

FINANCE COMMITTEE MEETING

Wednesday, April 20, 2022

1:30 p.m. – 3:00 p.m.

**Hastings Prince Edward Public Health
Virtual via Zoom**

If you are **unable to attend**, and have not already done so,
please arrange for your alternate to attend and advise
Debbie Skalba at dskalba@hpeph.ca.

Thank you!

Hastings Prince Edward Public Health 2019 - 2023 Strategic Plan

Our Vision

**Healthy Communities,
Healthy People.**

Our Mission

**Together with our communities,
we help people become as
healthy as they can be.**

Our Values Show We CARE



Collaboration



Advocacy



Respect



Excellence

Our Strategic Priorities



**Community
Engagement**



**Staff
Engagement
and Culture**



**Population Health
Assessment and
Surveillance**



**Program
Standards**



**Health
Promotion**



FINANCE COMMITTEE MEETING A G E N D A

Wednesday, April 20, 2022

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**
- 4. APPROVAL OF THE AGENDA**
- 5. APPROVAL OF MINUTES OF PREVIOUS MEETING**
5.1 Meeting Minutes dated February 23, 2022 [Schedule 5.1](#)
- 6. BUSINESS ARISING FROM MINUTES**
- 7. NEW BUSINESS**
 - 7.1 First Quarter Report and Year-to-Date Results [Schedule 7.1](#)
 - 7.2 Audit Findings Report [Schedule 7.2 a.](#)
 - 7.2 Draft Audited Financial Statements [Schedule 7.2 b.](#)
 - 7.3 Updated Board Financial Policy Package [Schedule 7.3](#)
 - 7.4 2023 Municipal Levy-Impact without Mitigation Funding [Schedule 7.4](#)
 - 7.5 Draft Letter to Ministry [Schedule 7.5](#)
- 8. DATE OF NEXT MEETING**
Wednesday, September 21, 2022 at 1:30 p.m.
- 9. ADJOURNMENT**



FINANCE COMMITTEE MEETING MINUTES

Wednesday, February 23, 2022 at 1:30 p.m.
Hastings Prince Edward Public Health
Virtual Via ZOOM

Present: Ms. Jo-Anne Albert, Mayor, Municipality of Tweed, County of Hastings, Board Chair
Mr. Stewart Bailey, Councillor, County of Prince Edward
Mr. Terry Cassidy, Councillor, City of Quinte West
Mr. Bill Sandison, Councillor, City of Belleville
Dr. Craig Ervine, Provincial Appointee

Also Present: Dr. Ethan Toumishey, Acting Medical Officer of Health and CEO
Ms. Valerie Dunham, Director of Corporate Services/Associate CEO
Ms. Shelly Brown, Director of Community Programs
Ms. Amy Rankin, Manager, Finance
Ms. Catherine Lovell, Executive Assistant

1. **CALL TO ORDER**

Meeting was called to order at 1:30 p.m. by Board Chair Albert.

2. **ROLL CALL**

3. **DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF - None**

4. **ELECTION OF CHAIRPERSON**

Chair Albert called for nominations. Councillor Bailey nominated Councillor Cassidy. Councillor Cassidy declined the appointment. Chair Albert called for other nominations. Councillor Bailey nominated Councillor Sandison. There were no other nominations, and no one was against. Councillor Sandison accepted the nomination as Chair of the Finance Committee and took over the meeting.

5. **APPROVAL OF THE AGENDA**

THAT the agenda for the Finance Committee held on February 23, 2022 be approved as circulated.

MOTION:

Moved by: Jo-Anne

Seconded by: Stewart

CARRIED

6. APPROVAL OF MINUTES OF PREVIOUS MEETING - November 24, 2021

THAT the minutes of meeting held on November 24, 2021 be approved as circulated.

MOTION:

Moved by: Terry

Seconded by: Stewart

CARRIED

7. BUSINESS ARISING FROM MINUTES**8. NEW BUSINESS****8.1 Fourth Quarter Summary**

THAT the Finance Committee receive the report as presented and recommend submitting it to the Board of Health for receipt at its next meeting.

MOTION:

Moved by: Jo-Anne

Seconded by: Craig

CARRIED

Val Dunham reviewed some of the highlights in the briefing note. Discussion followed.

8.2 Annual Service Plan for 2022

THAT the Finance Committee receive the report as presented and recommend submitting it to the Board of Health for approval at its next meeting.

MOTION:

Moved by: Terry

Seconded by: Stewart

CARRIED

Val noted the Annual Service Plan (ASP) is still a work in progress as the final figures have not yet been calculated. The ASP is due on March 1 so Val will have final figures available for the Board meeting. It was noted we are asking for a 25% increase in oral health funding as that program is severely underfunded. Discussion ensued.

8.3 Population Figures and Levy Calculation

THAT the Finance Committee receive the report as presented and recommend submitting it to the Board of Health to develop and implement a policy outlining that updated population figures released in the Statistics Canada Population Census become effective the January following the release of the population figures at its next meeting.

MOTION:

Moved by: Terry

Seconded by: Craig

CARRIED

Val discussed the briefing note and the municipal levy calculations. Discussion followed.

8.4 Update on Mobile Dental Clinic

THAT the Finance Committee receive the report as presented.

MOTION:

Moved by: Jo-Anne

Seconded by: Stewart

CARRIED

Val noted that one of the vans has been serialized, which is what is needed to get it into production, but there is no information regarding the second van. The funding for these vans has been extended.

8.5 Municipal Levy Calculations for 2023

Val introduced this topic noting that if mitigation funding is terminated there will be a loss of \$1.1 million from the Province.

The difference between the actual levy from the municipalities of \$3.984M and the mitigation funding of \$3.491M is \$492,000. This amount does not include the \$260,000 that goes into the building fund. It was recommended there be a detailed discussion about the municipal levy at the next Committee meeting. The potential variances for the municipalities are as follows:

Prince Edward County - \$75,000 increase

Quinte West - \$136,000 increase

Hastings County - \$121,000 increase

City of Belleville - \$161,000 increase

10. DATE OF NEXT MEETING

- ♦ Wednesday, April 20, 2022 at 1:30 pm

11. ADJOURNMENT

That the Finance Committee meeting be adjourned at 2:40 p.m.

MOTION:

Moved by: Stewart

Seconded by: Craig

CARRIED

Bill Sandison, Finance Committee Chair

Finance Committee - Briefing Note

To:	Hastings Prince Edward Board of Health
Prepared by:	Valerie Dunham, Director of Corporate Services/Associate CEO
Reviewed by:	Dr. Ethan Toumishey, Acting Medical Officer of Health
Date:	Wednesday, April 20, 2022
Subject:	First Quarter Report
Nature of Board Engagement (If compliance issue, background must include a reference to requirement)	<input checked="" type="checkbox"/> For Information <input type="checkbox"/> Strategic Discussion <input type="checkbox"/> Board approval and motion required <input checked="" type="checkbox"/> Compliance with Accountability Framework <input type="checkbox"/> Compliance with Program Standards
Action Required: Include recommendations and options	Review and discussion of Expense Summary report for the period January – March, 2022.
Background:	<p><u>Expense Summary, Jan – March 31, 2022</u></p> <p>The summary of revenues and expenses for the first quarter of the year, January – March 2022 is attached. Highlights include:</p> <ul style="list-style-type: none"> • Mandatory programs include all expenses related to mandatory programs and COVID related costs. COVID vaccine expenses and case and contact management will be reallocated when confirmation of one-time funding is received. • Ministry of Health one-time grants include the School Focused Nursing program and MOH Compensation Grant. • Seniors Dental program expenses continue to be in excess of the base budget. Based on first quarter results, services will need to be discontinued in the fall if additional funds are not secured. • Overall deficit balance of \$54,000 will be adjusted as anticipated one-time funding is confirmed. • Accountability agreement for 2022 should be received by April 30, 2022
Recommendation:	No recommendation required; sharing for information purposes.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Schedule 7.1

