

**Simcoe Muskoka
District Health Unit
Financial Statements**
For the year ended December 31, 2017

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Management Report

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Simcoe Muskoka District Health Unit are the responsibility of the Health Unit's management and have been prepared in accordance with Canadian public sector accounting standards. A summary of significant accounting policies is attached to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Health Unit's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Board of Directors. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Health Unit's financial statements.



 Chair, Board of Directors



 Sandra Honey
 Director of Program Foundations and Finance

April 18, 2018

- | | | | | | | |
|--|---|--|---|---|---|---|
| <input type="checkbox"/> Barrie:
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Barrie, ON
L4M 6K9
705-721-7520
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2-25 King Street S.
Cookstown, ON
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705-458-1103
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2-5 Pineridge Gate
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Independent Auditor's Report

To the Chair and Members of the Board of Directors
Simcoe Muskoka District Health Unit

We have audited the accompanying financial statements of the Simcoe Muskoka District Health Unit, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, statement of change in net financial assets (debt) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Simcoe Muskoka District Health Unit as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
April 18, 2018

Simcoe Muskoka District Health Unit Statement of Financial Position

December 31	2017	2016
Financial Assets		
Cash and short-term deposits (note 1)	\$ 6,657,496	\$ 6,030,093
Accounts receivable (note 2)	640,751	668,184
Due from Province of Ontario - Other (note 3)	2,751	2,751
	7,300,998	6,701,028
Liabilities		
Accounts payable and accrued liabilities (note 4)	4,116,794	3,756,208
Due to Ministry of Health and Long-Term Care (note 13 (a))	377,146	227,939
Post-employment benefits and compensated absences (note 18)	1,679,180	1,641,847
Deferred revenue (note 6)	219,835	645,090
	6,392,955	6,271,084
Net Financial Assets	908,043	429,944
Non-Financial Assets		
Tangible capital assets (note 5)	1,835,144	1,689,556
Prepaid expenses	352,139	370,959
	2,187,283	2,060,515
Accumulated Surplus (note 7)	\$ 3,095,326	\$ 2,490,459

Contingencies (note 13)

Contractual Obligations (note 14)

On behalf of the Board:

_____ Director

_____ Director

Simcoe Muskoka District Health Unit Statement of Operations

For the year ended December 31	2017 Budget	2017	2016
	(note 21)		
Revenues			
Operating grants			
Ministry of Health and Long-Term Care			
- Mandatory Programs (note 15)	\$ 27,288,533	\$ 27,260,205	\$ 26,424,861
County of Simcoe (note 10)	4,332,367	4,332,372	5,059,539
Ministry of Children and Youth Services	2,543,133	2,475,628	2,573,133
City of Barrie	1,715,313	1,715,316	1,652,220
District of Muskoka (note 10)	1,416,126	1,416,120	1,431,879
City of Orillia	386,069	386,069	373,218
District of Parry Sound	-	-	5,639
	37,681,541	37,585,710	37,520,489
Interest earned	40,000	53,472	35,658
Other	385,918	402,668	357,158
	38,107,459	38,041,850	37,913,305
Expenses (note 20)			
Public Health Program	28,845,054	27,884,915	27,501,647
Healthy Babies, Healthy Children Program	2,543,133	2,475,628	2,573,133
Healthy Smiles Ontario Program	2,374,000	2,381,112	2,180,588
Smoke Free Ontario Programs	1,375,700	1,391,153	1,414,233
Infectious Diseases Control Initiative	777,900	777,900	777,900
One Time (Including One Time Capital)	640,900	259,802	13,142
Harm Reduction Program Enhancement	250,000	250,000	-
Small Drinking Water Systems	208,667	208,667	208,667
Public Health Nurses Initiative	180,500	180,500	180,500
Vector Borne Diseases Program	156,800	160,837	154,440
Panorama	137,300	134,900	155,300
Library Hub	133,918	130,307	133,465
Chief Nursing Officer Initiative	121,500	121,500	121,500
Medical Officers of Health Compensation	142,000	120,479	128,430
Enhanced Food Safety Haines Initiative Program	90,300	90,300	90,300
Infection Prevention and Control Nurses Initiative	90,100	90,100	90,100
Needle Exchange Program Initiative	83,400	52,700	40,700
Anonymous HIV Testing Program	49,676	49,502	48,976
Enhanced Safe Water Initiative	40,200	40,200	40,200
Other	2,500	23,205	8,733
Public Health Inspector Practicum Program	10,000	10,000	10,000
Ontario Dental Works Program	-	-	826,568
Pharmacists Integration into the UIIP Program	-	-	68,000
Immunization of School Pupils Act	50,000	-	41,500
	38,303,548	36,833,707	36,808,022
Annual surplus before adjustments	(196,089)	1,208,143	1,105,283
Amortization expense	564,742	564,742	531,119
Change in accrued vacation pay	-	1,201	(24,409)
Change in post-employment benefits and compensated absences	-	37,333	18,205
	564,742	603,276	524,915
Annual surplus (deficit) for the year	(760,831)	604,867	580,368
Accumulated surplus, beginning of year	2,490,459	2,490,459	1,910,091
Accumulated surplus, end of year (note 7)	\$ 1,729,628	\$ 3,095,326	\$ 2,490,459

