

Financial Statements of

**THE CORPORATION OF THE
LEEDS, GRENVILLE & LANARK
DISTRICT HEALTH UNIT**

Year ended December 31, 2022

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Financial Statements

Year ended December 31, 2022

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Management's Responsibility for the Financial Statements

The accompanying financial statements of The Corporation of the Leeds, Grenville & Lanark District Health Unit (the 'Unit') are the responsibility of the Unit's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Dr. Linna Li, Medical Officer of Health



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Corporation of the Leeds, Grenville & Lanark District Health Unit

Opinion

We have audited the financial statements of the Corporation of the Leeds, Grenville & Lanark District Health Unit (the Entity), which comprise:

- the statement of financial position as at December 31, 2022;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net debt 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.



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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.



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- 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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 22, 2023

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 3,620,974	\$ 3,088,309
Investments (note 2)	768,564	901,545
Accounts receivable	47,167	81,334
	<u>4,436,705</u>	<u>4,071,188</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,175,041	1,678,199
Due to Province of Ontario	1,424,673	1,212,951
Deferred revenues	356,038	432,108
Long-term liabilities (note 4)	720,010	792,215
	<u>4,675,762</u>	<u>4,115,473</u>
Net debt	(239,057)	(44,285)
Non-financial assets:		
Tangible capital assets (note 7)	3,052,959	3,248,482
Prepaid expenses	365,923	179,729
	<u>3,418,882</u>	<u>3,428,211</u>
Commitments (note 5)		
Contingent liabilities (note 10)		
Accumulated surplus (note 6)	\$ 3,179,825	\$ 3,383,926

See accompanying notes to financial statements.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 11)	2022	2021
Revenue:			
Municipal grants	\$ 3,557,124	\$ 3,476,851	\$ 3,414,847
Provincial grants:			
Ministry of Health base funding	8,616,200	8,579,711	8,477,050
Ministry of Health vaccine revenue	30,250	19,502	3,915
Ministry of Health one-time funding	3,673,802	3,673,802	5,809,443
Public Health expenditures and offset revenue	—	6,418	6,799
Ministry of Children and Youth Services funding Preschool Speech Language	1,420,087	1,420,087	1,397,231
Ministry of Children and Youth Services funding Healthy Babies	1,060,824	1,060,824	1,060,710
Other revenues and grants:			
Ontario Senior's Dental	835,700	865,422	813,464
Ontario Works	162,000	91,862	102,859
Other related grants and projects	447,750	477,665	102,982
Land control	532,596	532,596	721,682
Interest earned	7,500	72,870	22,699
Program recoveries	102,091	97,830	152,198
Total revenue	20,445,924	20,375,440	22,085,879
Expenses (note 8):			
Mandatory programs	12,211,074	11,897,866	11,721,528
Ontario Senior's Dental program	835,700	865,422	813,434
Other related programs and one-time funding	3,673,802	3,988,997	5,880,417
Other related grants	447,750	132,302	138,574
Program recoveries	102,091	87,945	114,924
Land control	532,596	690,837	560,546
Preschool Speech Language	1,420,087	1,428,318	1,379,782
Healthy Babies	1,060,824	1,060,824	1,060,710
Ontario Works	162,000	100,723	103,961
Amortization	—	326,307	318,030
Total expenses	20,445,924	20,579,541	22,091,906
Annual deficit	—	(204,101)	(6,027)
Accumulated surplus, beginning of year	3,389,953	3,383,926	3,389,953
Accumulated surplus, end of year	\$ 3,389,953	\$ 3,179,825	\$ 3,383,926

See accompanying notes to financial statements.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Statement of Changes in Net Debt

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 11)	2022	2021
Annual deficit	\$ —	\$ (204,101)	\$ (6,027)
Amortization of tangible capital assets	—	326,307	318,030
Acquisition of tangible capital assets	—	(130,784)	(166,710)
Acquisition (utilization) of prepaid expenses	—	(186,194)	88,922
Change in net debt	—	(194,772)	234,215
Net debt, beginning of year	(44,285)	(44,285)	(278,500)
Net debt, end of year	\$ (44,285)	\$ (239,057)	\$ (44,285)