Summary of Revenues & Expenses for the period January 1 - March 31, 2022

For Finance Committee Review April 20, 2022

	Ministry of Health Accountability Agreement			Other Grants and Contracts			Totals and Budget Analysis			
	Mandatory Programs	100% Seniors Dental Program	TOTAL Ministry of Health Programs	Ministry of Health Annual and one time Grants	HBHC (April-March)	Federal Grants (April-March)	YEAR TO DATE TOTAL	ANNUAL BUDGET	YTD Budget Variance	YTD Actuals as % of budget (3/12 = 25%)
REVENUES										
Ministry of Health Mandatory and 100% Programs	2,301,175	232,825	2,534,000				2,534,000	10,136,000	7,602,000	25%
Ministry of Health Annual and one time grants			0	223,791			223,791	2,143,400	1,919,609	10%
Ministry of Health Mitigation Funding	280,000		280,000				280,000	1,120,000	840,000	25%
Municipal Levies	872,385		872,385				872,385	3,491,385	2,619,000	25%
Ministry of Children, Community & Social Services			0		265,725		265,725	1,160,543	894,818	23%
Federal Grants			0			56,688	56,688	128,988	72,300	44%
Expenditure Recoveries	7,198	34	7,232				7,232	138,700	131,468	5%
Transfer from Reserves			0				0	300,000	300,000	0%
Total Revenues	3,460,758	232,859	3,693,617	223,791	265,725	56,688	4,239,821	18,619,016	14,379,195	23%
EXPENSES										
Salaries and Wages	2,143,768	59,852	2,203,621	153,250	200,431	48,660	2,605,961	11,895,016	9,289,055	22%
Staff Benefits	657,493	17,379	674,872	43,023	61,582	4,253	783,731	3,210,000	2,426,269	24%
Staff Training	11,778		11,778				11,778	159,000	147,222	7%
Travel Expenses	8,749		8,749		676	110	9,535	178,000	168,465	5%
Building Occupancy	274,377	7,600	281,977				281,977	1,041,000	759,023	27%
Office Expenses, Printing, Postage	5,153		5,153				5,153	75,000	69,847	7%
Materials, Supplies	22,532	6,046	28,578		36	3,665	32,279	442,000	409,721	7%
Professional & Purchased Services	155,705	152,867	308,572				308,572	771,000	462,428	40%
Communications Costs	33,867	875	34,742				34,742	139,000	104,258	25%
Information Technology	145,969	6,129	152,097		3,000		155,097	374,000	218,903	41%
Capital Expenditures	65,000		65,000				65,000	335,000	270,000	0%
Total Expenses	3,524,391	250,748	3,775,139	196,272	265,725	56,688	4,293,824	18,619,016	14,325,192	23%
VARIANCE	(63,633)	(17,889)	(81,522)	27,519	0	0	(54,003)	0	(54,003)	

Finance Committee - Briefing Note

To:	Hastings Prince Edward Board of Health
Prepared by:	Valerie Dunham, Director of Corporate Services/Associate CEO
Reviewed by:	Dr. Ethan Toumishey, Acting Medical Officer of Health
Date:	Wednesday, April 20, 2022
Subject:	Audited Financial Statements
Nature of Board Engagement (If compliance issue, background must include a reference to requirement)	<input checked="" type="checkbox"/> For Information <input type="checkbox"/> Strategic Discussion <input checked="" type="checkbox"/> Board approval and motion required <input checked="" type="checkbox"/> Compliance with Accountability Framework <input type="checkbox"/> Compliance with Program Standards
Action Required: Include recommendations and options	<p>Review and discussion of audited financial statements with recommendation for approval by Board of Health on May 4, 2022.</p> <p>Review and discussion of Audit Findings Report.</p>
Background:	<p><u>Audited Financial Statements</u></p> <p>During 2021, the City of Belleville conducted an RFP process to select an audit team for the next 5 years. The contract was awarded to KPMG LLP, based in Kingston and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International. This decision led to a transition from our former auditor Welch LLP.</p> <p>With a new audit team in place, the approach has been substantially different than in previous years and, for both parties, required a learning curve as the transition occurred over the past few months. Katie Mahon is a Senior Manager with KPMG and will be attending the Finance Committee meeting and presenting highlights of the attached statements and audit process. Lori Huber, Managing Partner may also attend. KPMG has prepared an Audit Findings Report for review and discussion at the Finance Committee.</p> <p>As per the HPEPH Accounting Practices policy, the Finance Committee will review allocations to municipal reserves during the meeting including the building and operating fund.</p>
Recommendation:	<p>Review and accept Audit Findings Report</p> <p>Review Audited Financial Statements and recommend for approval at the Board of Health meeting on May 4, 2022.</p>

Hastings Prince Edward Public Health

Audit Findings Report
for the year ended December 31, 2021

KPMG LLP

Prepared on April 7, 2022 for the Finance Committee
meeting on April 20, 2022

kpmg.ca/audit



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KPMG contacts

The contacts at KPMG in connection with this report are:



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Our refreshed Values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning and improving.



Courage

We think and act boldly.



Together

We respect each other and draw strength from our differences.



For Better

We do what matters.

Audit highlights

Purpose of this report¹

The purpose of this report is to assist you, as a member of the Finance Committee, in your review of the results of our audit of the financial statements of Hastings Prince Edward Public Health (the "Organization") as at and for the period ended December 31, 2021.

External auditor transition

We have worked closely with management to ensure a seamless transition of the external audit relationship including audit processes and methodology.

Status of the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completion of our subsequent events review procedures up to the date of our auditors' report;
- Completing our discussions with the Finance Committee;
- Obtaining evidence of the Board of Director's approval of the financial statements; and
- Receipt of the signed management representation letter.

We will update the Finance Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report, a draft of which is provided in Appendix 1, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

There have been no significant changes from our audit plan.

Significant risks and other significant matters

There are no significant findings to communicate related to significant risks or other significant matters.

Uncorrected audit misstatements

Professional standards require that we request of management and the Finance Committee that all identified audit misstatements be corrected. We have already made this request of management.

See page 5.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Independence

We are independent with respect to the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements.

¹ This report to the Finance Committee is intended solely for the information and use of Management, the Finance Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Materiality

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality (e.g., performance materiality or, in the case of a group audit, component materiality).

Materiality determination	Comments	Group amount
Metrics	Relevant metrics included total expenses, total revenue and accumulated surplus	
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.	\$400,000
Benchmark	Based on total expenses for the year ended December 31, 2020.	\$16,000,000
% of Benchmark	An acceptable range for the benchmark is between 0.5%-3%.	2.5%
Performance Materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures.	\$300,000
Audit Misstatement Posting Threshold (AMPT)	Set at 5% of materiality, threshold used to accumulate misstatements identified during the audit.	\$20,000

We report to the Finance Committee:



Corrected audit misstatements



Uncorrected audit misstatements

Audit risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the audit plan, as well as any additional significant risks identified.

Significant financial reporting risk	New or changed?	Estimate?
Presumption of the risk of fraud from management override of controls	No	No
Our response <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>We took the following steps to address this risk as required under professional standards:</p> <ul style="list-style-type: none"> — Evaluated the design and implementation of controls surrounding journal entries and other adjustments; — Determined criteria to identify high-risk journal entries and other adjustments; and — Tested high-risk journal entries and other adjustments made at the end of the reporting period. 		
Significant findings <p>We did not uncover any issues during performance of the procedures described above.</p>		

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

Refer to Appendix 1 for a summary of uncorrected audit misstatements.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditors' report.

Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Refer to Appendix 1 for a summary of the corrected audit misstatements.

Control deficiencies

Consideration of internal control over financial reporting

A significant deficiency in internal control over financial reporting (“ICFR”) is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

In planning and performing our audit, we considered ICFR relevant to the Organization’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

Significant deficiencies in internal control over financial reporting

We did not identify any significant deficiencies in internal control over financial reporting.

