</u>
Guaranteed Investment Certificate, cashable, 2.3%, maturing August 2019	\$ 165,823	\$ 162,095
Guaranteed Investment Certificate, cashable, 1.8%, maturing April 2020	108,540	106,712
	<u>\$ 274,363</u>	<u>\$ 268,807</u>

5. Bank Indebtedness

The organization occasionally goes into overdraft depending on the timing of payroll withdrawals and Ministry deposits. The Bank of Nova Scotia holds the organization's investments as collateral. The organization is charged a nominal fee based on the number of days the account is in an overdraft position bearing interest at prime plus 2.5%.

**Perth District Health Unit
Notes to Financial Statements**

December 31, 2018

6. Tangible Capital Assets

Cost

	Balance December 31, 2017	Additions	Disposals	Transfers	Balance December 31, 2018
Land	\$ 45,000	\$ -	\$ -	\$ -	\$ 45,000
Buildings	1,613,537	167,928	-	-	1,781,465
Leasehold improvements	47,898	-	(47,898)	-	-
Furniture and equipment	380,336	44,492	(72,279)	-	352,549
Technological systems	120,738	88,329	(32,054)	-	177,013
	<u>\$ 2,207,509</u>	<u>\$ 300,749</u>	<u>\$ (152,231)</u>	<u>\$ -</u>	<u>\$ 2,356,027</u>

Accumulated Amortization

	Balance December 31, 2017	Amortization	Disposals	Write Down	Balance December 31, 2018
Buildings	\$ 547,856	\$ 35,429	\$ -	\$ -	\$ 583,285
Leasehold improvements	35,691	12,207	(47,898)	-	-
Furniture and equipment	237,408	42,357	(72,279)	-	207,486
Technological systems	31,679	40,243	(32,054)	-	39,868
	<u>\$ 852,634</u>	<u>\$ 130,236</u>	<u>\$ (152,231)</u>	<u>\$ -</u>	<u>\$ 830,639</u>

Net Book Value

	Balance December 31, 2018	Balance December 31, 2017
Land	\$ 45,000	\$ 45,000
Buildings	1,198,180	1,065,681
Leasehold improvements	-	12,207
Furniture and equipment	145,063	142,928
Technological systems	137,145	89,059
	<u>\$ 1,525,388</u>	<u>\$ 1,354,875</u>

Perth District Health Unit Notes to Financial Statements

December 31, 2018

7. Accumulated Surplus

These funds may be used as directed by the Board.

	2018	2017
Invested in capital assets	\$ 1,525,388	\$ 1,354,875
Current fund	121,461	138,875
	\$ 1,646,849	\$ 1,493,750

8. Deferred Revenue

	December 31 2017	Funds Received or Receivable	Revenue Recognized	December 31 2018
Miscellaneous workshops	\$ 13,338	\$ 9,617	\$ 5,046	\$ 17,909
Sexual Health	-	477	-	477
Health Canada - healthy start	15,983	67,390	69,566	13,807
CATYO coordinator	990	-	990	-
Cancer Care Media Project	6,692	-	6,692	-
Smoke-free vehicle	1,005	350	112	1,243
One time needle drop box project funding	-	500	-	500
One time chairs and furniture	-	4,558	-	4,558
One time merger costs	-	1,200,542	56,362	1,144,180
One time PHI Practicum	-	7,500	-	7,500
One time vaccine fridge	-	10,575	-	10,575
Other - deferred revenue	12,764	11,419	20,121	4,062
	\$ 50,772	\$ 1,312,928	\$ 158,889	\$ 1,204,811

Perth District Health Unit Notes to Financial Statements

December 31, 2018

9. Expenditures by Object

Total operating expenditures for the year reported on the statement of financial activities are as follows:

	Budget 2018	Actual 2018	Actual 2017
Salaries, wages and employee benefits	8,236,876	8,010,786	8,036,440
Materials	702,228	434,455	388,188
Contracted services	378,150	409,422	390,015
Rents and financial expenses	253,645	225,690	224,025
Amortization	-	130,236	128,334
	9,570,899	\$ 9,210,589	\$ 9,167,002

10. Economic Dependence

Approximately 78% (2017 - 77%) of revenue reported in the year relates to funding received from the Province of Ontario.

