



MIDDLESEX-LONDON HEALTH UNIT

ADMINISTRATION MANUAL

SUBJECT: RESERVE / RESERVE FUNDS
SECTION: Finance

POLICY NUMBER: X-XXX
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IMPLEMENTATION DATE: TBD
REVISION DATE: N/A

APPROVED BY: Board of Health
SIGNATURE:

BACKGROUND

Legislatively the Middlesex-London Board of Health is a separate autonomous entity, and as such can legally hold reserves and reserve funds. However, the Province of Ontario explicitly prohibits the use of their grants as contributions to reserves and/or reserve funds in their agreements with Boards of Health.

Reserves are amounts set aside by resolution of the Board of Health that are carried year to year mainly as contingencies against unforeseen events or emergencies.

Reserve Funds are amounts set aside for specific purposes by resolution of the Board of Health. They are carried from year to year unless consumed or formally closed.

PURPOSE

To provide the process for establishing, maintaining, and using reserves and reserve funds.

To maintain an appropriate level of financial resources to protect against predicted or unpredicted liabilities, cover contingency or emergency expenses, and provide for major future expenditures.

POLICY

Any Reserve and Reserve Funds will be established by resolution of the Board of Health in accordance with the Memorandum of Agreement between the obligated municipalities and the Board of Health which outlines the general parameters for establishing and operating Reserves and Reserve Funds (see Section 1.1 and 1.2).

Contributions to and withdrawals from established reserve or reserve funds will be approved by resolution of the Board of Health.

The maximum contributions to a reserve fund shall be the amount required to fulfill the specific requirement.

The maximum contributions to reserves for any particular operating year shall be 2% of gross revenues found on the annual statement of operations of the audited financial statements.

The maximum cumulative contributions to reserves shall be 10% of gross revenues found on the annual statement of operations of the audited financial statements.

Where possible, the use of reserve and reserve funds should be leveraged to request additional one-time funding grants from the province or other sources.

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PROCEDURE

1.0 Establishment of Reserves and Reserve Funds

- 1.1 A Reserve or Reserve Fund is established in accordance with the Memorandum of Agreement date "TBD" (Appendix A). The Memorandum of Agreement specifies that:
 - a) A Reserve Fund is used to address a specific obligation or requirement that is planned.
 - b) A Reserve is used to address one-time or short-term expenditures, either planned or unplanned.
 - c) Any audited unexpended municipal funds are eligible to be transferred in to a Reserve or Reserve Fund, subject to the limits
 - d) Maximum contributions to a Reserve Fund are equal to the amount to fulfil the specific requirement.
 - e) Maximum of total reserves is equal to 10% of gross revenues found on the annual statement of operations of the audited financial statements.
 - f) Maximum annual contribution to reserves shall be 2% of gross revenues found on the annual statement of operations of the audited financial statements.
 - g) Any additions or withdrawals are authorized by the Board of Health.
 - h) The Health Unit will provide an annual reporting to Obligated Municipalities which will be included in the annual audited financial statements.
- 1.2 Each Reserve Fund is established by a resolution of the Board of Health in keeping with the Memorandum of Agreement and an understanding of the purpose of the Reserve Fund, maximum contribution to the Reserve Fund and expected timelines for contributions to and withdrawals from the Reserve Fund.
- 1.3 Any Reserve or Reserve Fund is to be held in an interest-bearing account at a Canadian Chartered Bank with the same signing officers as other Health Unit bank accounts.

2.0 Additions

- 2.1 Annually when the draft audited financial statements are presented to the Board of Health, the following actions take place:
 - a) The Director of Finance & Operations, or delegate, presents a financial report on the funds available for transfer to Reserves and/or Reserve Funds. The report will specify the current fund balances of the Reserves and/or Reserve Funds, and the limit of allowable transfers according to the limits set by the Memorandum of Agreement for Reserves or Board of Health Resolution in the case of Reserve Funds.
 - b) The Director of Finance & Operations or delegate makes a recommendation to the Board of Health to transfer the amounts according to the Memorandum of Agreement for Reserves or Board of Health resolution in the case of Reserve Funds.
 - c) Management and the Auditors revise the draft financial statements to reflect the Board of Health approved contributions.

3.0 Withdrawals

- 3.1 Withdrawals from a Reserve and/or Reserve Fund are made at any point during the operating year, provided the withdrawal has been approved by the Board of Health.

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4.0 Annual Reporting

- 4.1 Yearly, the Obligated Municipalities are given the annual audited financial statements for the Middlesex-London Health Unit which includes a summary of the balances of the Reserves and/or Reserve Funds.
- 4.2 At the next Board of Health meeting following the approval of the annual audited financial statements, the Director of Finance and Operations will provide a summary report to the Board of Health outlining the transactions of the Reserve and/or Reserve Funds during the previous fiscal year. This report will be forwarded to the Obligated Municipalities.

5.0 Responsibilities

- 5.1 Board of Health
 - a) To establish the Memorandum of Agreement with the obligated municipalities
 - b) To approve the establishment, maintenance and withdrawal (use) of Reserves and Reserve Funds.
- 5.2 Secretary-Treasurer
 - a) To ensure the control of Reserves and Reserve Funds in accordance with applicable legislation, Board of Health resolutions for Reserve Funds, Memorandum of Agreement, and the Reserve / Reserve Fund Policy
- 5.3 Director, Finance and Operations
 - a) To ensure annual review of Reserve and Reserve Funds balances is completed
 - b) To provide and make recommendations for the establishment, maintenance, and withdrawal (use), elimination of Reserves and Reserve Funds based on existing legislation, Memorandum of Agreement(s), sound financial management, or other requirements.
 - c) To ensure all administrative matters related to the establishment, maintenance and control of Reserves and Reserve Funds are completed.