Control deficiencies (continued)

Other observations

Other control deficiencies may be identified during the audit that do not rise to the level of significant deficiency. Through the course of our audit procedures, we made the following observations:

Description	Observation and potential effect
Review of bank reconciliations and journal entries	<p>We noted that bank reconciliations and journal entries are not reviewed on a regular basis.</p> <p>We recommend that bank reconciliations and journal entries are reviewed on a monthly basis to ensure adequate internal controls are present in each of these key areas related to financial reporting.</p>
Differences between sub-ledgers and general ledger	<p>During our review of the year-end bank reconciliation, accounts receivable sub-ledger and accounts payable sub-ledger, we noted there were minimal differences between these reports and what was recorded in the general ledger.</p> <p>Although the differences are immaterial, we recommend that adjustments be made to ensure these balances agree in the fiscal 2022 year.</p>
Capital asset policy	<p>During the audit, we noted that the Organization does not have a formal capital asset policy.</p> <p>We recommend that a policy be developed and approved by the Board of Directors. This will lead to improved consistency and simplification of the financial reporting process related to tangible capital assets.</p>

Financial statement presentation and disclosure

Misstatements, including omissions, if any, related to presentation and disclosure items are in the management representation letter.

We also highlight the following:

Financial statement presentation - form, arrangement, and content	We believe the financial statement presentation and disclosures are adequate.
Significant qualitative aspects of financial statement presentation and disclosure	Nothing to report.

Significant accounting policies and practices



Initial selections

There were no new significant accounting policies and practices that were selected and applied during the period:



Changes

There were no changes to significant accounting policies and practices. As a result, there was no impact on the financial statements.



Future Implementation

Accounting pronouncements issued but not yet effective have not been disclosed in the notes to the financial statements. However, the most significant pronouncement in the near term relates to Asset Retirement Obligations (“AROs”) that will be applicable for fiscal 2023. We will be available to provide the Organization the assistance they may require, to properly implement this new accounting standard, that will significantly impact government organizations.



Significant qualitative aspects of the Organization’s accounting policies and practices

There are no items to report.

Appendices

Content

Appendix 1: Other required communications

Appendix 2: How do we deliver audit quality?

Appendix 3: Technology in the audit

Appendix 4: Audit and assurance insights



Appendix 1: Other required communications

Auditors' Report	Representations of management
<p>The conclusion of our audit is set out in our draft auditors' report as attached.</p>	<p>In accordance with professional standards, a copy of the management representation letter is provided to the Finance Committee. The management representation letter is attached for your review.</p>
Audit Quality in Canada	
<p>The reports available through the following links were published by the Canadian Public Accountability Board to inform Finance Committees and other stakeholders about the results of quality inspections conducted over the past year:</p> <ul style="list-style-type: none"> • <u>CPAB Audit Quality Insights Report: 2021 Interim Inspections Results</u> • <u>CPAB Audit Quality Insights Report: 2020 Annual Inspections Results</u> 	

Draft auditors' report

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Hastings Prince Edward Public Health

Opinion

We have audited the financial statements of Hastings Prince Edward Public Health (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial liabilities for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations 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 '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 5, 2021.

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

Management is responsible for the preparation and fair presentation of the 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- 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
Kingston, Canada
Date

Draft management representation letter

KPMG LLP
Chartered Professional Accountants
863 Princess Street, Suite 400
Kingston, Ontario K7L 5N4
Canada

May 4, 2022

We are writing at your request to confirm our understanding that your review was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Hastings Prince Edward Public Health (“the Entity”) as at and for the period ended December 31, 2021.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated March 1, 2022, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
 - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 12) We approve the corrected misstatements identified by you during the audit described in **Attachment III**.

Non-SEC registrants or non-reporting issuers:

- 13) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 14) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

HASTINGS PRINCE EDWARD PUBLIC HEALTH

By: Ms. Valerie Dunham, Director of Administration

By: Ms. Amy Rankin, Finance Manager, Corporate Services

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedules

Summary of uncorrected misstatements:

<u>Description</u>	<u>Statement of Financial Position</u> <u>effect¹</u>			<u>Statement of</u> <u>Operations and</u> <u>Accumulated</u> <u>Surplus effect¹</u>
	<u>Assets</u> \$	<u>Liabilities</u> \$	<u>Accumulated</u> <u>Surplus</u> \$	\$
Audit misstatements greater than \$20,000 individually				
Dr. Accumulated surplus	-	-	63,821	-
Cr. Professional and purchased services	-	-	(63,821)	(63,821)
To record the 2021 impact of the 2020 uncorrected difference resulting from the prepaid expense of IT contract				
Dr. Benefits	-	-	99,208	99,208
Cr. Accumulated surplus	-	-	(99,208)	-
To record the 2021 impact of the 2020 uncorrected difference resulting from under accrual of vacation				
TOTAL UNCORRECTED AUDIT MISSTATEMENTS	-	-	-	(35,387)

Attachment III – Summary of Audit Misstatements Schedules

Summary of corrected misstatements:

<u>Description</u>	<u>Statement of Financial Position</u> <u>effect¹</u>			<u>Statement of Operations and</u> <u>Accumulated</u> <u>Surplus effect¹</u>
	<u>Assets</u> \$	<u>Liabilities</u> \$	<u>Accumulated Surplus</u> \$	
Audit misstatements greater than \$20,000 individually				
Dr. Building Occupancy	-	-	530	530
Cr. Account payable and accrued liabilities	-	(530)	-	-
To correct debit balance in accounts payable				
Dr. Benefits	-	-	76,501	76,501
Cr. Account payable and accrued liabilities	-	(76,501)	-	-
To correct OMERs entry				
Dr. Benefits	-	-	130,640	130,640
Cr. Account payable and accrued liabilities	-	(130,640)	-	-
To correct vacation and frozen sick leaves				
TOTAL CORRECTED AUDIT MISSTATEMENTS	-	(207,671)	207,671	207,671

¹ Debit (Credit)



Appendix 2: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

‘Perform quality engagements’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define **‘audit quality’** as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Visit our [Resources](#) page for more information.

Doing the right thing. Always.

Appendix 3: Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

Technology	Areas of the audit where Advance Technology routines were used	Insights
KPMG Clara for Clients (“KCfc”)	We utilized our online data transfer site; allowing us to track, update and share electronic information securely and efficiently.	Enabled the audit team and management to complete the audit remotely with minimal disruption.
Journal Entry Analysis	<p>We utilized KPMG application software (IDEA) to evaluate the completeness of the journal entry population through a roll-forward of all accounts.</p> <p>We utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.</p>	There were no issues or anomalies identified as a result of the performance of these procedures.

Appendix 4: Audit and assurance insights

Our latest thinking on the issues that matter most to Finance Committees, Boards and Management.

Featured insight	Summary	Reference
Accelerate 2022	The key issues driving the audit committee agenda in 2022	Learn more
Audit Committee Guide – Canadian Edition	A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada	Learn more
Unleashing the positive in net zero	Real solutions for a sustainable and responsible future	Learn more
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards.	Learn more
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	Learn more
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	Learn more
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	Learn more
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	Sign-up now
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	Learn more
KPMG Learning Academy	Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.	Learn more



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KPMG member firms around the world have 227,000 professionals, in 146 countries.



Financial Statements of

**HASTINGS PRINCE EDWARD
PUBLIC HEALTH**

Year ended December 31, 2021

DRAFT

HASTINGS PRINCE EDWARD PUBLIC HEALTH

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Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Hastings Prince Edward Public Health

Opinion

We have audited the financial statements of Hastings Prince Edward Public Health (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial liabilities for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations 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 '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 5, 2021.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity's internal control.