11. Commitments

The Health Unit has obligations under long-term leases up to the year 2022. Future lease payments for the next four years are as follows:

2019	\$ 93,417
2020	94,307
2021	77,014
2022	53,332

Perth District Health Unit Notes to Financial Statements

December 31, 2018

12. Pension Agreement

The Perth District Health Unit makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 93 members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay.

The amount contributed to OMERS for current services for the year ended December 31, 2018 was \$641,023 (2017 - \$652,490). This amount is included as an expenditure on the statement of financial activities and fund balances.

As at December 31, 2018, the OMERS plan was in a deficit position of \$4.2 billion (2017 - \$5.4 billion), which will be addressed through temporary contribution rate increases and if needed, benefit reductions. The multiemployer plan is valued on a current market basis for all plan assets. The projected benefit method prorated on services was used for the actuarial valuation.

13. Liability for Vested Sick Leave Benefits

Under the former sick leave benefit plan, which was discontinued in 1989, unused sick leave could accumulate and employees with five years seniority could become entitled to a cash payment upon leaving the employ of the Perth District Health Unit. Unpaid vested sick leave benefits as at December 31, 2018 amounted to \$21,788 (2017 - \$21,399). No funds were paid/applied during the year with respect to this plan.

As they are paid, these benefits are partially funded by the Ministry of Health and Long-Term Care. As disclosed in Note 7, \$858 has been set aside as a reserve in respect of the Health Unit's share.

14. Amalgamation with the Huron County Health Unit

The Perth District Health Unit board agreed to amalgamate with The Huron County Health Unit. The expected completion date of the amalgamation is January 1, 2020.

15. Comparative Information

Certain comparative figures have been restated to conform with current year's presentation.

**Perth District Health Unit
Schedule of Financial Activities
Other Programs**

	Healthy Babies	Infection Control Nurse	Healthy Smiles Ontario	Road Safety	Medical Officer of Health Topup	Huron Hospital Liaison	Social Determinant	Other	Total 2018	Total 2017
(page 15)										
Revenue										
Ministry of Health and Long-term Care	\$ -	\$ 90,100	\$ 236,100	\$ -	\$ 122,000	\$ -	\$ 180,500	\$ 133,122	\$ 761,822	\$ 672,077
Ministry of Children and Youth Services	686,143	-	-	-	-	-	-	-	686,143	686,143
Huron County	-	-	-	-	-	50,000	-	-	50,000	50,000
Other	-	-	-	3,000	-	-	-	12,840	15,840	32,227
	686,143	90,100	236,100	3,000	122,000	50,000	180,500	145,962	1,513,805	1,440,447
Expenses										
Administrative	-	-	6,485	-	-	-	-	-	6,485	6,485
Benefits	126,711	19,405	54,437	-	14,444	8,045	43,146	-	266,188	225,693
Fees for service	-	-	-	-	-	-	-	17,332	17,332	22,440
Other	9,354	-	8,484	3,000	-	-	-	1,116	21,954	17,064
Program supplies	2,528	-	12,397	-	-	-	-	32,345	47,270	32,187
Salaries	518,119	70,695	150,658	-	107,556	41,955	137,354	55,149	1,081,486	1,083,635
Travel	29,431	-	3,639	-	-	-	-	-	33,070	32,318
	686,143	90,100	236,100	3,000	122,000	50,000	180,500	105,942	1,473,785	1,419,822
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,020	\$ 40,020	\$ 20,625

