

**Huron Perth Public Health
Financial Statements
For the year ended December 31, 2020**

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For the year ended December 31, 2020**

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Independent Auditors' Report

To the Board of Directors of Huron Perth Public Health

Opinion

We have audited the financial statements of Huron Perth Public Health (the Health Unit), which comprise the statement of financial position as at December 31, 2020, 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, 2020, and its results of operations, change in net debt, and 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
August 6, 2021

Huron Perth Public Health Statement of Financial Position

December 31	2020	2019
		(Note 2)
Financial Assets		
Cash	\$ 1,179,365	\$ 666,201
Investment (Note 5)	172,707	279,864
Accounts receivable	1,404,518	213,082
	2,756,590	1,159,147
Liabilities		
Accounts payable	734,979	239,100
Due to Province	957,267	643,341
Deferred revenue (Note 9)	541,485	367,462
	2,233,731	1,249,903
Net Financial Assets	522,859	(90,756)
Non-financial Assets		
Prepaid expenses	171,379	92,363
Tangible capital assets (Note 7)	5,534,824	1,880,122
Accumulated Surplus (Note 8)	\$ 6,229,062	\$ 1,881,729

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

Huron Perth Public Health Statement of Change in Net Financial Assets

For the year ended December 31	Budget	2020	2019
			(Note 2)
Annual surplus	\$ (499,593)	\$ 4,347,333	\$ 234,880
Acquisition of tangible capital assets	-	(522,711)	(504,211)
Amortization of tangible capital assets	-	675,468	149,477
Prepayment of expenses	-	(79,016)	(18,598)
Contributed capital assets	-	(59,709)	-
Bargain purchase gain	-	(3,747,750)	-
Change in net financial assets	(499,593)	613,615	(138,452)
Net financial assets, beginning of the year	(90,756)	(90,756)	47,696
Net financial assets, end of year	(590,349)	\$ 522,859	\$ (90,756)

Huron Perth Public Health Statement of Operations

For the year ended December 31	Budget	Mandatory Program	Other Programs (Schedule)	Total 2020	Total 2019 (Note 2)
Revenue					
Ministry of Health and Long-Term Care					
- operating	\$ 11,684,900	\$ 12,927,873	\$ 785,773	\$ 13,713,646	\$ 6,808,281
- immunization programs	95,400	22,636	-	22,636	19,695
- flu campaign	10,600	775	-	775	1,995
- adjustment to prior years' funding	-	2,636	-	2,636	5,109
Ministry of Health Promotion	-	-	-	-	344,841
MCCSS	1,505,459	-	1,505,453	1,505,453	885,143
Health Canada	67,390	-	74,376	74,376	58,250
County of Huron	1,265,814	1,339,199	-	1,339,199	50,000
County of Perth	832,272	880,511	-	880,511	771,669
City of Stratford	690,099	730,097	-	730,097	662,976
Town of St Marys	136,908	147,104	-	147,104	133,788
Municipal larvicide funding	-	4,197	-	4,197	3,195
Interest	-	7,069	-	7,069	18,082
Other	498,892	70,206	273,092	343,298	453,376
	16,288,842	16,132,303	2,638,694	18,770,997	10,216,400
Expenses					
Administrative expenses	365,168	339,887	-	339,887	213,292
Amortization of capital assets	-	675,468	-	675,468	149,477
Benefits	3,068,625	2,174,941	503,432	2,678,373	1,648,896
One time	-	1,826,792	-	1,826,792	628,990
Recoveries from other programs	-	(2,286)	2,286	-	-
Equipment	98,873	80,304	-	80,304	79,853
Fees for service	344,500	333,137	-	333,137	42,988
Program supplies	964,483	314,293	493,882	808,175	289,730
Property expense and rent	458,740	385,324	-	385,324	243,051
Salaries	11,194,992	9,157,433	1,976,970	11,134,403	6,582,556
Travel	293,054	73,604	36,603	110,207	102,687
	16,788,435	15,358,897	3,013,173	18,372,070	9,981,520
Annual surplus (deficit) before restructuring adjustment	(499,593)	773,406	(374,479)	398,927	234,880