Page 3

- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.
- 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

Kingston, Canada

May 4, 2022

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Statement of Financial Position

As at December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 6,015,921	\$ 4,402,960
Due from Province of Ontario	35,064	553,696
Accounts receivable	203,095	175,525
	6,254,080	5,132,181
Financial liabilities:		
Accounts payable and accrued liabilities	1,139,210	1,331,872
Due to Province of Ontario	442,621	211,529
Deferred revenue	668,392	202,420
Mortgage payable (note 8)	6,777,691	7,025,373
	9,027,914	8,771,194
	(2,773,834)	(3,639,013)
Non-financial assets:		
Tangible capital assets (note 12)	10,271,757	10,614,326
Prepaid expenses	87,160	196,643
	10,358,917	10,810,969
Commitments (note 4)		
Economic dependence (note 5)		
Accumulated surplus (note 11)	\$ 7,585,083	\$ 7,171,956

See accompanying notes to financial statements.

On behalf of the Board:

____ Member

____ Member

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 10)	Actual 2021	Actual 2020
Revenue:			
Provincial funding	\$ 13,118,043	\$ 15,318,706	\$ 13,071,566
Municipal levies	3,439,788	3,439,788	3,388,953
Federal funding	128,988	104,489	144,638
Interest earned	10,000	29,501	43,358
Expense recoveries (note 7)	88,000	29,059	202,243
Other revenue	237,181	23,826	12,337
	17,022,000	18,945,369	16,863,095
Expenses:			
Salaries	10,758,000	12,130,478	10,439,218
Benefits	2,920,000	3,154,320	2,683,595
Staff training	120,000	59,844	46,224
Travel	214,000	121,249	109,920
Building occupancy (note 8)	1,008,000	786,909	783,546
Office and administration	621,000	558,649	543,589
Program supplies	751,000	470,168	755,252
Professional and purchased services	630,000	860,601	410,676
Amortization	—	390,024	412,469
	17,022,000	18,532,242	16,184,489
Annual surplus	—	413,127	678,606
Accumulated surplus, beginning of year	—	7,171,956	6,493,350
Accumulated surplus, end of year	\$ —	\$ 7,585,083	\$ 7,171,956

See accompanying notes to financial statements.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Statement of Changes in Net Financial Liabilities

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 10)	Actual 2021	Actual 2020
Annual surplus	\$ —	\$ 413,127	\$ 678,606
Acquisition of tangible capital assets	—	(47,455)	(267,880)
Amortization of tangible capital assets	—	390,024	412,469
Change in prepaid expenses	—	109,483	(114,179)
Net decrease in net financial liabilities	—	865,179	709,016
Net financial liabilities at beginning of year	—	(3,639,013)	(4,348,029)
Net financial liabilities at end of year	\$ —	\$ (2,773,834)	\$ (3,639,013)

See accompanying notes to financial statements.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 413,127	\$ 678,606
Amortization, which does not involve cash	390,024	412,469
Change in non-cash assets and liabilities:		
Accounts receivable	(27,571)	46,115
Due from Province of Ontario	518,632	(405,856)
Accounts payable and accrued liabilities	(192,661)	133,850
Due to Province of Ontario	231,092	19,836
Deferred revenue	465,972	111,100
Prepaid expenses	109,483	(114,179)
	1,908,098	881,941
Capital activities:		
Purchase of tangible capital assets	(47,455)	(267,880)
Financing activities:		
Principal repayments on mortgage payable	(247,682)	(237,726)
Increase in cash	1,612,961	376,335
Cash, beginning of year	4,402,960	4,026,625
Cash, end of year	\$ 6,015,921	\$ 4,402,960

See accompanying notes to financial statements.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements

Year ended December 31, 2021

Hastings Prince Edward Public Health (the "Health Unit") is governed by the Ontario Board of Public Health as mandated by the Health Protection and Promotion Act for the purposes of promoting and protecting public health.

1. Significant accounting policies:

The financial statements of the Health Unit are the representation of management prepared in accordance with accounting policies prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for local governments and their boards. Significant aspects of the accounting policies adopted by the Health Unit are as follows:

(a) Basis of accounting:

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenses in the period the goods and services are acquired and a liability is incurred or transfers are due.

Provincial funding received from the Ministry of Health and the Ministry of Children, Community & Social Services (collectively the "Ministries") are subject to annual final reviews and approval by the Ministries. Any adjustments resulting from the review will be reflected in the year of Ministry approvals as an adjustment to provincial funding revenue on the Statement of Operations and Accumulated Surplus.

(b) Deferred revenue:

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

(c) Government transfers:

Government transfers received relate to health programs. Transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized and eligibility criteria have been met and reasonable estimates of the amounts can be made.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	40 years
Vehicles	5 years
Communication systems	5 years
Office equipment	5 years
Computer equipment	5 years
Signage	5 years
Leasehold improvements	remaining term of lease

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

When conditions indicate that a tangible capital asset no longer contributes to the Health Unit's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential.

The resulting net adjustment would be reported as an expense on the Statement of Operations and Accumulated Surplus, however, no adjustments were recorded in the current year.

(f) Pension benefits:

The Health Unit accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Pension agreement:

The Health Unit makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), a multi-employer plan. The plan is a contributory 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.

OMERS is a multi-employer plan, therefore, 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. The last available report for the OMERS plan was December 31, 2021. At that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit).

The amount contributed to OMERS for current services in 2021 was \$986,031 (2020 - \$969,740) and is included as an expense on the Statement of Operations and Accumulated Surplus.

3. Liability for vested sick leave benefits:

Under the previous sick leave benefit plan, unused sick leave could be accumulated, and employees could become entitled to a cash payment when they leave the Health Unit's employment.

In 1988, the Health Unit introduced an employee benefit package which includes short and long term disability insurance. As part of the package, the accumulated sick leave days were frozen at the levels existing at the date of implementation of the plan.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amount to \$4,859 (2020 - \$4,747) and are included in accounts payable and accrued liabilities on the Statement of Financial Position.

4. Commitments:

The Health Unit leases office accommodation in Picton, Trenton and Bancroft and also leases office equipment. The future minimum lease payments are as follows:

2022	\$	101,805
2023		8,308
	\$	110,113

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Commitments (continued):

In addition to the above, the Health Unit has an outstanding contract for the purchase of two mobile dental clinics in the amount of \$675,698 plus taxes. Of this amount, \$550,000 plus taxes remains outstanding at December 31, 2021. The Ontario government has provided funding for the costs of these mobile clinics, which is included as a component of deferred revenue on the Statement of Financial Position.

5. Economic dependence:

The majority of the revenue of the Health Unit is provided by the Province of Ontario and by four funding municipalities. The Province of Ontario funds 70% (2020 - 70%) of mandated public health programs while the Counties of Hastings and Prince Edward and the Cities of Belleville and Quinte West combine to fund the remaining 30% (2020 - 30%). In fiscal 2021, the Province of Ontario provided mitigation funding in the amount of \$1,120,000 (2020 - \$1,120,000) to reduce the impact of the 2019 funding change. Mitigation funding will continue for the 2022 fiscal year and will be discontinued in fiscal 2023.

6. Reserves:

The Health Unit has established reserves as follows:

The capital reserve is restricted to building replacement, expansion, renovations or major repairs.

	2021	2020
Capital reserve, beginning of year	\$ 1,989,035	\$ 1,709,615
Revenues for year – schedule 1	272,587	279,420
Capital reserve, end of year	2,261,622	1,989,035
HBHC reserve	45,859	45,859
Total reserves	\$ 2,307,481	\$ 2,034,894

The Health Babies Healthy Children (“HBHC”) reserve is restricted to fund future costs of the program in excess of provincial funding. There were no changes to the HBHC reserve during the year.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Expense recoveries:

Expense recoveries consist of:

	2021	2020
Provincial reimbursement of clinic costs	\$ 17,102	\$ 14,781
Program recoveries	1,232	61,459
Sexual health clinics	566	6,683
Nicotine replacement clinics	4,515	11,020
Tuberculosis testing	—	5,896
Seniors dental	2,408	—
Other	3,236	102,404
	\$ 29,059	\$ 202,243

8. Mortgage payable:

Mortgage payable consists of the following:

	2021	2020
Bankers acceptance, interest at Canadian Imperial Bank of Commerce BA rate at time of renewal plus 0.48% per annum acceptance fee. Interest is fixed with an interest rate swap agreement at 4.11%. Interest paid in advance at time of renewal with an adjustment at next monthly renewal to swapped rate. Principal is reduced each monthly renewal based on a blended monthly payment of principal and interest of \$44,316. Remaining balances due January 2040.	\$ 6,777,691	\$ 7,025,373

The mortgage is secured by a general security agreement creating a first ranking security interest in all personal property of the Health Unit and a first mortgage over the property located at 179 North Park Street, Belleville, Ontario.

