

AGENDA
MIDDLESEX-LONDON BOARD OF HEALTH
Finance and Facilities Committee

50 King Street, London
Middlesex-London Health Unit – Room 3A
Thursday, June 12, 2014 9:00 a.m.

1. DISCLOSURE OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA

3. APPROVAL OF MINUTES - [Public Session Minutes May 1, 2014](#)

4. BUSINESS ARISING FROM MINUTES

5. NEW BUSINESS

- 5.1. 2013 Draft Financial Statements (Report 027-14FFC) - Mr. David Ross, Audit Manager, KPMG LLP
- 5.2. Office Space Needs Assessment (Report 028-14FFC)
- 5.3. Financial Policies – Group #2 (Report 029-14FFC)

6.0 CONFIDENTIAL

- 6.1 The Finance and Facilities Committee will move in camera to discuss matters concerning:
 - 6.1.1 Labour relations or employee negotiations
 - 6.1.2 A proposed or pending acquisition of land by the Middlesex-London Board of Health
- 6.2 Approval of Confidential Minutes from May 1, 2014

6. OTHER BUSINESS - Upcoming meetings – Thursday, July 3, 2014; Thursday, August 7, 2014

7. ADJOURNMENT



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 June 12

2013 DRAFT FINANCIAL STATEMENTS

Recommendation

It is recommended that the Finance & Facilities Committee review and make recommendation to the Board of Health to approve the audited Financial Statements for the Middlesex-London Health Unit, December 31, 2013 as appended to Report No. 027-14FFC.

Key Points

- Attached as [Appendix A](#) are the draft Financial Statements for the Middlesex-London Health Unit relating to the operating period January 1st to December 31st, 2013.
- The preparation of the financial statements is the responsibility of the Health Unit's management. The financial statements 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.

Financial Overview

This report provides an overview of the financial information found in both the Statement of Financial Position and the Statement of Operations. The Statement of Financial Position can be found on page three of the financial statements ([Appendix A](#)). The Health Unit has approximately \$5.8 million in cash and near cash financial assets to offset its \$4.7 million short-term financial liabilities, and \$2.0 million in long-term liabilities. These financial liabilities as at December 31, 2013 include the following:

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

- 1) \$2.0 million in amounts owing to all four funders
- 2) \$1.6 million in unpaid accounts payable and accrued liabilities
- 3) \$1.1 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) \$1.8 million in post-employment benefits

The \$1.8 million post-employment benefits liability above is the estimated amount required to fund all future costs associated with providing post-retirement benefits. This liability is currently unfunded beyond the current year, however, each year an estimated amount required for the current year is included as part of the operating budget.

The non-financial assets which total \$2.6 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 \$546,133 (equal to the annual deficit) as a result of 2013 operations. This is largely related to amortization of tangible capital assets, and highlights a lack of investment in capital.

Page 4 of the consolidated financial statements shows the Consolidated Statement of Operations which details the Health Unit's revenue and expenditures for 2013. The total revenue of \$33.6 million comprised of \$32.3 million (96.1%) in grant revenue from four sources: the Province of Ontario (\$25.7 million or 76.5% of total revenue); the Government of Canada (\$0.16 million or 0.5% of total revenue); the Corporation of the City of London (\$5.4 million or 16.1% of total revenue); and the Corporation of the County of Middlesex (\$1.0 million or 3.0% of total revenue); The remaining \$1.4 million (4.0% of total revenue) comes from program revenue, interest, and other off-set revenues.

The revenues provided for expenditures of \$34.2 million, which includes a \$1.0 million (2.9% of total expenditures) charge (non-cash) for amortization expense which is the decreasing value of the tangible capital assets for 2013. 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 \$ 24.8 million (72.5%). The remaining \$8.4 million (24.6%) consists of travel (1.2%), materials and supplies (3.8%), professional services (10.6%), rent and maintenance (4.6%), and other expenses (4.4%).

Audit Findings Report

Attached as [Appendix B](#) is KPMG's Audit Findings Report which will be presented at the June 12th meeting. An option 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 12th Finance and Facilities Committee meeting to address any questions regarding this report.

This report was prepared by Mr. John Millson, Director of Finance and Operations.



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

DRAFT: May 27, 2014

Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2013



MIDDLESEX-LONDON HEALTH UNIT

Draft - Financial Statements

Year ended December 31, 2013

Financial Statements

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MIDDLESEX-LONDON HEALTH UNIT

Draft - Financial Statements

Year ended December 31, 2013

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Middlesex-London Health Unit ("Health Unit") are the responsibility of the Health Unit's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the 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 judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Health Unit's management maintains a system of internal 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 the financial statements. These systems are monitored and evaluated by management.