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**Simcoe Muskoka District Health Unit
Statement of Change in Net Financial Assets (Debt)**

For the year ended December 31	2017 Budget	2017	2016
	(note 21)		
Annual surplus (deficit)	\$ (760,831)	\$ 604,867	\$ 580,368
Acquisition of tangible capital assets	-	(710,330)	(390,014)
Amortization of tangible capital assets	564,742	564,742	531,119
	564,742	(145,588)	141,105
Acquisition of prepaid expenses	-	(352,139)	(370,959)
Use of prepaids	-	370,959	335,415
	-	18,820	(35,544)
Change in net financial assets (debt)	(196,089)	478,099	685,929
Net financial assets (debt), beginning of year	429,944	429,944	(255,985)
Net financial assets, end of year	\$ 233,855	\$ 908,043	\$ 429,944

**Simcoe Muskoka District Health Unit
Statement of Cash Flows**

December 31	2017	2016
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 604,867	\$ 580,368
Items not involving cash		
Amortization of tangible capital assets	564,742	531,119
	<u>1,169,609</u>	<u>1,111,487</u>
Changes in non-cash working capital balances		
Accounts receivable	27,433	(31,831)
Amount due from Ministry of Health and Long-Term Care	149,207	374,041
Prepaid expenses	18,820	(35,544)
Accounts payable and accrued liabilities	360,586	551,651
Deferred revenue	(425,255)	102,173
Post-employment benefits and compensated absences	37,333	18,205
	<u>1,337,733</u>	<u>2,090,182</u>
Capital transactions		
Acquisition of tangible capital assets	(710,330)	(390,014)
Increase in cash and short-term deposits during the year	627,403	1,700,168
Cash and short-term deposits, beginning of year	6,030,093	4,329,925
Cash and short-term deposits, end of year	\$ 6,657,496	\$ 6,030,093
Represented by:		
Unrestricted cash	\$ 5,184,943	\$ 4,567,882
Term deposits (note 1)	1,472,553	1,462,211
	<u>\$ 6,657,496</u>	<u>\$ 6,030,093</u>

Simcoe Muskoka District Health Unit Summary of Significant Accounting Policies

For the year ended December 31, 2017

**Management's
Responsibility for the
Financial Statements**

The financial statements of the Simcoe Muskoka District Health Unit are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**Nature and Purpose
of Organization**

The Health Unit is responsible for providing public health services to the residents of Muskoka and the County of Simcoe as set out under the provisions of the Health Protection and Promotion Act. The Health Unit is a non-profit organization and is a registered charity exempt from income taxes under the Income Tax Act.

Basis of Accounting

These financial statements have been prepared using Canadian public sector accounting standards.

Revenue Recognition

Provincial funding revenues are recognized in the year to which the program relates. Municipal revenues are recognized in the year they are levied to member municipalities. Other revenues are recognized when services are provided and collection is reasonably assured. Investment revenue is recognized in the period earned.

Deferred Revenue

Funds received for specific purposes which are for future services are accounted for as deferred revenue in the statement of financial position. The revenue is recognized in the statement of operations in the year which services are provided and grant conditions are met.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at their fair market value at the date of receipt. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Equipment and furniture	5 to 20 years straight-line
Computer equipment	3 to 5 years straight-line
Leasehold improvements	5 to 20 years straight-line
Dental van	7 years straight-line
Vehicles	5 years straight-line

Assets under construction are not amortized until the asset is available for productive use.

Simcoe Muskoka District Health Unit Summary of Significant Accounting Policies

For the year ended December 31, 2017

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. The principal estimates used in the preparation of these financial statements are the estimated useful life of capital assets, the amounts due to and from the Ministry of Health and Long-Term Care and the post-employment and compensated absences liability. Actual results could differ from management's best estimates as additional information becomes available in the future.