Huron Perth Public Health Statement of Operations (continued)

For the year ended December 31	Budget	Mandatory Program	Other Programs (Schedule)	Total 2020	Total 2019 (Note 2)
Net effect of restructuring transaction (Note 2):					
Equity acquired on amalgamation	-	140,947	-	140,947	-
Contributed capital assets	-	59,709	-	59,709	-
Transfer - County of Huron (Note 2)	-	3,747,750	-	3,747,750	-
Annual surplus (deficit)	(499,593)	4,721,812	(374,479)	4,347,333	234,880
Accumulated surplus, beginning of year	179,104	1,435,981	445,749	1,881,729	1,646,849
Accumulated surplus, end of year	\$ (320,489)	\$ 6,931,199	\$ (303,209)	\$ 6,229,062	\$ 1,881,729

Huron Perth Public Health Statement of Cash Flows

For the year ended December 31	2020	2019
	(Note 2)	
Cash flows from operating activities		
Annual surplus for the year	\$ 4,347,333	\$ 234,880
Items not affecting cash:		
Amortization of capital assets	675,468	149,477
Contributed capital assets	(59,709)	-
Transfer - County of Huron	(3,747,750)	-
	1,215,342	384,357
 Changes in non-cash working capital balances		
Accounts receivable	(1,191,436)	2,681
Prepaid expenses	(79,016)	(18,598)
Accounts payable	495,879	32,867
Due to province	313,926	576,294
Deferred revenue	174,023	(837,349)
	928,718	140,252
Cash flows from investing activities		
Purchase of long-term investments	(3,705)	(5,501)
Proceeds on sale of long-term investments	110,862	-
	107,157	(5,501)
Cash flows from capital activities		
Purchase of capital assets	(522,711)	(504,211)
Increase (decrease) in cash	513,164	(369,460)
Cash, beginning of year	666,201	1,035,661
Cash, end of year	\$ 1,179,365	\$ 666,201

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

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

Management Responsibility

The financial statements of the Huron Perth Public Health 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

Huron Perth Public Health provides a variety of different programs to the residents of Huron and Perth Counties. 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.

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

2. Restructuring Transaction

Effective January 1, 2020, the Perth District Health Unit (Legacy Perth District) and the Corporation of the County of Huron Board of Health (Legacy County of Huron) amalgamated to form a new organization operating as Huron Perth Public Health. The prior years figures at December 31, 2019 represent the balances of Legacy Perth District only. Prior to this amalgamation there was no relationship between these two organizations. Both Legacy Perth District and Legacy County of Huron had previously prepared financial statements in accordance with Canadian public sector accounting standards.

Effective January 1, 2020, Huron Perth Public Health adopted the requirements of Section PS 3430 - Restructuring Transactions, under the Canadian public sector accounting standards. In accordance with this section, Legacy Perth District was identified as the recipient organization in this transaction and Legacy County of Huron the transferor organization. Huron Perth Public Health received \$862,869 as consideration for the assets and liabilities transferred.

The carrying amounts of the assets, liabilities and net assets received at January 1, 2020 from Legacy County of Huron are as follows:

Assets	
Current	\$ 21,934
Liabilities	
Current liabilities	\$ (743,856)
Accumulated surplus	\$ 721,922

The amalgamation resulted in a net surplus recorded in the statement of operations as at December 31, 2020 of \$140,947.

Specific costs identified as relating to the restructuring transaction that the organization received one-time funding from the Ministry of Health and Long-Term Care for, are included in the statement of operations and amount to \$546,901 (2019 - \$782,592).

Huron Perth Public Health entered into its own funding accountability agreement with the Ontario Ministry of Health.

During the year furniture, equipment and technological systems were contributed to Huron Perth Public Health and were recognized in the financial statements at \$59,709.

On January 1, 2020, Huron Perth Public Health acquired property for consideration of \$2 from the County of Huron. The fair market value of the property at the time of acquisition was \$3,747,750.

A letter of opinion of value was obtained with respect to the legacy Perth District's real property brought into the merger. This letter indicated a value-in-use in the range of \$2,753,000 to \$3,120,000.