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

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

Dr. Christopher Mackie, MD
Medical Officer of Health &
Chief Executive Officer

John Millson, BA, CGA
Director, Finance & Operations

Marcel Meyer, Chair
Board of Health

INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Middlesex-London Board of Health

We have audited the accompanying financial statements of Middlesex-London Health Unit, which comprise the statement of financial position as at December 31, 2013, the statements of operations, change in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Middlesex-London Health Unit as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

"DRAFT"

Chartered Professional Accountants, Licensed Public Accountants

June 2014

London, Canada

MIDDLESEX-LONDON HEALTH UNIT

Draft - Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial Assets		
Cash	\$ 5,373,430	\$ 4,902,703
Accounts receivable	301,798	444,232
Grants receivable	140,234	111,436
	\$ 5,815,462	\$ 5,458,371
Financial Liabilities		
Province of Ontario	\$ 916,210	\$ 1,211,452
Government of Canada	68,197	18,870
The Corporation of the City of London	883,602	166,465
The Corporation of the County of Middlesex	168,300	31,705
Accounts payable and accrued liabilities	1,531,844	1,968,134
Accrued wages and benefits	1,136,256	945,616
Vested sick leave liability (note 2(a))	179,975	174,986
Post-employment benefits liability (note 2(b))	1,799,200	1,736,100
	\$ 6,685,584	\$ 6,253,328
Net Debt	(868,122)	(794,957)
Non-Financial Assets		
Tangible capital assets (note 4)	\$ 2,460,318	\$ 2,970,590
Prepaid expenses	174,659	137,355
	2,634,977	3,107,945
Commitments (note 5)		
Contingencies (note 6)		
Accumulated Surplus (note 7)	\$ 1,766,855	\$ 2,312,988

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget	2013	2012
Revenue:			
Grants:			
Ministry of Health and Long-Term Care	\$ 20,293,852	\$ 20,580,751	\$ 20,252,178
Ministry of Children & Youth Services	5,016,473	5,128,113	5,333,176
Government of Canada	149,930	159,602	86,275
The Corporation of the City of London	6,123,409	5,377,922	5,928,594
The Corporation of the County of Middlesex	1,166,361	1,024,366	1,129,256
	32,750,025	32,270,754	32,729,479
Other:			
Property search fees	3,750	2,297	3,051
Family planning	285,000	284,676	322,952
Dental service fees	-	210,380	213,148
Investment income	20,000	21,863	32,249
Prenatal class income	8,140	5,270	20,443
Other income (note 8)	313,676	840,594	1,233,739
	630,566	1,365,080	1,825,582
Total Revenue	33,380,591	33,635,834	34,555,061
Expenditures:			
Salaries:			
Medical Officers of Health	426,936	464,075	496,981
Public Health Nurses	8,860,983	8,728,412	8,663,701
Public Health Inspectors	2,469,875	2,414,948	2,308,423
Administrative staff	3,549,345	3,585,882	3,339,802
Dental staff	765,445	895,108	868,913
Other salaries	3,151,941	3,472,081	3,447,920
	19,224,525	19,560,506	19,125,740
Other Operating:			
Benefits	5,211,795	5,186,419	4,841,950
Travel	461,155	410,229	390,738
Materials & supplies	1,045,880	1,311,062	1,782,708
Professional services	3,853,154	3,632,270	3,606,380
Rent & maintenance	1,526,623	1,581,634	1,646,016
Amortization expense	522,055	961,503	1,510,204
Other expenses (note 9)	1,535,404	1,538,344	2,675,644
	14,156,066	14,621,461	16,453,640
Total Expenditures	33,380,591	34,181,967	35,579,380
Annual deficit	-	(546,133)	(1,024,319)
Accumulated surplus, beginning of year	2,312,998	2,312,988	3,337,307
Accumulated surplus, end of year	\$ 2,312,988	\$ 1,766,855	\$ 2,312,988

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Statement of Changes in Net Debt

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Annual deficit	\$ (546,133)	\$ (1,024,319)
Acquisition of tangible capital assets	(451,231)	(572,164)
Amortization of tangible capital assets	961,503	1,510,204
	(35,861)	(86,279)
Acquisition of prepaid expenses	(174,659)	(137,355)
Use of prepaid expenses	137,355	74,798
	(37,304)	(62,557)
Change in net debt	(73,165)	(148,836)
Net debt, beginning of year	(794,957)	(646,121)
Net debt, end of year	\$ (868,122)	\$ (794,957)