Retirement and Post-Employment Benefits and Compensated Absences

The Health Unit provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health, dental and insurance and non-vesting sick leave. The Health Unit has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, expected salary escalation, retirement ages of employees and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis;
- (ii) The cost of the multi-employer defined benefit pension plan is the Health Unit's contributions due to the plan in the period;
- (iii) The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees;
- (iv) The discount rate used in the determination of the above mentioned liabilities is equal to the Health Unit's hypothetical cost of borrowing.

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

1. Cash and Short-Term Deposits

The Health Unit's bank account is held at a chartered bank. The bank account earns interest at a variable rate dependent on the monthly minimum balance.

In addition, the Health Unit has an operating line of credit facility available in the amount of \$200,000. Outstanding amounts bear interest at the bank's prime rate plus 0.25% and are secured by a general security agreement. There is no balance outstanding at December 31, 2017.

Cash and short-term deposits, consists of three guaranteed investment certificates with a total face value of \$1,472,553, interest ranging from 1.10% to 1.75% and maturity dates ranging from March 26, 2018 to April 4, 2018 (2016 - \$1,462,211, interest at 1.00% and maturity dates ranging from March 29, 2017 to April 4, 2017).

2. Accounts Receivable

	2017	2016
HST recoverable	\$ 576,506	\$ 477,653
County of Simcoe	-	130,856
Other	64,245	59,675
	\$ 640,751	\$ 668,184

3. Due from Province of Ontario - Other

	2017	2016
Provincial share of sick leave benefits to be recovered when certain non-union employees terminate employment with the Health Unit	\$ 2,751	\$ 2,751

4. Accounts Payable and Accrued Liabilities

	2017	2016
Trade and other	\$ 1,028,314	\$ 694,686
Salaries and benefits	2,556,719	2,530,961
Accrued vacation pay liability	531,761	530,561
	\$ 4,116,794	\$ 3,756,208

**Simcoe Muskoka District Health Unit
Notes to the Financial Statements**

For the year ended December 31, 2017

5. Tangible Capital Assets

	2017					
	Equipment and Furniture	Computer Equipment	Leasehold Improvements	Dental Van	Vehicles	Total
Cost, beginning of year	\$ 424,834	\$ 1,374,267	\$ 2,668,476	\$ 483,915	\$ 114,287	\$ 5,065,779
Additions	166,391	284,653	237,676	-	21,610	710,330
Disposals	-	(6,436)	(23,372)	-	-	(29,808)
Cost, end of year	591,225	1,652,484	2,882,780	483,915	135,897	5,746,301
Accumulated amortization, beginning of year	285,242	1,150,837	1,507,757	414,784	17,603	3,376,223
Amortization	40,275	154,918	275,399	69,131	25,019	564,742
Disposals	-	(6,436)	(23,372)	-	-	(29,808)
Accumulated amortization, end of year	325,517	1,299,319	1,759,784	483,915	42,622	3,911,157
Net carrying amount, end of year	\$ 265,708	\$ 353,165	\$ 1,122,996	\$ -	\$ 93,275	\$ 1,835,144

**Simcoe Muskoka District Health Unit
Notes to the Financial Statements**

For the year ended December 31, 2017

5. Tangible Capital Assets (continued)

	2016					
	Equipment and Furniture	Computer Equipment	Leasehold Improvements	Dental Van	Vehicles	Total
Cost, beginning of year	\$ 424,834	\$ 1,205,117	\$ 2,503,483	\$ 483,915	\$ 58,416	\$ 4,675,765
Additions	-	169,150	164,993	-	55,871	390,014
Cost, end of year	424,834	1,374,267	2,668,476	483,915	114,287	5,065,779
Accumulated amortization, beginning of year	257,034	984,005	1,252,492	345,653	5,920	2,845,104
Amortization	28,208	166,832	255,265	69,131	11,683	531,119
Accumulated amortization, end of year	285,242	1,150,837	1,507,757	414,784	17,603	3,376,223
Net carrying amount, end of year	\$ 139,592	\$ 223,430	\$ 1,160,719	\$ 69,131	\$ 96,684	\$ 1,689,556

**Simcoe Muskoka District Health Unit
Notes to the Financial Statements**

For the year ended December 31, 2017

6. Deferred Revenue

The Health Unit operates a number of programs in which funding is received for the period April 1 to March 31. Therefore any funding received for these programs where the expenses have not been incurred at December 31, 2017, is recorded as deferred revenue.

In addition, the Health Unit has received fiscal 2018 municipal operating grants which have also been included in deferred revenue.