Interest expense of \$283,823 (2020 - \$285,187) is included in building occupancy on the Statement of Operations and Accumulated Surplus.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Mortgage payable (continued):

Future principal repayments are estimated to be as follows:

2022	\$	258,056
2023		268,864
2024		280,125
2025		291,857
2026		304,081
Thereafter		5,374,708
	\$	6,777,691

9. Interest rate swap agreement:

The Health Unit entered into an interest rate swap agreement on March 5, 2014, effective January 2, 2015, which fixes the long-term interest rates associated with the mortgage payable. Under this agreement, the Health Unit pays interest on the notional principal at a fixed rate, and receives interest on the same notional principal at a variable rate based on Bankers' Acceptance rates. At the December 2021 renewal, the interest rate including stamping fee on the Bankers' Acceptance was 1.29% . There is no exposure to loss on the notional principal amount since the amount is netted by agreement; however, as interest rates fluctuates, the fair value of the swap rises and falls.

Under the swap agreement, the Health Unit pays a fixed rate of 4.11% per annum on the notional principal. As at December 31, 2021, the notional principal of this agreement was \$6,777,691 (2020 - \$7,025,373) with the notional principal being reduced monthly in a systematic manner until the contract matures on January 3, 2040.

10. Budget:

The Board of Health approved the budget for 2021 with a municipal levy of \$3,439,788 on December 2, 2020. During the year, the Health Unit entered into additional program agreements or amendments to program agreements. The budgets of these program changes are not reflected in the budget amounts presented.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Accumulated surplus:

Accumulated surplus consists of:

	2021	2020
Tangible capital assets	\$ 10,271,757	\$ 10,614,326
Mortgage payable	(6,777,691)	(7,025,373)
	3,494,066	3,588,953
Reserves (note 6)	2,307,481	2,034,894
Unrestricted surplus	1,783,536	1,548,109
	\$ 7,585,083	\$ 7,171,956

	2021	2020
Unrestricted surplus, beginning of year	\$ 1,548,109	\$ 1,242,060
Annual surplus	413,127	678,606
	1,961,236	1,920,666
Change – tangible capital assets	342,569	144,589
Principal repayments in year	(247,682)	(237,726)
Capital reserve net revenues	(272,587)	(279,420)
Unrestricted surplus, end of year	\$ 1,783,536	\$ 1,548,109

12. Tangible capital assets:

Cost	Balance at December 31, 2020	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2021
Land	\$ 81,814	\$ –	\$ –	\$ 81,814
Buildings and site improvements	11,797,074	6,207	–	11,803,281
Leasehold improvements	197,010	–	–	197,010
Communications systems	93,585	–	–	93,585
Office equipment	583,907	28,480	–	612,387
Computer equipment	642,028	12,768	–	654,796
Signage	20,942	–	–	20,942
Vehicles under construction	105,686	–	–	105,686
Total	\$ 13,522,046	\$ 47,455	\$ –	\$ 13,569,501

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2020	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2021
Buildings and site improvements	\$ 1,610,423	\$ 295,004	\$ —	\$ 1,905,427
Leasehold improvements	197,010	—	—	197,010
Communications systems	88,331	4,503	—	92,834
Office equipment	441,117	41,511	—	482,628
Computer equipment	551,993	46,910	—	598,903
Signage	18,846	2,096	—	20,942
Total	\$ 2,907,720	\$ 390,024	\$ —	\$ 3,297,744

	Net book value December 31, 2020	Net book value December 31, 2021
Land	\$ 81,814	\$ 81,814
Buildings and site improvements	10,186,651	9,897,854
Leasehold improvements	—	—
Communications systems	5,254	751
Office equipment	142,790	129,759
Computer equipment	90,035	55,893
Signage	2,096	—
Vehicles under construction	105,686	105,686
Total	\$ 10,614,326	\$ 10,271,757

13. Fair value of financial instruments:

The Health Unit's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities, mortgage payable and interest rate swap agreement. Unless otherwise noted, it is management's opinion that the Health Unit is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. Impairment of accounts receivable at year end was \$Nil (2020 - \$Nil).

The fair values of the financial instruments approximate their carrying values due to the short term nature of the instruments except for the mortgage loan payable and interest rate swap agreement. The fair value of the underlying mortgage loan approximates carrying value due to the interest rate being reset monthly. At December 31, 2021, the fair value of the remaining interest rate swap is a liability of \$1,041,490 (2020 - \$1,607,281).

The Health Unit has access to a line of credit in the amount of \$250,000 with its corporate banker which bears interest at prime and was undrawn at year-end (2020 - undrawn).

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Notes to Financial Statements (continued)

Year ended December 31, 2021

14. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Health Unit has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Increased costs related to the purchase of materials and supplies
- Closure of administrative and nonessential services within which it operates based on Public Health recommendations
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments
- Mandatory on-site client and staff screening and tracking protocols

The Health Unit incurred a total of \$7,239,712 in COVID-19 related costs in fiscal 2021. Of this amount, mandatory program funding paid for expenses amounting to \$5,269,770. The Health Unit made a separate submission to cover one-time COVID costs and received funding in the form of vaccine program costs and general COVID program funding of \$1,294,942 and \$675,000, respectively, to fund the balance of these costs.

The Health Unit continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Agency has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

