MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 077-13

TO: Chair and Members of the Board of Health

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2013 June 20

2012 CONSOLIDATED FINANCIAL STATEMENTS

Recommendation

It is recommended that the Board of Health approve the audited Consolidated Financial Statements for the Middlesex-London Health Unit, December 31st, 2012 as appended to Report No. 077-13.

Key Points

- Attached as Appendix A are the draft Consolidated Financial Statements for the Middlesex-London Health Unit relating to the operating period January 1st, 2012 to December 31st, 2012.
- The preparation of the consolidated financial statements is the responsibility of the Health Unit's management. The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards.
- A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements.

Financial Overview

This report provides an overview of the financial information found in both the Consolidated Statement of Financial Position and the Consolidated Statement of Operations. The Consolidated Statement of Financial Position can be found on page three of the consolidated financial statements. It is often referred to as the balance sheet as it contains the financial assets and liabilities of the organization. The Health Unit has approximately $5.5 million in cash and near cash financial assets to offset its $4.3 million short-term financial liabilities, and $1.9 million in long-term liabilities. These financial liabilities as at December 31, 2012 include the following:

Short-term liabilities: (often paid in the next operating year)

1) $1.4 million in amounts owing to all four funders
2) $1.9 million in unpaid accounts payable and accrued liabilities
3) $1.0 million in accrued wages and benefits

Long-term liabilities: (often extends past the next operating year)

4) $0.2 million is sick leave liability (which is funded through a reserve fund)
5) $1.7 million in post-employment benefits

With regards to the $1.7 million post-employment benefits liability above, this is the estimated amount required to fund all future costs associated with providing post-retirement benefits. This liability is currently unfunded, however, each year an estimated amount required for the current year is included as part of the operating budget. In 2012, $111,458 was paid for post-retirement benefits (2012 budget was $121,560).

The non-financial assets which total $3.1 million include the net book value of the Health Unit's tangible capital assets, such as lease hold improvements and computer systems, and prepaid expenses.

The last amount on the Consolidated Statement of Financial Position is the Accumulated Surplus for the Health Unit. It represents the net financial and physical resources available to provide future services. As can be seen the accumulated surplus fell by $1,024,319 (equal to the annual deficit) as a result of 2012 operations. This is mainly due to depreciation of capital assests. This is important as it indicates a lack of investment in capital.

Turning to page 4 of the consolidated financial statements you can find the Consolidated Statement of Operations which details the Health Unit's revenue and expenditures for 2012. As can be seen, the total revenue of $34.5 million comprised of $32.7 million (94.8%) in grant revenue from four sources, the Province of Ontario ($25.6 million or 74.2% of total revenue), the Government of Canada ($0.1 million or 0.3% of total revenue), The Corporation of the City of London ($5.9 million or 17.1% of total revenue), and The Corporation of the County of Middlesex ($1.1 million or 3.2% of total revenue). The remaining $1.8 million (5.2% of total revenue) comes from program revenue, interest, and other off-set revenues.

The revenues provided for expenditures of $35.6 million, which includes a $1.5 million (4.2% of total expenditures) charge (non-cash) for amortization expense which is the decreasing value of the tangible capital assets for 2012. Note #4 beginning on page 12 provides a schedule of changes to the tangible capital assets. The majority of the expenditures continue to be salaries and benefits which total $ 24.0 million (67.4%). The remaining $10.1 million (28.4%) consists of travel (1.0%), materials and supplies (5.1%), professional services (10.1%), rent and maintenance (4.5%), and other expenses (7.7%)

Draft Schedule of Revenues and Expenditures

Attached as Appendix C, is a draft Schedule of Revenues and Expenditures for 2012 that is also prepared by Health Unit management and audited by KPMG on an annual basis. This additional schedule is required by the Ministry of Health & Long-Term (MOHLTC) as part of their settlement process. This process is separate from the annual audit of the consolidated financial statements and has not been completed as the ministry has not yet provided public health units with the settlement reporting templates for the 2012 operating year. However, the draft Schedule of Revenue and Expenditures provides some level of detail in regards to revenues and expenditures by program which is useful for Board members to review.

There are a few important issues that this schedule highlights and should be brought to the Board's attention. First, represented in the column marked with an "A" are the revenue and expenditures for the Dental Treatment Clinic. This clinic is intended to be self-funded through dental fees. Historically these fees come from dental supports programs such as Ontario Works, Children In Need of Treatment, and the Healthy Smile Ontario programs. For the 2012 operating year the clinic generated a deficit of $40,577 (In 2011 the clinic generated a surplus of $17,194). This deficit will reduce the amount in the Dental Treatment Reserve Fund by a corresponding amount. Please see Report No. 079-13 of this agenda for the details of this reserve fund. At the September 2012 Board of Health meeting, staff will provide a report that will detail the reasons for the deficit and provide a plan to mitigate any future loses. In the columns marked with a "B" and "C" are revenues and expenditures of the Infection Prevention Control Nurse (IPCN) position (1.0 FTE), and the Social Determinants of Health Nursing (SDOH) positions (2.0 FTE) respectively. These positions, when implemented, were 100% funded by the MOHLTC, however funding levels have not kept pace with increases in salary and benefit costs. A contribution of $4,289 for the IPCN position, and $12,437 for the SDOH positions were required from the participating municipalities.

Audit Findings Report

Attached as Appendix B is KPMG's Audit Findings Report which will be presented at the June 20 meeting. A common practice in presenting the report is for the Auditors to meet in private with a Board of Directors excluding the Chief Executive Officer, Chief Financial Officer and all other staff. While this option has not been exercised in the recent past, Board members should be aware of its existence should they so wish to avail themselves.

Mr. John Millson, Director, Finance and Operations, and Mr. David Ross, Audit Manager, KPMG LLP will be in attendance at the June 20 Board meeting to address any questions regarding this report.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

This report addresses By-law #2 Banking & Finance, part 7 (d) re annual audit.