7. Accumulated Surplus

	2017	2016
Surplus (note 8)	\$ 1,283,114	\$ 678,456
Internally restricted reserves (note 9)	1,812,212	1,812,003
	\$ 3,095,326	\$ 2,490,459

8. Surplus

	2017	2016
Balance, beginning of year	\$ 678,456	\$ 98,784
Annual surplus	604,867	580,368
Transfer to Sick Leave Reserve (note 9)	(209)	(696)
Balance, end of year	\$ 1,283,114	\$ 678,456

The allocation of the surplus balance at the end of the year is as follows:

	2017	2016
County of Simcoe	\$ 707,673	\$ 373,960
City of Barrie	277,946	145,820
City of Orillia	62,708	32,970
District of Muskoka	234,787	125,706
	\$ 1,283,114	\$ 678,456

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

9. Internally Restricted Reserve Funds

Sick Leave Reserve Fund

A reserve fund is maintained to cover the municipal share of sick leave benefits as described in note 17.

	2017	2016
Balance, beginning of the year	\$ 47,300	\$ 46,604
Transfer from surplus	209	696
Balance, end of the year	\$ 47,509	\$ 47,300

Contingency Reserve

The purpose of the contingency reserve is to cover unforeseen public health emergencies including, but not limited to, communicable disease outbreaks and localized or mass immunization requirements as determined by the Board of Health. The total value of the contingency reserve fund at the end of any one year is to be no more than five percent of the Health Unit's annual approved public health budget.

	2017	2016
Balance, beginning and end of the year	\$ 1,019,609	\$ 1,019,609

Capital Fund Reserve

The purpose of the capital reserve fund is to cover expenses related to the five year infrastructure plan.

	2017	2016
Balance, beginning and end of the year	\$ 745,094	\$ 745,094
Total Internally Restricted Reserve Funds	\$ 1,812,212	\$ 1,812,003

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

10. Operating Grants

County of Simcoe

	<u>2017</u>	<u>2016</u>
Cost Shared Program		
Public Health Program	<u>\$ 4,332,372</u>	<u>\$ 4,246,128</u>
100% Funded Programs		
Ontario Works Dental Program - Administration Fee	-	161,369
Ontario Works Dental Program - Dental Claims	-	<u>652,042</u>
	-	<u>813,411</u>
	<u>\$ 4,332,372</u>	<u>\$ 5,059,539</u>

District of Muskoka

	<u>2017</u>	<u>2016</u>
Cost Shared Program		
Public Health Program	<u>\$ 1,416,120</u>	<u>\$ 1,424,388</u>
100% Funded Programs		
Ontario Works Dental Program - Administration Fee	-	<u>7,491</u>
	<u>\$ 1,416,120</u>	<u>\$ 1,431,879</u>

11. Segmented Reporting

The Chartered Professional Accountants of Canada Accounting Handbook Section PS 2700, Segment Disclosures, establishes standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide disclosures established by this section when their operations are diverse enough to warrant such disclosures. The Health Unit has only one identifiable segment, considered to be public health, as presented in these financial statements.

12. Pay Equity

The Health Unit has been notified that the Ontario Nurses Association (ONA) has served notice to bargain maintenance of pay equity. The ultimate resolution, including the amount of award, if any, is undeterminable at this time.

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

13. Contingencies

- (a) The Health Unit receives annual funding from the Ministry of Health and Long-Term Care and the amount of funding provided is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the year ended December 31, 2017 has not been subject to this review process. Any future adjustments required as a result of this review will be accounted for at the time the adjustments are determined.
- (b) During the normal course of operations, various proceedings and claims are filed against the Health Unit. The Health Unit reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies and would not have a material effect on the financial position or future results of operations of the Health Unit. Accordingly, no provision has been made in these financial statements for any liability that may result. Any losses arising from claims and proceedings will be recorded in the year the related litigation is settled.
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14. Contractual Obligations

(a) Office space

The Health Unit leases office space at its main office in Barrie and for its branch offices in Collingwood, Barrie, Midland, Cookstown, Huntsville, Gravenhurst and Orillia. These operating leases have varying expiry dates ranging from 2018 to the year 2028.

The minimum annual lease payments required over the next five years are as follows:

2018 - \$1,210,144	2021 - \$780,776
2019 - \$1,150,895	2022 - \$210,059
2020 - \$1,093,148	

The Health Unit has entered into a new lease agreement for a new facility in Midland that is currently being constructed. The lessor is financing the initial costs of constructing the Health Unit's portion of the facility in the amount of \$798,627. The lease includes a capital cost recovery rent in the amount of \$7,109 per month with interest at 1.35% and the Health Unit can make additional payments at any time. The Health Unit will pay an additional rent in the amount of \$1,830 per month to cover operational costs such as maintenance and utilities and this amount will be determined on an annual basis. The lease is for a term of ten years with an option by the Health Unit to renew for an additional ten years. The Health Unit expects to take occupancy of the new facility in September 2018. No amount has been included in the above future lease commitments with respect to this lease.