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Statement of Cash Flows

December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (546,133)	\$ (1,024,319)
Items not involving cash:		
Amortization	961,503	1,510,204
Change in employee benefits and other liabilities	68,089	(124,442)
Change in non-cash assets and liabilities:		
Accounts receivable	142,434	193,630
Grants receivable	(28,798)	11,837
Prepaid expenses & deposits	(37,304)	(62,557)
Due to Province of Ontario	(295,242)	(172,383)
Due to Government of Canada	49,327	17,435
Due to The Corporation of the City of London	717,137	(145,589)
Due to The Corporation of the County of Middlesex	136,595	(26,988)
Accounts payable and accrued liabilities	(436,290)	96,596
Accrued wages and benefits	190,640	(85,277)
Net change in cash from operating activities	921,958	188,147
Capital activities:		
Cash used to acquire tangible capital assets	(451,231)	(572,164)
Net change in cash from capital activities	(451,231)	(572,164)
Net change in cash	470,727	(384,017)
Cash and cash equivalents, beginning of year	4,902,703	5,286,720
Cash and cash equivalents, end of year	\$ 5,373,430	\$ 4,902,703

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements

Year ended December 31, 2013

The Middlesex-London Health Unit ("Health Unit") is a joint local board of the municipalities of The Corporation of the City of London and The Corporation of the County of Middlesex that was created on January 1, 1972. The Middlesex-London Health Unit provides programs which promote healthy and active living throughout the participating municipalities.

1. Significant accounting policies:

The financial statements of the Middlesex-London Health Unit are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Middlesex-London Health Unit are as follows:

(a) Basis of presentation:

The financial statements reflect the assets, liabilities, revenue and expenditures of the reporting entity. The reporting entity is comprised of all programs funded by the Province of Ontario, The Corporation of the City of London, and The Corporation of the County of Middlesex. It also includes other programs that the Board of Health may offer from time to time with special grants and/or donations from other sources.

Inter-departmental transactions and balances have been eliminated.

(b) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of donations, which are included in the statement of operations as received.

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

The operations of the Middlesex-London Health Unit are funded by government transfers from the Province of Ontario, The Corporation of the City of London and The Corporation of the County of Middlesex. Government 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, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Government transfers not received at year end are recorded as grants receivable due from the related funding organization in the statement of financial position.

Funding amounts in excess of actual expenditures incurred during the year are either contributed to reserves or reserve funds, when permitted, or are repayable and are reflected as liabilities due from the related funding organization in the statement of financial position.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(c) Employee future benefits:

- (i) The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees.

The cost of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long term inflation rates and discount rates.

- (ii) The cost of multi-employer defined contribution pension plan benefits, namely the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. As this is a multi-employer plan, no liability is recorded on the Middlesex-London Health Unit's general ledger.

(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 that extend beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over the estimated useful lives as follows:

Asset	Useful Life - Years
Leasehold Improvements	5 - 15
Computer Systems	4
Motor Vehicles	5
Furniture	7

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

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

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and also are recorded as revenue.

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payment are charged to expense as incurred.

(e) Use of estimates:

The preparation of the Middlesex-London Health Unit's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Middlesex-London Health Unit's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of the useful lives of tangible capital assets.

Actual results could differ from these estimates.

(f) Change in accounting policy:

The Middlesex-London Health Unit has implemented Public Sector Accounting Board ("PSAB") section 3410 – Government Transfers as of January 1, 2013. The standard discusses what the criteria are for a government transfer, recognition of the transferring and recipient governments, eligibility criteria/stipulations within the transfer, and presentation and disclosure information related to the government transfer. In accordance with the transitional guidance included within the standard, this change has been applied prospectively. There were no changes to the financial statements as a result of the implantation of this standard.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Employee future benefits:

The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods, as follows:

(a) Vested sick leave liability:

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Middlesex-London Health Unit's employment. This plan applies to employees hired prior to January 1, 1982.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to approximately \$179,975 (2012 - \$174,986) at the end of the year.

A reserve of \$307,314 has been established to meet future commitments for this liability.

(b) Post-retirement benefits liability:

The Middlesex-London Health Unit pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Middlesex-London Health Unit recognizes these post-retirement costs in the period in which the employees render services. The most recent actuarial valuation was performed as at January 1, 2012.