See accompanying notes to financial statements.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities:		
Annual deficit	\$ (204,101)	\$ (6,027)
Items not involving cash:		
Amortization of tangible capital assets	326,307	318,030
Change in non-cash operating working capital:		
Accounts receivable	34,167	(6,456)
Prepaid expenses	(186,194)	88,922
Due to the Province of Ontario	211,722	2,490,574
Accounts payable and accrued liabilities	496,842	(607,614)
Deferred revenues	(76,070)	313,092
Net change in cash from operations	602,673	2,590,521
Capital activities:		
Acquisition of tangible capital assets	(130,784)	(166,710)
Repayment of long-term liabilities	(72,205)	(70,473)
	(202,989)	(237,183)
Investing activities:		
Redemption (purchase) of investments	132,981	(59,514)
Increase in cash	532,665	2,293,824
Cash, beginning of year	3,088,309	794,485
Cash, end of year	\$ 3,620,974	\$ 3,088,309

See accompanying notes to financial statements.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements

Year ended December 31, 2022

These financial statements reflect the assets, liabilities and operations of The Corporation of the Leeds, Grenville & Lanark District Health Unit (the "Health Unit").

The Health Unit is incorporated under the laws of Ontario. Its mission is to work with the community to protect, promote and enhance health by developing and providing quality health programs and services.

1. Significant accounting policies:

The financial statements of the Health Unit are the representations of management and have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Health Unit are as follows:

(a) Reporting entity:

The financial statements reflect the financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Health Unit.

The Health Unit operates the following programs:

Fiscal years ending December 31:

- Public Health Programs
- Land Control Program
- Healthy Babies / Healthy Children Program

Fiscal years ending March 31

- Language Express Program
- Healthy Community Partnership

(b) Basis of accounting:

- (i) The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) 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. The change in non-financial assets during the year, together with the annual surplus or deficit, provides the change in net financial assets (debt) for the year.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Investments:

Investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available current funds and reserve funds are reported as revenue in the period earned.

(d) Tangible capital assets:

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Building improvements	15
Buildings	40
Vehicles	5
Furniture and equipment	10
Computer equipment	3
Multi-media equipment	5

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

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the statement of operations and accumulated surplus in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

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 is reported as an expense on the statement of operations and accumulated surplus.

(e) Deferred revenue:

The Health Unit receives restricted contributions under the authority of Federal and Provincial legislation and Health Unit by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Health Unit has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(f) Employee future benefit obligations:

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.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Health Unit's policy.

(g) Revenue and expenses:

Revenues and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) Government transfers:

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

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

2. Investments:

Investments are comprised of:

	2022	2021
Fixed income	\$ 401,797	\$ 553,992
Equities	366,767	347,553
	\$ 768,564	\$ 901,545

Fixed income includes guaranteed investment certificates yielding interest of 2.97% to 3.05% per annum with maturities ranging from March 2023 to March 2024.

Investments which matured subsequent to year-end were reinvested.

3. Pension contributions:

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, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Pension contributions (continued):

The amount contributed to OMERS for current services in 2022 was \$1,030,735 (2021 - \$1,055,318) and is included as an expense on the statement of operations and accumulated surplus.

4. Long-term liabilities:

	2022	2021
RBC Bank mortgage (2.45%), repayable in blended monthly payments of \$7,561, amortized over 16 years, due October 2025 and secured by Smiths Falls property	\$ 720,010	\$ 792,215

Principal payments for the next three years are as follows:

2023	\$ 74,070
2024	75,905
2025	570,035
	\$ 720,010

The Health Unit has an available line of credit of \$900,000, with its corporate bankers, of which \$Nil was drawn against at December 31, 2022 (2021 - \$Nil). This line of credit is unsecured and bears interest at prime less 0.75%.

Interest paid during the year was \$18,452 (2021 - \$20,183) and is recorded as a component of expenses on the Statement of Operations and Accumulated Surplus.