(b) Office equipment and vehicles

The Health Unit rents office equipment and leases vehicles under long-term operating leases which extend to the year 2020. The minimum annual payments over the next three years under the terms of these leases are as follows:

2018 - \$37,251	2020 - \$12,420
2019 - \$14,904	

**Simcoe Muskoka District Health Unit
Notes to the Financial Statements**

For the year ended December 31, 2017

15. Operating Grants - Ministry of Health and Long-Term Care

	<u>2017</u>	<u>2016</u>
Cost Shared Programs		
Public Health Program	\$ 20,701,000	\$ 20,701,000
Small Drinking Water Systems	156,500	156,500
Vector Borne Diseases Program (formerly West Nile Virus)	117,600	129,325
Meningococcal Program	89,607	46,691
HPV Program	93,237	70,839
Universal Influenza Immunization Program	1,645	1,355
One Time	-	12,453
	<u>21,159,589</u>	<u>21,118,163</u>
100% Funded Programs		
Healthy Smiles Ontario Program	2,184,000	2,097,606
Smoke Free Ontario Programs		
-Enforcement and Protection	518,900	518,900
-Youth Tobacco Use Prevention	80,000	80,000
-Tobacco Control Area Network Prevention	300,800	300,800
-Tobacco Control Area Network Coordination	285,800	285,800
-Tobacco Control Coordination	100,000	100,000
-Prosecution	5,984	4,876
-Electronic Cigarettes Act	84,400	108,800
-Expanded Smoking Cessation Programming	15,270	11,457
-One Time Enforcement Tablet Upgrade	-	3,600
Infectious Diseases Control Initiative	777,900	777,900
One Time (Including One Time Capital)	607,381	1,453
Harm Reduction Enhancement Program	250,000	-
Public Health Nurses Initiative	180,500	180,500
Panorama	134,900	155,300
Chief Nursing Officer Initiative	121,500	121,500
Medical Officers of Health Compensation	120,479	128,430
Enhanced Food Safety Haines Initiative Program	90,300	90,300
Infection Prevention and Control Nurses Initiative Program	90,100	90,100
Enhanced Safe Water Initiative	40,200	40,200
Anonymous HIV Testing Program	49,502	48,976
Needle Exchange Program Initiative	52,700	40,700
Public Health Inspector Practicum Program	10,000	10,000
Pharmacists Integration into the UIIP	-	68,000
Immunization of School Pupils Act	-	41,500
	<u>6,100,616</u>	<u>5,306,698</u>
	<u>\$ 27,260,205</u>	<u>\$ 26,424,861</u>

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

16. Pension Agreement

The Health Unit makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of 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 Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 482,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million (2016 - \$87,554 million) in respect of benefits accrued for service with actuarial assets at that date of \$89,028 million (2016 - \$81,834 million) indicating an actuarial deficit of \$5,403 million (2016 - \$5,720 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Health Unit does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the Health Unit to OMERS for 2017 were \$2,397,943 (2016 - \$2,382,352).

17. Liability for Vested Sick Leave Benefits

(a) Union employees

In 1988, the sick leave benefit plan covered by a union agreement was amended, removing the employees' entitlement to a cash payment for unused sick leave credits upon termination of employment. The amount accumulated up to the date of this amendment will be paid to those employees upon termination of employment with the Health Unit.

As at December 31, 2017, this unpaid balance amounted to \$1,271 (2016 - \$1,246) and no provision has been made for this liability in these financial statements. Payments made under this plan during the year amounted to \$NIL (2016 - \$NIL).

(b) Non-union employees

In 1981, the Health Unit discontinued its sick leave benefit plan under which non-union employees were entitled to a cash payment for unused sick leave credits upon termination of employment. Upon discontinuation of the plan, these employees were entitled to 50% of their unused sick leave credit, one-half of which was paid in 1981. The balance is due when the employee terminates employment with the Health Unit.

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

17. Liability for Vested Sick Leave Benefits (continued)

As at December 31, 2017, this unpaid balance amounted to \$9,750 (2016 - \$11,781) and no provision has been made for this liability in these financial statements. Payments made under this plan during the year amounted to \$2,387 (2016 - \$NIL).