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

3. Purpose of Organization

Huron Perth Public Health (Health Unit) is one of 34 public health units located in Ontario. It is governed by a Board of Health which is comprised of nine elected municipal representatives and one or more 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 Huron and Perth County. Huron Perth Public Health is deemed incorporated under the Health Protection and Promotion Act and is a registered charitable organization.

4. 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.

5. Investment

	<u>2020</u>	<u>2019</u>
		(Note 2)
Guaranteed Investment Certificate, cashable, 1.8%, maturing April 2020	-	110,631
Guaranteed Investment Certificate, non redeemable, 1.6% maturing August 2024	<u>172,707</u>	<u>169,233</u>
	<u>\$ 172,707</u>	<u>\$ 279,864</u>

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

6. Bank Indebtedness

The organization occasionally goes into overdraft depending on the timing of payroll withdrawals and Ministry deposits. At December 31, 2020, the Health Unit had available a bank operating line of credit to a maximum of \$250,000. 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%.

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

7. Tangible Capital Assets

Cost

	Balance December 31, 2019 (Note 2)	Additions	Disposals	Transfers	Balance December 31, 2020
Land	\$ 45,000	\$ 415,000	\$ -	\$ -	\$ 460,000
Buildings	1,806,043	3,430,650	-	-	5,236,693
Leasehold improvements	-	33,459	-	-	33,459
Furniture and equipment	337,536	88,581	(23,181)	-	402,936
Technological systems	606,954	362,480	(79,648)	-	889,786
	<u>\$ 2,795,533</u>	<u>\$ 4,330,170</u>	<u>\$ (102,829)</u>	<u>\$ -</u>	<u>\$ 7,022,874</u>

Accumulated Amortization

	Balance December 31, 2019 (Note 2)	Amortization	Disposals	Write Down	Balance December 31, 2020
Buildings	\$ 629,901	\$ 276,964	\$ -	\$ -	\$ 906,865
Leasehold improvements	-	11,153	-	-	11,153
Furniture and equipment	195,667	64,141	(23,181)	-	236,627
Technological systems	89,843	323,210	(79,648)	-	333,405
	<u>\$ 915,411</u>	<u>\$ 675,468</u>	<u>\$ (102,829)</u>	<u>\$ -</u>	<u>\$ 1,488,050</u>

Net Book Value

	Balance December 31, 2020	Balance December 31, 2019 (Note 2)
Land	\$ 460,000	\$ 45,000
Buildings	4,329,828	1,176,142
Leasehold improvements	22,306	-
Furniture and equipment	166,309	141,869
Technological systems	556,381	517,111
	<u>\$ 5,534,824</u>	<u>\$ 1,880,122</u>

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

8. Accumulated Surplus

These funds may be used as directed by the Board.

	2020	2019
		(Note 2)
Invested in capital assets	\$ 5,534,824	\$ 1,880,122
Current fund	694,239	1,607
	\$ 6,229,063	\$ 1,881,729

9. Deferred Revenue

	December 31 2019	Funds Received or Receivable	Revenue Recognized	December 31 2020
				(Note 2)
Health Canada - healthy start	\$ 16,208	\$ 74,129	\$ 74,376	\$ 15,961
One time merger costs	313,140	224,374	537,522	(8)
One time PHI Practicum	-	10,006	10,000	6
One time SFN	-	293,130	293,125	5
Other - deferred revenue	38,114	497,913	10,506	525,521
	\$ 367,462	\$ 1,099,552	\$ 925,529	\$ 541,485

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

10. Expenditures by Object

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

	Budget 2020	Actual 2020	Actual 2019
			(Note 2)
Salaries, wages and employee benefits	\$ 14,263,617	\$ 13,812,776	\$ 8,109,991
Materials	1,063,356	2,715,271	998,573
Contracted services	1,002,722	783,231	358,967
Rents and financial expenses	458,740	385,324	243,051
Amortization	-	675,468	149,477
	\$ 16,788,435	\$ 18,372,070	\$ 9,860,059

11. Economic Dependence

Approximately 81% (2019 - 79%) of revenue reported in the year relates to funding received from the Province of Ontario.