	2013	2012
Accrued employee future benefit obligations	\$ 1,760,200	\$ 2,086,300
Unamortized net actuarial gain/(loss)	39,000	(350,200)
Employee future benefits liability as of December 31	\$ 1,799,200	\$ 1,736,100

Retirement and other employee future benefit expenses included in the benefits in the statement of operations consist of the following:

	2013	2012
Current year benefit cost	\$ 120,400	\$ 95,900
Interest on accrued benefit obligation	79,600	92,700
Amortization	30,400	12,500
Total benefit cost	\$ 230,400	\$ 201,100

Benefits paid during the year were \$ 167,300 (2012 - \$147,500).

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Employee future benefits (continued):

The main actuarial assumptions employed for the valuation are as follows:

(i) Discount rate:

The obligation as at December 31, 2013, of the present value of future liabilities and the expense for the year ended December 31, 2013, are determined using a discount rate of 3.75% (2012 – 3.75%).

(ii) Medical costs:

Medical costs are assumed to increase at the rate of 7% per year (2012 - 7%) declining to 4% per year over 20 years.

(iii) Dental costs:

Dental costs are assumed to increase at the rate of 4% per year (2012 - 4%).

3. Pension agreement:

The Middlesex-London Health Unit contributes to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 290 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

During 2013, the plan required employers to contribute 8.3% of employee earnings up to the year's maximum pensionable earnings and 12.8% thereafter. The Health Unit contributed \$1,829,910 (2012 - \$1,596,358) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2013.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Tangible Capital Assets:

Cost	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Leasehold Improvements – 15 yrs	\$ 2,642,714	\$ 1,133	\$ -	\$ 2,643,847
Leasehold Improvements – 5 yrs	172,879	-	-	172,879
Computer Systems	1,615,680	269,383	(342,502)	1,542,561
Motor Vehicles	-	-	-	-
Furniture & Equipment	2,477,971	180,715	(290,506)	2,368,180
Total	\$ 6,909,244	\$ 451,231	\$ (633,088)	\$ 6,727,467

Accumulated amortization	Balance at December 31, 2012	Amortization expense	Disposals	Balance at December 31, 2013
Leasehold Improvements – 15 yrs	\$ 1,372,469	\$ 317,702	\$ -	\$ 1,690,171
Leasehold Improvements – 5 yrs	114,590	29,145	-	143,735
Computer Systems	996,091	315,782	(342,502)	969,371
Motor Vehicles	-	-	-	-
Furniture & Equipment	1,455,504	298,874	(290,506)	1,463,872
Total	\$ 3,938,654	\$ 961,503	\$ (633,008)	\$ 4,267,149

	Net book value December 31, 2012	Net book value December 31, 2013
Leasehold Improvements – 15 yrs	\$ 1,270,245	\$ 953,676
Leasehold Improvements – 5 yrs	58,289	29,144
Computer Systems	619,589	573,190
Motor Vehicles	-	-
Furniture & Equipment	1,022,467	904,308
Total	\$ 2,970,590	\$ 2,460,318

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Tangible Capital Assets (continued):

Cost	Balance at December 31, 2011	Additions	Disposals	Balance at December 31, 2012
Leasehold Improvements – 15 yrs	\$ 2,569,642	\$ 73,072	\$ -	\$ 2,642,714
Leasehold Improvements – 15 yrs	172,879	-	-	172,879
Computer Systems	1,690,806	144,122	(219,248)	1,615,680
Motor Vehicles	35,014	-	(35,014)	-
Furniture & Equipment	2,224,825	354,970	(101,824)	2,477,971
Total	\$ 6,693,166	\$ 572,164	\$ (356,086)	\$ 6,909,244

Accumulated amortization	Balance at December 31, 2011	Amortization expense	Disposals	Balance at December 31, 2012
Leasehold Improvements – 15 yrs	\$ 553,559	\$ 818,910	\$ -	\$ 1,372,469
Leasehold Improvements – 15 yrs	74,278	40,312	-	114,590
Computer Systems	872,247	343,092	(219,248)	996,091
Motor Vehicles	35,014	-	(35,014)	-
Furniture & Equipment	1,249,438	307,890	(101,824)	1,455,504
Total	\$ 2,784,536	\$ 1,510,204	\$ (356,086)	\$ 3,938,654

	Net book value December 31, 2011	Net book value December 31, 2012
Leasehold Improvements – 15 yrs	\$ 2,016,083	\$ 1,270,245
Leasehold Improvements – 5 yrs	98,601	58,289
Computer Systems	818,559	619,589
Motor Vehicles	0	-
Furniture & Equipment	975,387	1,022,467
Total	\$ 3,908,630	\$ 2,970,590

During the year, the Health Unit deemed to have disposed of fully amortized assets with a cost basis of \$633,008 (2012 - \$356,086).