No provision has been made in these financial statements to cover these unpaid balances. The provincial share of the unpaid balances are recoverable only after the actual disbursement of funds. A reserve fund has been established to provide for the municipal share of these unpaid balances and is reported on the statement of financial position (see note 9).

Anticipated payments over the next year approximate \$7,500.

18. Post-Employment Benefits and Compensated Absences Liability

The following tables outline the components of the Health Unit's post-employment benefits and compensated absences liabilities and related expenses.

	Post-employment Benefits	Non-vesting Sick Leave	Total 2017	Total 2016
Accrued benefit liability, beginning of year	\$ 803,995	\$ 837,852	\$ 1,641,847	\$ 1,623,642
Expense for the year (below)	109,417	221,423	330,840	319,860
Actuarial loss	217,569	257,946	475,515	521,089
Benefits paid	(99,284)	(194,223)	(293,507)	(301,655)
Accrued benefit obligation, end of year	1,031,697	1,122,998	2,154,695	2,162,936
Unamortized actuarial loss	(217,569)	(257,946)	(475,515)	(521,089)
Accrued benefit liability, end of year	\$ 814,128	\$ 865,052	\$ 1,679,180	\$ 1,641,847

	Post-employment Benefits	Non-vesting Sick Leave	Total 2017	Total 2016
Current year benefit cost	\$ 44,020	\$ 146,236	\$ 190,256	\$ 178,494
Interest on accrued benefit obligation	45,618	49,392	95,010	95,792
Amortized actuarial losses	19,779	25,795	45,574	45,574
Total expense	\$ 109,417	\$ 221,423	\$ 330,840	\$ 319,860

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

18. Post-Employment Benefits and Compensated Absences Liability (continued)

Post-Employment Benefits

The Health Unit offers post-employment life insurance, health and dental benefits to eligible employee groups subsequent to their retirement. The Health Unit contributes 50% towards the premiums for these benefits. The Health Unit recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation completed as at December 31, 2015. The actuarial loss of \$257,127 will be amortized over 13 years beginning in fiscal 2016, which is the estimated average remaining service life.

Non-Vesting Sick Leave

The Health Unit allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation completed as at December 31, 2015. The actuarial loss of \$309,536 will be amortized over 12 years beginning in fiscal 2016, which is the estimated average remaining service life.

The assumptions used in the valuation of post-employment benefits and compensated absences are the Health Unit's best estimates of expected rates of:

	<u>2017</u>	<u>2016</u>
Future cost of long term debt	4.50%	4.50%
Future inflation rates	2.00%	2.00%
Salaries escalation	3.00%	3.00%
Dental costs escalation	4.00%	4.00%

19. Economic Dependence

Substantially all of the Health Unit's revenue is received from the Ministry of Health and Long-Term Care and municipalities in its district. The continuation of the Health Unit is dependent on this funding.

Simcoe Muskoka District Health Unit Notes to the Financial Statements

For the year ended December 31, 2017

20. Expenses by Object

	2017	2016
Salaries, wages	\$ 24,836,769	\$ 24,612,386
Employee benefits	6,986,618	7,114,643
Occupancy	1,687,856	1,632,237
Medical and dental services	-	669,613
Information technology	705,961	541,797
Amortization	564,742	531,119
Program materials and supplies	546,643	513,897
Travel	474,273	477,318
Purchased services	349,053	272,556
Professional fees	277,722	232,616
Telecommunications	295,978	217,966
Postage and courier	121,535	136,769
Professional development	180,008	129,760
Office supplies	151,212	76,394
Advertising	66,671	43,128
Insurance	45,218	42,327
Equipment and maintenance	89,162	40,706
Board	39,174	28,779
Payroll and bank charges	18,388	18,926
	\$ 37,436,983	\$ 37,332,937

21. Budget

The budget adopted by the Health Unit was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statement of operations and change in net financial debt represent the budget adopted by the Health Unit with adjustments as follows:

Budgeted deficit for the year, as approved	\$ (196,089)
Add budgeted capital expenditures	-
Less amortization	(564,742)
Budgeted deficit per statement of operations	\$ (760,831)

Simcoe Muskoka District Health Unit
Schedule 1
Public Health Cost Shared Mandatory Program