HASTINGS PRINCE EDWARD PUBLIC HEALTH

Schedule 1 - Program Operations

Year ended December 31, 2021

	Mandatory	100% MOH	ONE TIME					MCCSS	Federal		Other	Totals	
	Mandatory Core	Ontario Seniors Dental Care Program	COVID-19: Vaccine Program	COVID-19: General Program	School-focused Nurses Initiative	PHI Practicum Student	Ontario Seniors Dental Capital: Mobile Clinic	Healthy Babies, Healthy Children	Childrens Oral Health Initiative	Canada Prenatal Nutrition Program	Operating Fund Capital Reserve	2021	2020
REVENUES													
Provincial approved funding MOH	9,204,700	931,300	1,349,000	675,000	843,264	10,000	-	-	-	-	-	13,013,264	10,993,765
Provincial approved funding MCCSS	-	-	-	-	-	-	-	1,211,459	-	-	-	1,211,459	1,160,543
Total Approved Provincial Funding	9,204,700	931,300	1,349,000	675,000	843,264	10,000	-	1,211,459	-	-	-	14,224,723	12,154,308
Provincial funding MOH Salary	133,331	-	-	-	-	-	-	-	-	-	-	133,331	135,709
Provincial funding Mitigation	1,120,000	-	-	-	-	-	-	-	-	-	-	1,120,000	1,120,000
Settlement adjustments	(46,897)	-	(54,058)	-	(58,303)	-	-	-	-	-	-	(159,348)	(338,451)
Provincial funding	10,411,134	931,300	1,294,942	675,000	784,871	10,000	-	1,211,459	-	-	-	15,318,706	13,071,566
Municipal levies	3,179,788	-	-	-	-	-	-	-	-	-	260,000	3,439,788	3,388,953
Federal funding	-	-	-	-	-	-	-	-	44,725	59,763	-	104,489	144,638
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	5,645	-	-	-	-	-	-	-	-	-	11,269	29,501	43,358
Expenditure Recoveries	28,651	2,408	-	-	-	-	-	-	-	-	-	29,059	202,243
Rental income	23,826	-	-	-	-	-	-	-	-	-	-	23,826	12,337
Total Revenues	13,647,046	933,708	1,294,942	675,000	784,871	10,000	-	1,211,459	44,725	59,763	11,269	18,945,369	16,863,095
EXPENDITURES													
Salaries	8,698,085	193,322	1,138,579	548,052	575,161	9,975	-	901,327	36,141	29,836	-	12,130,478	10,439,218
Benefits	2,394,235	62,991	156,362	49,469	209,710	25	-	260,160	8,584	12,784	-	3,154,320	2,683,595
Staff training	59,466	-	-	-	-	-	-	378	-	-	-	59,844	46,224
Travel	113,834	-	-	-	-	-	-	6,815	-	600	-	121,249	109,920
Building occupancy	742,934	32,725	-	-	-	-	-	11,250	-	-	-	786,909	783,546
Office expenses and administration	430,268	23,228	-	73,903	-	-	-	31,250	-	-	-	558,649	543,589
Program supplies	399,590	50,430	-	3,576	-	-	-	29	-	16,543	-	470,168	755,252
Professional and purchased services	289,339	571,012	-	-	-	-	-	250	-	-	-	860,601	410,676
Amortization	390,024	-	-	-	-	-	-	-	-	-	-	390,024	412,469
Total Expenditures	13,517,775	933,708	1,294,941	675,000	784,871	10,000	-	1,211,459	44,725	59,763	-	18,532,242	16,184,489
Annual surplus (deficit) before other items	129,271	-	-	-	-	-	-	-	-	-	11,269	413,127	678,606
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual surplus (deficit)	129,271	-	-	-	-	-	-	-	-	-	11,269	413,127	678,606
RECONCILIATION TO FUNDING													
Annual surplus (deficit) above	129,271	-	-	-	-	-	-	-	-	-	11,269	413,127	678,606
Add back amortization	390,024	-	-	-	-	-	-	-	-	-	-	390,024	412,469
Add transfers from reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Add loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Add tangible capital asset adjustment	-	-	-	-	-	-	-	-	-	-	-	-	10,757
Less tangible capital asset acquisitions	(47,455)	-	-	-	-	-	-	-	-	-	-	(47,455)	(278,637)
Less principal repayments on mortgage	(247,682)	-	-	-	-	-	-	-	-	-	-	(247,682)	(230,476)
Decrease (increase) in prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding Surplus	224,158	-	-	-	-	-	-	-	-	-	11,269	508,014	592,719

Finance Committee - Briefing Note

To:	Hastings Prince Edward Board of Health Finance Committee
Prepared by:	Valerie Dunham, Director of Corporate Services/Associate CEO
Approved by:	Dr. Ethan Toumishey, Acting Medical Officer of Health
Date:	Wednesday, April 20, 2022
Subject:	Financial Policy Review
Nature of Board Engagement (If compliance issue, background must include a reference to requirement)	<input type="checkbox"/> For Information <input checked="" type="checkbox"/> Strategic Discussion <input checked="" type="checkbox"/> Board approval and motion required <input type="checkbox"/> Compliance with Accountability Framework <input type="checkbox"/> Compliance with Program Standards
Action Required: Include recommendations and options	Finance Committee to review and discuss three financial policies and recommend for approval at the Board of Health meeting on May 4, 2022. Policies include: Accounting Practices, Investments and Capital Funding Plan.
Background:	<p>Under the Fiduciary Requirements Domain of the Public Health Accountability Framework, the Board of Health shall ensure that administration implements appropriate financial management and oversight through an assortment of policies and procedures. Three key policies are recommended for approval by the Board of Health.</p> <p>Accounting Practices</p> <p>This policy was last reviewed in 2019. Several key changes are being recommended as follows.</p> <ul style="list-style-type: none"> • Original budget preparation was based on the fundamental concept of a balanced budget. In view of the most recent experience of the pandemic and resulting budget deficits, the policy has been edited to provide the consideration of a deficit budget in exceptional circumstances. • Recommendation to maintain the greater of one month's regular operating expenses or \$1.5 Million in Operating Fund Reserve. • Recommendation for the retention of a minimum amount of \$2.0 Million in the Capital Funding Reserve. • Clarified signing authorities for use of the Operating Fund Reserve. • Added Mobile Dental Clinic as an amortization class. • Added that amounts in the Operating and Capital Reserves should be reviewed annually. <p>Investments</p> <p>This policy was last reviewed in 2016. Minor edits have been incorporated including the requirement of maintaining the Operating Account in an interest bearing account in accordance with the provincial organizational standards. In</p>

	<p>light of changing interest rates, procedures strengthened to review interest rates and returns on a regular basis and invested when feasible.</p> <p>Capital Funding Policy</p> <p>This is a new policy that has been developed to outline the process to secure capital funding for projects in future.</p>
Recommendation:	Finance Committee to review policies and recommend for approval by Board of Health.
Reviewed By:	Dr. Ethan Toumishey, Acting Medical Officer of Health

HASTINGS PRINCE EDWARD PUBLIC HEALTH POLICIES AND PROCEDURES

Section:	FINANCE
Policy Title:	Accounting Practices
Approved by:	Board of Health
Date:	May 4, 2022

PURPOSE:

To ensure Hastings Prince Edward Public Health's (Agency) accounting practices are consistent with Canadian generally accepted accounting principles for non-profit organizations and the requirements of funding sources and to outline the process for the development of the annual Agency budget.

To specify the process for maintaining and using reserve funds and to ensure an appropriate level of financial resources to protect against unpredicted liabilities, cover contingency or emergency expenses and provide for future capital requirements.

POLICY:

The Agency shall comply with the requirements of funding sources and shall follow Canadian generally accepted accounting principles for non-profit organizations.

Significant accounting practices include the following:

Budget Preparation

The Agency shall prepare a consolidated budget for all program areas for review by the Finance Committee of the Board of Health (Board) to comply with Ministry of Health (MOH) budget submission requirements and the municipal budgeting cycle. The budget proposed shall be a balanced budget and incorporate anticipated revenues and expenses of all key program areas of the Agency. In exceptional circumstances, such as a public health emergency, a deficit budget may be proposed to the Board.

The Finance Committee shall review and make recommendations for change as required and shall present to the entire Board for approval. The budget will be presented in advance of the fiscal year whenever possible.

The approved budget shall be forwarded to each obligated municipality, identifying the respective levy for the current budget year and a schedule of payments.

Subsequent submissions of budgets to specific funders shall be consistent with the budget approved by the Board. Any variances from the approved budget shall be disclosed to the Board for review and approval. Subsequent changes due to new programs, additional funding received or changes to program funding requirements will be reported to the Board as variances in quarterly financial reports.

Fund Accounting

The accounting system for the Agency shall maintain a minimum of two funds:

- an Operating Fund, and
- a Capital Fund.

Additional permanent or temporary funds may be established, as required, with the approval of the Board. Accounting procedures for each fund shall ensure that expenses and revenues within each fund are clearly and traceably separated. Interest earnings shall be calculated for each fund on a monthly basis.

HASTINGS PRINCE EDWARD PUBLIC HEALTH POLICIES AND PROCEDURES

Section: FINANCE
Policy Title: Accounting Practices

Operating Fund

The Operating Fund shall account for the day-to-day program activities of the Agency supported by operating funds from organizations including the Ministry of Health, Ministry of Children, Community and Social Services, Public Health Agency of Canada, Health Canada and other contracted program funding sources.

Each key program shall be identified as a separate cost centre within the fund in accordance with the terms of funding contracts and accountability agreements.

Operating Fund Reserve

The Operating Fund Reserve shall account for retainable surplus funds generated through operations. The Operating Fund will be restricted for unforeseen operating expenses, catastrophic expenses and contingencies. Expenditures from the Operating Fund Reserve shall be approved by the Medical Officer of Health **and/or Board Signatories** in accordance with signing authority limits established in the *By-law to govern the banking, financial activities and duties of the Auditor of the Board of Health*.