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

5. Commitments:

The Middlesex-London Health Unit is committed under operating leases for office equipment and rental property.

Future minimum payments to expiry are as follows:

2014	\$ 876,240
2015	851,404
2016	826,664
2017	70,456
2018	70,456

6. Contingencies:

From time to time, the Health Unit is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Health Unit's insurance. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

7. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2013	2012
Surpluses:		
Invested in tangible capital assets	\$ 2,460,318	\$ 2,970,590
Unfunded:		
Sick leave benefits	(179,975)	(174,986)
Post-employment benefits	(1,799,200)	(1,736,100)
Total Surplus	481,143	1,059,504
Reserves set aside by the Board:		
Accumulated sick leave	307,314	307,314
Funding stabilization	818,258	765,957
Environmental – septic tank	6,044	6,044
Dental Treatment reserve	154,096	174,169
Total reserves	1,285,712	1,253,484
Accumulated surplus	\$ 1,766,855	\$ 2,312,988

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

8. Other income:

The following revenues are presented as other income in the statement of operations:

	2013 Budget	2013 Actual	2012 Actual
Collaborative project revenues	\$ 19,828	\$ 169,105	\$ 735,618
Food handler training	25,500	64,931	62,649
Miscellaneous revenues	199,375	259,518	154,256
Vaccine sales	61,925	321,065	261,969
Workshop fees	7,048	25,975	19,247
	\$ 313,676	\$ 840,594	\$ 1,233,739

9. Other expenses:

The following expenditures are presented as other expenses in the statement of operations:

	2013 Budget	2013 Actual	2012 Actual
Communications	\$ 217,275	\$ 190,109	\$ 209,626
Health promotion/advertising	393,046	418,658	498,495
Miscellaneous expenses	551,119	596,004	637,951
Postage and courier	84,550	75,232	80,703
Printing	154,426	151,376	169,675
Staff development	134,988	106,965	179,194
UWO – GA facility support	-	-	900,000
	\$ 1,535,404	\$ 1,538,344	\$ 2,675,644

9. Prepaid leave trust funds:

The Prepaid Leave Plan is a self-funded program for participating employees. A portion of the employees' salary is held in trust to be paid in the year of leave. The employees are credited with interest income from the trust funds annually, prior to year end. The balance of the Prepaid Leave Plan at December 31, 2013 is nil, (2012 - \$20,914). These amounts have not been included in the statement of financial position nor have their operations been included in the statement of operations.

MIDDLESEX-LONDON HEALTH UNIT

Draft - Notes to Financial Statements (continued)

Year ended December 31, 2013

10. Budget data:

The budget data presented in these financial statements is based upon the 2013 operating budgets approved by the Board of Health on November 15, 2012. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements

Revenues:	
Operating budget	\$ 33,380,591
Expenses:	
Operating budget	32,858,536
Capital budget	522,055
Total Expenses	\$ 33,380,591
Annual surplus, as budgeted	-
Amortization	961,503
Capital Expenditures	(451,231)
Annual surplus / (deficit)	\$ 510,272



AUDIT

Middlesex-London Health Unit

Audit Findings Report

For the year ending December 31, 2013

KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants

kpmg.ca



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Executive summary

Overview

The purpose¹ of this Audit Findings Report is to assist you, as a member of the Finance and Facilities Committee, in your review of the results of our audit of the financial statements of Middlesex-London Health Unit ("MLHU") as at and for the period ended December 31, 2013.

We hope this audit findings report is of assistance to you for the purpose above, and we look forward to discussing our findings and answering your questions.

Status

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:

- completing our discussions with the Finance and Facilities Committee
- obtaining evidence of the Board's approval of the financial statements
- receipt of the signed management representations letter

We will update you on significant matters, if any, arising from the completion of the audit, including completion of the above procedures. Our auditors' report will be dated upon completion of any remaining procedures.

¹ This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance and Facilities Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings 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.

Significant audit, accounting and reporting matters

Included in this report are significant matters we have highlighted for discussion at the upcoming Finance and Facilities Committee meeting. We look forward to discussing these matters and our findings with you.