For the year ended December 31	Budget 2017	Actual 2017	Actual 2016
Salaries, wages and benefits			
Salaries	\$ 19,425,042	\$ 18,702,229	\$ 18,690,816
Benefits	5,633,262	5,240,805	5,415,156
Total salaries, wages and benefits	25,058,304	23,943,034	24,105,972
Occupancy	1,570,000	1,623,046	1,574,321
Operating			
Advertising	10,000	66,671	42,665
Equipment and maintenance	60,000	89,162	40,706
Information technology	600,000	578,957	468,508
Office supplies	131,250	113,271	54,458
Postage and courier	128,500	121,535	136,769
Professional development	144,500	154,971	110,288
Program materials and supplies	238,000	247,182	173,380
Telecommunications	292,000	281,334	211,762
Travel	349,500	299,439	266,382
	1,953,750	1,952,522	1,504,918
Administration			
Board	30,000	39,174	28,779
Insurance	45,000	45,218	42,327
Payroll and bank charges	18,000	18,389	18,925
Professional services	170,000	263,532	226,405
	263,000	366,313	316,436
Total mandatory program expenses	\$ 28,845,054	\$ 27,884,915	\$ 27,501,647

**Simcoe Muskoka District Health Unit
Schedule 2
Other Public Health Programs**

For the year ended December 31	2017	2016
Healthy Babies, Healthy Children Program		
Salaries, wages and benefits		
Program staff and support staff	\$ 1,830,604	\$ 1,913,880
Benefits	531,190	554,958
	<hr/>	<hr/>
Total salaries, wages and benefits	2,361,794	2,468,838
Computer leasing	10,400	10,400
Equipment	7,940	4,534
Professional development	10,538	5,498
Professional services	5,000	1,336
Program materials and supplies	12,345	7,400
Travel	67,611	75,127
	<hr/>	<hr/>
	\$ 2,475,628	\$ 2,573,133
<hr/>		
Enhanced Safe Water Initiative		
Salaries	\$ 31,163	\$ 31,163
Benefits	9,037	9,037
	<hr/>	<hr/>
	\$ 40,200	\$ 40,200
<hr/>		
Vector Borne Diseases Program (formerly West Nile Virus)		
Salaries, wages and benefits		
Program staff and support staff	\$ 62,411	\$ 64,020
Benefits	13,524	14,087
	<hr/>	<hr/>
Total salaries, wages and benefits	75,935	78,107
Professional development	390	225
Program materials and supplies	4,176	4,691
Purchased services	17,717	11,050
Travel	6,473	6,384
	<hr/>	<hr/>
	104,691	100,457
Payments to municipalities for expenses incurred	56,146	53,983
	<hr/>	<hr/>
	\$ 160,837	\$ 154,440

Simcoe Muskoka District Health Unit
Schedule 2
Other Public Health Programs

For the year ended December 31	2017	2016
Enhanced Food Safety Haines Initiative Program		
Salaries	\$ 70,000	\$ 70,000
Benefits	20,300	20,300
	<u>\$ 90,300</u>	<u>\$ 90,300</u>
Public Health Nurses Initiative		
Salaries	\$ 139,922	\$ 139,922
Benefits	40,578	40,578
	<u>\$ 180,500</u>	<u>\$ 180,500</u>
Needle Exchange Program Initiative		
Program materials and supplies	\$ 52,700	\$ 40,700
Small Drinking Water Systems		
Salaries	\$ 159,576	\$ 154,062
Benefits	46,277	44,678
Purchased services	604	604
Travel	2,210	9,323
	<u>\$ 208,667</u>	<u>\$ 208,667</u>
Infectious Diseases Control Initiative		
Salaries	\$ 579,767	\$ 570,056
Benefits	168,133	165,316
Professional development	-	699
Program materials and supplies	30,000	30,529
Purchased services	-	2,314
Travel	-	8,986
	<u>\$ 777,900</u>	<u>\$ 777,900</u>
Ontario Dental Works Program		
Salaries	\$ -	\$ 132,785
Benefits	-	39,969
Dental fees	-	652,042
Other	-	1,772
	<u>\$ -</u>	<u>\$ 826,568</u>

**Simcoe Muskoka District Health Unit
Schedule 2
Other Public Health Programs**

For the year ended December 31	2017	2016
Anonymous HIV Testing Program		
Salaries, wages and benefits	\$ 49,502	\$ 48,976
Medical Officers of Health Compensation		
Salaries, wages and benefits	\$ 120,479	\$ 128,430
Healthy Smiles Ontario Program		
Salaries, wages and benefits		
Salaries	\$ 1,561,298	\$ 1,429,683
Benefits	452,777	412,318
Total salaries, wages and benefits	2,014,075	1,842,001
Purchased services	27,153	42,744
Equipment	48,986	43,066
Professional development	8,318	4,600
Program materials and supplies	148,808	110,175
Occupancy	64,810	57,917
Telephone	5,472	6,074
Travel	63,490	74,011
	\$ 2,381,112	\$ 2,180,588
Infection Prevention and Control Nurses Initiative Program		
Salaries	\$ 69,845	\$ 69,842
Benefits	20,255	20,258
	\$ 90,100	\$ 90,100
One Time (Including One Time Capital)		
Salaries, wages and benefits		
Salaries	\$ 153,197	\$ -
Benefits	42,975	-
Total salaries, wages and benefits	196,172	-
Purchased services	746	-
Equipment	20,231	13,142
Consulting	3,205	-
Technology	39,448	-
	\$ 259,802	\$ 13,142