The Operating Fund Reserve should be maintained at all times at the greater of one month's regular operating expenses or \$1.5 Million unless an exceptional situation is reviewed and approved by the Board of Health. Regular operating expenses refer to typical transfer payment amounts from municipal, provincial and federal sources and exclude one-time project funds or extraordinary funding as well as expenditure recoveries or any transfers from reserves.

Capital Fund Reserve

The Capital Fund Reserve shall be restricted to building renovations, major repairs, leasehold improvements and other capital investments or cost-shared one-time **capital** funding requests as approved by the Board of Health.

The amount of the Capital Fund Reserve will be reviewed annually in relation to the Capital Funding Plan policy however a minimum of \$2.0 Million shall be maintained in the Reserve at all times unless an exceptional situation is reviewed and approved by the Board of Health.

Audited, unexpended municipal funds for program activities are eligible to be transferred into the Operating Fund or Capital Fund Reserve. The allocation of unexpended municipal funds will be reviewed on an annual basis by the Finance Committee of the Board of Health. Any transactions within the Operating Fund or Capital Fund Reserve shall be reported with the presentation of the audited financial statements.

Capital Assets and Amortization

Capital assets shall be recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Amortization costs shall be calculated for any individual capital purchase costing in excess of \$5,000. The Agency shall maintain separate accumulated amortization accounts for each significant capital asset category. At a minimum the following categories shall be maintained:

- | | |
|-----------------------------------|----------------------|
| a) Building & Site Improvements | 40 years |
| b) Mobile Dental Clinic | 10 years |
| c) Vehicles | 5 years |
| d) Communication Systems | 5 years |
| e) Office Furniture and Equipment | 5 years |
| f) Computers and Software | 3 years |
| g) Leasehold Improvements | Term of lease |

**HASTINGS PRINCE EDWARD PUBLIC HEALTH
POLICIES AND PROCEDURES**

Section: FINANCE
Policy Title: Accounting Practices

Procedure:

1. The Finance Committee will review the allocation of unexpended municipal funds on an annual basis.
2. Transactions within the Operating Fund or Capital Fund Reserve shall be reported by the auditors with the presentation of the audited financial statements.
3. Amounts in the Operating and Capital Reserves will be reviewed annually.
4. Amortization expenses will be set up on an annual basis prior to the preparation of the audited financial statements.

Created: September 7, 2016
Revised: September 4, 2019
Revised: May 4, 2022

**HASTINGS PRINCE EDWARD PUBLIC HEALTH
POLICIES AND PROCEDURES**

Schedule 7.3

Section:	FINANCE
Policy Title:	Investments
Approved by:	Board of Health
Date:	May 4, 2022

PURPOSE:

To ensure that available cash assets of Hastings Prince Edward Public Health are invested in a prudent manner in order to maximize returns at an appropriate level of risk.

POLICY:

Available cash in the Operating and Capital Fund Reserves of HPEPH may be invested in low-risk, money market instruments that guarantee security of the principal investment and that yield a greater return than interest earnings on the **operating** bank account. Invested funds shall be in high liquidity instruments in order to provide operating cash as required. Prior to investment decisions, short and long term cash flow requirements from both the Operating and Capital Fund Reserves shall be taken into consideration.

Available cash from operating funding contracts **shall** be held in an interest-bearing account at a Canadian Chartered Bank, subject to the terms of the funding contract. Any interest earned shall be recorded as interest earnings for the contract within the fiscal year earned.

The Finance Committee of the Board of Health shall review investment holdings and returns on an annual basis.

PROCEDURE:

1. **The Operating Account, Operating Fund Reserve and Capital Fund Reserve will be maintained in an interesting bearing bank account.**
2. **Interest earnings will be allocated to the appropriate funding contract and/or reserve account in accordance with contractual requirements and policy.**
3. **Interest rates and returns will be** reviewed on a regular basis and **available cash in the reserve funds may be** invested subject to the limitations of this Investment Policy **and** cash flow requirements.
4. All investments shall be authorized by two signing officers of HPEPH in accordance with approved signing authority limits established in the *By-law to govern the banking, financial activities and duties of the Auditor of the Board of Health*.
5. Investments held by the agency will be reported to the Board of Health annually.

Created: Sept 2016
Revised: May 4, 2022

**HASTINGS PRINCE EDWARD PUBLIC HEALTH
POLICIES AND PROCEDURES**

Section:	FINANCE
Policy Title:	Capital Funding
Approved by:	Board of Health
Date:	May 4, 2022

PURPOSE:

In accordance with the Agency “by-law to govern the management and financing of the Board of Health’s physical properties”, the Board of Health (Board), shall maintain a Capital Funding Plan to ensure funding for capital projects. This policy outlines the process to secure capital funding for required projects.

POLICY:

1. Whenever possible, applications for capital projects shall be made to the Community Health Capital Program maintained by the Ministry of Health or one-time costs that are eligible through the Ministry of Health Annual Service Plan process.
2. The Board Capital Fund Reserve may be used for building renovations, major repairs, leasehold improvements and other capital investments or cost-shared one-time capital funding requests, as approved by the Board.
3. Projects requiring the use of the Capital Fund Reserve shall be reviewed and monitored through a designated Property Committee of the Board.
4. To ensure reserve funding for foreseeable capital expenses, a Facilities Assessment Report, including projected building repairs and replacements, shall be prepared by an external firm for premises owned by HPEPH every ten years or more frequently as required.

PROCEDURE:

1. The Capital Fund Reserve will be reviewed on an annual basis during the review of the audited financial statements.
2. The Director of Corporate Services will recommend appointment of an ad-hoc Property Committee of the Board, to review and recommend funding of any capital projects through the Capital Fund Reserve.
3. Approval for use of the Capital Fund Reserve will be provided by the Board of Health.
4. The Director of Corporate Services will ensure the completion of Facilities Assessment Reports as required.

Finance Committee - Briefing Note

To:	Hastings Prince Edward Board of Health Finance Committee
Prepared by:	Valerie Dunham, Director of Corporate Services/Associate CEO
Approved by:	Dr. Ethan Toumishey, Acting Medical Officer of Health
Date:	Wednesday, April 20, 2022
Subject:	2023 Municipal Levy – Implications without Mitigation Funding
Nature of Board Engagement (If compliance issue, background must include a reference to requirement)	<input type="checkbox"/> For Information <input checked="" type="checkbox"/> Strategic Discussion <input checked="" type="checkbox"/> Board approval and motion required <input type="checkbox"/> Compliance with Accountability Framework <input type="checkbox"/> Compliance with Program Standards
Action Required: Include recommendations and options	Finance Committee to discuss implications to municipal levy contributions in 2023 given cancellation of mitigation funding and present action plan to Board of Health for approval.
Background:	<p>In 2019, the provincial government changed the cost-sharing model in public health from a 75%-25% calculation to a 70%-30% model. The Ministry also implemented cost-sharing to programs that were formerly funded 100% by the Ministry. These two changes resulted in an increase of required municipal funding at Hastings Prince Edward Public Health in the amount of \$1,120,000, which was scheduled to commence January 2020.</p> <p>For the past three years (2020 – 2022), the Ministry has provided “mitigation funding” to HPEPH in the amount of \$1,120,000 to offset this increase to the municipal sector. The mitigation funding is scheduled to end on December 31, 2022 meaning that municipalities will need to shoulder significant levy increases.</p> <p>Prior to 2019, our partner municipalities were contributing more than the required 75%/25% so do not owe the total \$1,120,000. Effective January 1, 2023, the shortfall in funding is \$752,935. This amount includes the continuation of the municipal contribution of \$260,000 per year for the building fund which was a component of the original building loan.</p> <p>It is important to understand that in a cost sharing model, if the Ministry provides an additional \$100,000 in base funding the Ministry contribution represents 70% of the program costs. This increase also costs the municipal sector 30% or approx. \$43,000. (Total program budget of \$143,000 – 30% is \$43,000). The shortfall figures provided are based on a 1% increase from the Ministry in 2022. Any additional increase to the base funding from the Ministry will lead to an additional municipal shortfall.</p> <p>In addition to the financial impact to the municipalities to absorb the additional funding required, there is a significant potential service impact to HPEPH in</p>