5. Commitments:

The Health Unit leases space for service sites in Gananoque, Almonte, Kemptville and Perth, Ontario. The aggregate lease payments over the next year are estimated as follows:

2023	\$ 37,711
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THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Accumulated surplus:

	2022	2021
Investment in tangible capital assets:		
Tangible capital assets	\$ 3,052,959	\$ 3,248,482
Long-term liabilities	(720,010)	(792,215)
	2,332,949	2,456,267
Operating surplus:		
General	8,042	(69,416)
Land control program (Schedule 2)	348,999	507,240
Reserves (Schedule 1):		
Payment of sick leave credits	2,871	2,871
General reserve	486,964	486,964
	489,835	489,835
Total operating surplus	846,876	927,659
Total accumulated surplus	\$ 3,179,825	\$ 3,383,926

7. Tangible capital assets:

Cost	Balance at December 31, 2021	Transfers and additions	Disposals and adjustments	Balance at December 31, 2022
Land	\$ 250,000	\$ –	\$ –	\$ 250,000
Building improvements	992,150	18,760	–	1,010,910
Buildings	3,005,834	–	–	3,005,834
Vehicles	54,737	–	–	54,737
Furniture and equipment	1,914,057	48,664	–	1,962,721
Computer equipment	1,032,636	63,360	–	1,095,996
Multi-media equipment	169,503	–	–	169,503
Total	\$ 7,418,917	\$ 130,784	\$ –	\$ 7,549,701

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2022
Land	\$ —	\$ —	\$ —	\$ —
Building improvements	748,826	74,331	—	823,157
Buildings	1,195,464	96,776	—	1,292,240
Vehicles	54,737	—	—	54,737
Furniture and equipment	1,307,551	77,356	—	1,384,907
Computer equipment	739,389	61,605	—	800,994
Multi-media equipment	124,468	16,239	—	140,707
Total	\$ 4,170,435	\$ 326,307	\$ —	\$ 4,496,742

	Net book value 2021	Net book value 2022
Land	\$ 250,000	\$ 250,000
Building improvements	243,324	187,753
Buildings	1,810,370	1,713,594
Vehicles	—	—
Furniture and equipment	606,506	577,814
Computer equipment	293,247	295,002
Multi-media equipment	45,035	28,796
Total	\$ 3,248,482	\$ 3,052,959

8. Segmented information:

The Health Unit provides a range of programs and services, that are reported in the statement of operations and accumulated surplus.

Programs have been separately disclosed in the segmented information, as set out in the schedule below.

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Segmented information (continued):

	Mandatory core	One-time MOH projects	COVID-19 General program	COVID-19 Vaccine program	Seniors dental	Preschool speech	Healthy babies	Other funded program	2022	2021
Revenue:										
Provincial funding MOH	\$ 8,435,980	\$ 1,163,730	\$ 1,184,693	\$ 1,318,345	\$ 865,422	\$ -	\$ -	\$ -	\$ 12,968,170	\$ 14,957,878
Provincial funding MCCSS	-	-	-	-	-	1,420,087	1,060,824	-	2,480,911	2,457,941
Municipal levies	3,476,851	-	-	-	-	-	-	-	3,476,851	3,414,847
Other municipal funding	-	-	-	-	-	-	-	108,949	108,949	102,859
Other provincial funding	143,731	-	-	-	-	-	-	-	143,731	142,079
Federal revenue	-	-	-	-	-	-	-	-	-	-
Interest revenue	72,870	-	-	-	-	-	-	-	72,870	22,699
Mandatory program recoveries	19,502	9,069	-	-	-	-	-	-	28,571	10,714
Other revenue	401,702	-	-	-	-	94	-	693,591	1,095,387	976,862
	\$ 12,550,636	\$ 1,172,799	\$ 1,184,693	\$ 1,318,345	\$ 865,422	\$ 1,420,181	\$ 1,060,824	\$ 802,540	\$ 20,375,440	\$ 22,085,879
Expenses										
Salaries and benefits	\$ 10,756,874	\$ 1,103,985	\$ 1,068,911	\$ 1,036,875	\$ 23,208	\$ 639,576	\$ 1,016,252	\$ 665,101	\$ 16,310,782	\$ 17,063,593
Fee for service	302,691	2,035	46,365	46,182	817,684	718,512	2,000	122,798	2,058,267	2,594,465
Building occupancy and admin	364,998	-	36,521	1,188	24,000	36,372	-	58,643	521,722	407,867
Materials, supplies & travel	880,292	66,779	32,896	234,100	530	33,858	42,572	71,436	1,362,463	1,707,951
	\$ 12,304,855	\$ 1,172,799	\$ 1,184,693	\$ 1,318,345	\$ 865,422	\$ 1,428,318	\$ 1,060,824	\$ 917,978	\$ 20,253,234	\$ 21,773,876
Amortization expense	\$ 326,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,307	\$ 318,030
Annual surplus (deficit)	\$ (80,526)	\$ -	\$ -	\$ -	\$ -	\$ (8,137)	\$ -	\$ (115,438)	\$ (204,101)	\$ (6,027)