**Simcoe Muskoka District Health Unit
Schedule 2
Other Public Health Programs**

For the year ended December 31	2017	2016
Immunization of School Pupils Act		
Salaries and wages	\$ -	\$ 31,462
Benefits	-	4,097
Program materials and supplies	-	5,478
Purchased services	-	463
	<u>\$ -</u>	<u>\$ 41,500</u>
Chief Nursing Officer Initiative		
Salaries and wages	\$ 94,186	\$ 94,186
Benefits	27,314	27,314
	<u>\$ 121,500</u>	<u>\$ 121,500</u>
Library Hub		
Salaries and wages	\$ 79,789	\$ 81,180
Benefits	23,139	23,542
Professional development	336	938
Program materials and supplies	26,340	27,153
Travel	703	652
	<u>\$ 130,307</u>	<u>\$ 133,465</u>
Panorama		
Salaries and wages	\$ 104,574	\$ 120,388
Benefits	30,326	34,912
	<u>\$ 134,900</u>	<u>\$ 155,300</u>
Public Health Inspector Practicum Program		
Salaries, wages and benefits	\$ 10,000	\$ 10,000
Harm Reduction Program Enhancement		
Salaries and wages	\$ 167,443	\$ -
Benefits	48,957	-
Other	33,600	-
	<u>\$ 250,000</u>	<u>\$ -</u>
Pharmacists Integration into the UIIP Program		
Salaries and wages	\$ -	\$ 51,163
Benefits	-	14,837
Travel	-	2,000
	<u>\$ -</u>	<u>\$ 68,000</u>

**Simcoe Muskoka District Health Unit
Schedule 2
Other Public Health Programs**

For the year ended December 31	2017	2016
<u>Smoke Free Ontario</u>		
Enforcement and Protection		
Salaries	\$ 368,117	\$ 372,286
Benefits	106,752	107,494
Program materials and supplies	4,273	1,678
Professional development	1,500	2,569
Purchased services	7,219	6,858
Travel	31,039	28,015
	<u>\$ 518,900</u>	<u>\$ 518,900</u>
Tobacco Control Area Network Coordination		
Salaries	\$ 221,550	\$ 221,187
Benefits	64,250	64,613
	<u>\$ 285,800</u>	<u>\$ 285,800</u>
Tobacco Control Coordination		
Salaries	\$ 77,521	\$ 77,519
Benefits	22,479	22,481
	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Youth Tobacco Use Prevention Program		
Salaries	\$ 58,974	\$ 57,941
Benefits	17,102	16,803
Program materials and supplies	2,649	2,496
Purchased services	909	2,081
Travel	366	679
	<u>\$ 80,000</u>	<u>\$ 80,000</u>

**Simcoe Muskoka District Health Unit
Schedule 2
Other Public Health Programs**

For the year ended December 31	2017	2016
Smoke Free Ontario (continued)		
Tobacco Control Area Network Prevention		
Salaries	\$ 54,545	\$ 51,412
Benefits	10,110	10,607
Program materials and supplies	43,564	119,326
Professional development	3,955	4,944
Purchased services	185,685	109,888
Travel	2,941	4,623
	<u>\$ 300,800</u>	<u>\$ 300,800</u>
Prosecution		
Prosecution	\$ 5,983	\$ 4,876
Electronic Cigarettes Act		
Salaries and wages	\$ 42,171	\$ 58,208
Benefits	12,229	16,880
Services	-	32,577
Travel	-	1,135
	<u>\$ 54,400</u>	<u>\$ 108,800</u>
Electronic Cigarettes Act: TCAN One Time		
Salaries and wages	\$ 21,304	\$ -
Benefits	6,178	-
Program materials and supplies	1,985	-
Travel	533	-
	<u>\$ 30,000</u>	<u>\$ -</u>
Expanded Smoking Cessation Programming for Priority Populations		
Program materials and supplies	\$ 15,270	\$ 11,457
Enforcement Tablet Upgrade		
Program materials and supplies	\$ -	\$ 3,600