	<p>dealing with this issue. Past budgets have included both the mitigation funding of \$1.1 million but have also included the additional contributions in excess of the original 75%/25% cost sharing model which amount to \$355,000 for program contributions and \$260,000 for the building fund. Although these funds have been transferred into reserves in the past, they have recently been used to balance deficit budgets. With the loss of the mitigation funding, the \$355,000 municipal contribution will be rolled into the required 30% municipal funding which is an overall loss to the HPEPH budget and planned service delivery.</p> <p>The attached summary provides an indication of the additional funding required from each municipality to reach the required levy in 2023 – both with, and without, the building fund. To continue the building fund an overall increase of 22% is required, ranging from 19%-24%. Without the building fund, the increases range from 11.4% – 16.4%.</p> <p>Recently, Valerie Dunham met with the Treasurers of each municipality and reviewed the summary and potential impacts to budgets. Feedback has indicated that these increases are very concerning particularly given community needs and the demand for services in each municipality. Initial calculations indicate that the removal of the mitigation funding would result in increases of .3% - 1.1% on municipal levies in 2023. In small communities, the ability of the local taxpayer to continue to absorb tax increases needs to be weighed against potential service cuts. Our municipal partners have expressed strong concerns about the impact of service cuts in their respective communities.</p>
Recommendation:	<p>The following steps are recommended.</p> <ol style="list-style-type: none"> 1. Finance Committee to discuss this situation and guide the preparation of a letter to the Ministry outlining the impact to municipalities in discontinuing the mitigation funding. 2. Board of Health council members to lead discussions with municipalities in preparation for the 2023 budget. 3. Finance Committee to review the revised Accounting Practices Policy with a focused discussion on the accumulation and use of capital and operating reserves. 4. Finance Committee to consider a two-year contribution holiday for 2023-2024 in the building fund to limit municipal levy increases and provide a phased in approach to this financial increase.
Reviewed By:	Dr. Ethan Toumishey, Acting Medical Officer of Health

HASTINGS PRINCE EDWARD PUBLIC HEALTH
Comparison of 2022 and Potential 2023 Municipal Levy Calculations
For review with Municipal Treasurers - March 2022

	2022	2023	Variance
Total Cost Shared Base Budget	13,556,085	13,281,067	(275,018)
Base Funding from Ministry	9,204,700	9,296,747	92,047
Mitigation Funding	1,120,000	-	(1,120,000)
Municipal contribution req'd	3,231,385	3,984,320	752,935
Actual municipal contribution	3,491,385	3,491,385	-
Variance - Building Fund	260,000		260,000
Variance - Program Shortfall		492,935	492,935

Contributing Municipalities	2022 Levy (Actual)			2022 Levy (Using 2021 Census Data)					2023 - 30% Levy with 1% from Ministry					2023 - including Building Fund			
	Population	% of Total	Levy	Population	% of Total	Levy	\$ Change	% Change	Population	% of Total	2022 Levy	\$ Change	% Change using 2021 Census Data	Building Fund	Total Levy with Building	TOTAL increase	% Change incl Building
	158,667	100.00%	3,491,385	168,915	100.00%	3,491,385	0	0.0%	168,915	100.00%	3,984,320	492,935	14.1%				
City of Belleville	50,720	32.0%	1,116,067	55,071	32.6%	1,138,289	22,222	2.0%	55,071	32.6%	1,298,999	160,711	16.4%	84,767	1,383,767	245,478	24%
City of Quinte West	43,577	27.5%	958,889	46,560	27.6%	962,371	3,482	0.4%	46,560	27.6%	1,098,244	135,873	14.5%	71,667	1,169,911	207,540	22%
Hastings County	39,630	25.0%	872,038	41,580	24.6%	859,437	-12,601	-1.4%	41,580	24.6%	980,777	121,341	12.5%	64,001	1,044,779	185,342	20%
Prince Edward County	24,740	15.6%	544,391	25,704	15.2%	531,288	-13,103	-2.4%	25,704	15.2%	606,299	75,011	11.4%	39,565	645,863	114,575	19%
TOTAL			3,491,385			3,491,385					3,984,320	492,935		260,000	4,244,320	752,935	22%

Explanatory Notes

Decreased base from 2022 - 2023 due to existing deficit in 2022 base budget
Increase for municipal contribution is \$752,935 including building fund levy.
Building fund at end of December 2021 is approximately \$2.2 Million.
Increased municipal levy for program requirements amount to \$492,935.
Finance Committee of Board of Health will review and develop action plan and recommendations in April.
All figures from Ministry subject to change pending 2022 budget announcements.



Main Office – Belleville

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DATE

The Honourable Christine Elliott
Deputy Premier and Minister of Health
College Park 5th Flr,
777 Bay St,
Toronto, ON M7A 2J3

Dear Minister Elliott:

On behalf of the Board of Health for Hastings Prince Edward Public Health, let me first thank your government for the financial assistance you have provided to support public health during the pandemic. The mitigation funding to assist municipalities, the reimbursement of extraordinary costs related to COVID, and the addition of public health nursing positions in the schools have assisted public health tremendously in our response over the past two years.

We are now very concerned with the lack of financial resources in place to move forward and address the significant consequences and impact of the pandemic. At our May 4 meeting, the Board resolved to highlight the financial implications to our community and municipalities if the mitigation funding to municipalities is cancelled.

From the announcement of the change in the public health funding formula, our Board has been concerned with the financial impact of the 30% cost shared formula announced in 2019 and the loss of 100% funded programs in place at the time. For Hastings Prince Edward, this change resulted in an increased cost for municipalities in the amount of \$1,120,000. Fortunately, your government delayed this increase with the provision of mitigation funding. However, our understanding is that this funding will end on December 31, 2022.

We have discussed the potential impact of the loss of funding with our municipal partners, Finance Committee, and Board of Health. Highlights of these discussions have included the following points.

- Without mitigation funding, our four obligated municipalities will shoulder an average increase of 22% with a range of 19% - 24%. This is an overall increase of \$753,000.
- This obligation includes the continuation of a building fund contribution of \$260,000 per year, which was negotiated as a component of the business loan for the building.

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- Without the continuation of the building fund, the increase is 14% or \$493,000 but would be a short-sighted decision given that buildings require significant repairs as they age, which only puts more pressure on municipal resources in future.
 - Preliminary feedback from our municipal partners indicates that the increases would lead to increased taxes in the range of .3% - 1.1% depending on the size of the municipal budget.
 - Feedback from municipalities has also indicated that the ability of the local taxpayer to continue to absorb tax increases needs to be weighed against potential service cuts. They have expressed concern about the impact of cutting services to many of the vulnerable populations that are served and who need help more than ever as a result of the pandemic.
 - Draft calculations for the 2023 budget for HPEPH result in a projected deficit well in excess of \$1 Million.
 - Small health units are going to be faced with an insurmountable financial challenge to meet community needs and balance budgets in future. Municipal contributions cannot address the gap in financial resources that is required.

Our Board requests the province give serious consideration to the following recommendations:

- Continue to provide mitigation funding to those health units that currently receive this integral funding for service delivery.
- Review the public health funding formula to provide more 100% funded programs.
- Review the public health standards to decrease the overall obligation of public health units.

Without such changes, our public health response in Hastings and Prince Edward Counties will be significantly reduced commencing next year. We ask for your help and support to ensure our vision of Healthy Communities, Healthy People.

Yours sincerely

Jo-Anne Albert
Chair, Board of Health

Cc: Jim Harrison, Mayor of the City of Quinte West
Mitch Panciuk, Mayor of the City of Belleville
Rick Phillips, Reeve of Hastings County
Steve Ferguson, Mayor of Prince Edward County