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Risk management:

In the normal course of operations, the Health Unit is exposed to a variety of financial risks which are actively managed by the Health Unit.

The Health Unit's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short-term maturity and treatment on normal trade terms.

The Health Unit's exposure to and management of risk has not changed materially from 2021.

(a) Credit risk:

Credit risk arises from the possibility that the entities to which the Health Unit provides services to may experience difficulty and be unable to fulfill their obligations. The Health Unit is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Health Unit does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

(b) Interest rate risk:

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Health Unit is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and mortgage payable.

(c) Liquidity risk:

Liquidity risk is the risk that the Health Unit will not be able to meet its obligations as they fall due. The Health Unit requires working capital to meet day-to-day operating activities. The Health Unit's financial liabilities exceed its financial assets by \$239,507 (2021 - \$44,285) as at December 31, 2022. Management prepares budgets and monitors its cash flow. Management expects that the Health Unit's cash flows from operating activities will be sufficient to meet these requirements.

10. Contingent liabilities:

The nature of the Health Unit's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at year-end, management believes that the Health Unit has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Health Unit's financial position.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Budget figures:

The operating budget approved by the Health Unit for 2022 is reflected on the statement of operations and accumulated surplus. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts.

12. Impact of COVID-19:

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus.

The pandemic has had significant operational and financial impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Health Unit.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Health Unit in future periods. The Health Unit continues to closely monitor and assess the impact on its operations. It is management's assessment that the Health Unit will have sufficient resources to mitigate the potential losses in 2023 as a result of COVID-19.

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Schedule 1: Continuity of Reserves and Reserve Funds

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 11)	2022	2021
Net transfers from (to) other funds			
Transfers to operations	\$ —	\$ —	\$ —
Total net transfers	—	—	—
Reserves and reserve fund balances, beginning of year	489,835	489,835	489,835
Reserves and reserve fund balances, end of year	\$ 489,835	\$ 489,835	\$ 489,835

Composition of Reserves and Reserve Funds

	2022	2021
Reserves set aside for specific purposes:		
Reserves set aside for specific purposes:		
Payment for sick leave credits	\$ 2,871	\$ 2,871
General reserve	486,964	486,964
Total reserves and reserve funds	\$ 489,835	\$ 489,835

THE CORPORATION OF THE LEEDS, GRENVILLE & LANARK DISTRICT HEALTH UNIT

Schedule 2: Land Control Program Schedule of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Sewage inspection fees and extensions	\$ 350,763	\$ 485,675
Subdivisions and variances	10,934	10,675
Severance fees and s-permits	150,189	193,903
Interest	3,300	7,327
File search fees	17,410	24,102
	532,596	721,682
Expenses:		
Salaries and wages	437,867	335,825
Employee benefits	107,439	87,314
Fees for service	29,538	31,936
Travel	51,637	44,369
Materials and supplies	2,305	2,207
Rent	3,306	3,306
Administrative and allocated costs	58,745	55,589
	690,837	560,546
Annual surplus (deficit)	(158,241)	161,136
Accumulated surplus, beginning of year	507,240	346,104
Accumulated surplus, end of year	\$ 348,999	\$ 507,240