12. Commitments

The Health Unit has obligations under long-term leases up to the year 2025. Future lease payments for the next five years are as follows:

2021	\$	96,647
2022		82,612
2023		40,890
2024		20,346
2025		18,651
		18,651
	\$	259,146

Huron Perth Public Health Notes to Financial Statements

December 31, 2020

13. Pension Agreement

The Huron Perth Public Health makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 150 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, 2020 was \$1,045,683 (2019 - \$628,929). This amount is included as an expenditure on the statement of financial activities and fund balances.

As at December 31, 2020, the OMERS plan was in a deficit position of \$3.2 billion (2019 - \$3.4 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.

14. 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 Huron Perth Public Health. Unpaid vested sick leave benefits as at December 31, 2020 amounted to \$8,222 (2019 - \$14,681). During the year, \$6,459 was paid out of the plan.

As they are paid, these benefits are partially funded by the Ministry of Health and Long-Term Care.

15. Impact of COVID-19 Pandemic

The COVID-19 global pandemic has disrupted economic activities. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of the business disruption and the related financial impact cannot be reasonably estimated at this time.

During the year, the Ministry of Health has provided additional funding for COVID-19 programs and have directed the Health Unit to re-direct resources previously provided for mandatory core programming towards the COVID-19 pandemic response. At this time, it is unknown how the COVID-19 pandemic will affect the Ministry of Health's funding received during the year and funding going forward. Because of the Ministry directive, the Health Unit's ability to provided normal mandatory core programming has been reduced. Although the Health Unit expects COVID-19 related expenditures to be funded, cashflows continue to be monitored to ensure obligations are met when they come due.

**Huron Perth Public Health
Schedule of Financial Activities
Other Programs**

	Healthy Babies	AMDSB	Prenatal and Postnatal Nurse Practitioner Service	Healthy Start	Medical Officer of Health Topup	Destination Prosperity	OSDCP	Other	Total 2020	Total 2019
(Note 2)										
Revenue										
Ministry of Health and Long-term Care	\$ -	\$ -	\$ -	\$ -	\$ 137,773	\$ -	\$ 648,000	\$ -	\$ 785,773	\$ 1,250,219
Ministry of Health Promotion	-	-	-	-	-	-	-	-	-	344,841
Ministry of Children, Community and Social Services	1,306,468	-	198,985	-	-	-	-	-	1,505,453	885,143
Health Canada	-	-	-	74,376	-	-	-	-	74,376	58,250
Huron County	-	-	-	-	-	-	-	-	-	50,000
Other	-	211,392	-	-	-	58,365	-	3,335	273,092	313,246
	<u>1,306,468</u>	<u>211,392</u>	<u>198,985</u>	<u>74,376</u>	<u>137,773</u>	<u>58,365</u>	<u>648,000</u>	<u>3,335</u>	<u>2,638,694</u>	<u>2,901,699</u>
Expenses										
Administrative expense	-	-	2,286	-	-	-	-	-	2,286	54,148
Benefits	256,073	102,140	48,687	13,769	31,208	10,236	41,319	-	503,432	498,899
Program supplies	24,003	1,188	4,025	410	-	1,347	459,524	3,385	493,882	128,298
Salaries	1,025,652	403,920	142,108	58,392	146,024	59,267	141,607	-	1,976,970	2,164,217
Equipment	-	-	-	-	-	-	-	-	-	638
Travel	24,540	5,283	4,006	1,805	-	302	667	-	36,603	54,931
	<u>1,330,268</u>	<u>512,531</u>	<u>201,112</u>	<u>74,376</u>	<u>177,232</u>	<u>71,152</u>	<u>643,117</u>	<u>3,385</u>	<u>3,013,173</u>	<u>2,901,131</u>
Net revenue	\$ (23,800)	\$ (301,139)	\$ (2,127)	\$ -	\$ (39,459)	\$ (12,787)	\$ 4,883	\$ (50)	\$ (374,479)	\$ 568