**Perth District Health Unit
Schedule of Financial Activities
Other Programs**

	Balance Carried Forward from page 14	Small Drinking Water System	Prenatal and Postnatal Nurse Practitioner Service	Healthy Start	E- Cigarettes	Vector Borne Disease	Infectious Disease Control	Smokefree Ontario Initiative	Total 2018	Total 2017
(page 16)										
Revenue										
Ministry of Health and Long-term Care	\$ 761,822	\$ 18,600	\$ -	\$ -	\$ -	\$ 42,760	\$ 101,800	\$ -	\$ 924,982	\$ 828,914
Ministry of Health Promotion	-	-	-	-	9,700	-	-	334,834	344,534	349,477
Ministry of Children and Youth Services	686,143	-	199,000	-	-	-	-	-	885,143	885,143
Health Canada	-	-	-	69,566	-	-	-	-	69,566	69,212
County of Perth	-	2,679	-	-	-	6,999	-	-	9,678	9,698
City of Stratford	-	2,979	-	-	-	6,294	-	-	9,273	9,175
Town of St Marys	-	542	-	-	-	1,274	-	-	1,816	1,893
Municipal larvicide funding	-	-	-	-	-	2,885	-	-	2,885	2,620
Huron County	50,000	-	-	-	-	-	-	-	50,000	50,000
Other	15,840	-	-	-	-	-	-	-	15,840	32,227
	1,513,805	24,800	199,000	69,566	9,700	60,212	101,800	334,834	2,313,717	2,238,359
Expenses										
Administrative expense	6,485	-	2,500	-	-	5,139	-	45,163	59,287	67,062
Benefits	266,188	14,093	30,586	10,681	2,775	24,038	16,614	59,874	424,849	354,206
Fees for service	17,332	-	-	-	-	16,130	-	-	33,462	38,910
Other	21,954	-	800	267	-	472	1,320	1,351	26,164	24,135
Program supplies	47,270	-	10,630	113	4,534	1,780	4,104	4,430	72,861	56,215
Salaries	1,081,486	9,481	148,434	55,394	2,391	8,123	78,347	216,259	1,599,915	1,616,830
Equipment	-	-	1,282	-	-	-	-	-	1,282	1,261
Travel	33,070	1,226	4,768	3,111	-	1,330	1,415	7,757	52,677	54,072
	1,473,785	24,800	199,000	69,566	9,700	57,012	101,800	334,834	2,270,497	2,212,691
Net revenue	\$ 40,020	\$ -	\$ -	\$ -	\$ -	\$ 3,200	\$ -	\$ -	\$ 43,220	\$ 25,668

**Perth District Health Unit
Schedule of Financial Activities
Other Programs**

	Balance Carried Forward from page 15	Safe Water	Food Safety	Chief Nursing Officer	AMDSB	Opioid Harm Reduction	Total 2018	Total 2017
Revenue								
Ministry of Health and Long-term Care	\$ 924,982	\$ 15,500	\$ 25,000	\$ 121,500	\$ -	\$ 150,000	\$ 1,236,982	\$ 1,140,914
Ministry of Health Promotion	344,534	-	-	-	-	-	344,534	349,477
Ministry of Children and Youth Services	885,143	-	-	-	-	-	885,143	885,143
Health Canada	69,566	-	-	-	-	-	69,566	69,212
County of Perth	9,678	-	-	-	-	-	9,678	9,698
City of Stratford	9,273	-	-	-	-	-	9,273	9,175
Town of St Marys	1,816	-	-	-	-	-	1,816	1,893
Municipal larvicide funding	2,885	-	-	-	-	-	2,885	2,620
Huron County	50,000	-	-	-	-	-	50,000	50,000
Other	15,840	-	-	-	301,058	-	316,898	327,928
	<u>2,313,717</u>	<u>15,500</u>	<u>25,000</u>	<u>121,500</u>	<u>301,058</u>	<u>150,000</u>	<u>2,926,775</u>	<u>2,846,060</u>
Expenses								
Administrative expense	59,287	-	-	-	-	-	59,287	67,062
Benefits	424,849	2,601	3,515	36,676	41,843	22,793	532,277	444,193
Fees for service	33,462	-	-	-	-	-	33,462	38,910
Other	26,164	-	-	-	-	-	26,164	24,551
Program supplies	72,861	-	-	-	8,770	191	81,822	57,522
Salaries	1,599,915	12,899	21,485	84,824	243,374	127,016	2,089,513	2,126,069
Equipment	1,282	-	-	-	-	-	1,282	1,261
Travel	52,677	-	-	-	7,071	-	59,748	60,831
	<u>2,270,497</u>	<u>15,500</u>	<u>25,000</u>	<u>121,500</u>	<u>301,058</u>	<u>150,000</u>	<u>2,883,555</u>	<u>2,820,399</u>
Net Revenue	\$ 43,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,220	\$ 25,661