Amortization of leasehold improvements

- During 2012 MLHU adjusted the estimated useful life of leasehold improvements.
- The adjusted estimated useful life is based on the remaining term of the existing lease, resulting in accelerated amortization of leasehold improvements.
- A change in an accounting estimate is accounted for prospectively, as required by public sector accounting standards.
- The revised amortization expense calculation has been applied since 2012.

KPMG comments regarding effect on the audit

- KPMG discussed the nature of the change in estimate with management to confirm the circumstances for the change were still in effect.
- We recalculated the amortization expense recorded for leasehold improvements based on the revised useful life.

Creation of Finance and Facilities Committee

- During 2013 the Health Unit created the Finance and Facilities Committee.
- This committee performs a more detailed review of financial results, planned spending and commitments and reports to the Board of Health.

KPMG comments regarding effect on the audit

- The creation of this committee changes the way in which KPMG reports its audit findings to those charged with governance of the Health Unit.
- The creation of this committee is consistent with the reporting structure we see in many organizations with a committee of the Board completing a more detailed review of certain financial and operating matters and providing a recommendation to the Board for approval.

Significant qualitative aspects of accounting policies and practices

Our professional standards require that we communicate our views regarding the matters below, which represent judgments about significant qualitative aspects of accounting policies and practices. Judgments about quality cannot be measured solely against standards or objective criteria. These judgments are inherently those of the individual making the assessment: the engagement partner. However, although judgments about quality are those of the engagement partner, the views discussed below are not contrary to positions KPMG has taken.

The following are the matters we plan to discuss with you:

<p>Significant accounting policies</p>	<ul style="list-style-type: none"> • All significant accounting policies are disclosed in notes to the financial statements. • KPMG reviewed accounting policies adopted by management, including management’s assessment of all accounting policies adopted by the entity, and all are considered appropriate.
<p>Critical accounting estimates</p>	<ul style="list-style-type: none"> • Management's identification of accounting estimates • Management's process for making accounting estimates • There are no indicators of management bias as a result of our audit over estimates • Disclosure of estimation uncertainty in the financial statements is included in the notes to the financial statements. The notes provide information on areas in the financial statements that include estimates. • Management evaluates these estimates on a regular basis to ensure they are appropriate
<p>Critical disclosures and financial statement presentation</p>	<ul style="list-style-type: none"> • We identified no inconsistencies with the overall neutrality, consistency, and clarity of the disclosures in the financial statements • Overall, the disclosures in the financial statements are clear and are consistent with prior periods.

Misstatements

Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

- uncorrected misstatements in excess of \$50,000, including disclosures
- corrected misstatements in excess of \$50,000, including disclosures

Uncorrected misstatements

We identified no misstatements that remain uncorrected.

Corrected misstatements

We identified no misstatements that were corrected by management.

Control deficiencies

Background and professional standards

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation 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 internal control. Accordingly, we do not express an opinion on the effectiveness of internal control].

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. 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.

Identification

No control deficiencies have been identified that we consider to be significant deficiencies in internal control.

Appendices

Cyber security for Canada's Not-For-Profit Organizations

Draft auditors' report

Independence letter

Management representation letter

Cyber security for Canada's Not-For-Profit Organizations – Attack is Certain – Your Loss is Not



The threats from cyber adversaries are continuing to grow in scale and sophistication. Not-for-Profit Organizations (NPOs) worldwide now openly acknowledge that cyber attacks are one of the most prevalent and high impact risks they face.

Dealing with the cyber threat is a complex challenge. Much of the current focus is on protection and compliance, as organizations – subject to increasing amounts of legislative, corporate and regulatory requirements – demonstrate they are managing and protecting information appropriately.

The Information Security landscape is constantly evolving. NPOs find it difficult to believe they could be a target for cyber attacks. This mindset needs to change – as the best defence is a good offence. At the same time, it is no longer viable to rely on defence alone. The determined adversary will get through eventually.

As a result, NPOs must be aware of their environment and be able to identify when an attack has taken place or when an attack is imminent. Intelligence and the insight that it brings is at the heart of next generation of information security.

Attackers and the attacks they employ are changing

The profiles of the attacker and the organizations they are targeting are evolving. NPOs face a number of risks ranging from unorganized, unsophisticated attacks to well-organized, highly-skilled adversaries. The attacks employed are also evolving. Increasingly, we are seeing more and more sophisticated techniques being employed against organizations of all sizes.

Why should NPOs be concerned about cyber security?

There are a number of factors NPOs are experiencing that can contribute to a heightened risk of cyber attack, including:

- NPO budgets are growing – the perceived “size of the prize” to attackers is increasing.
- There is an increasing pressure for NPO services to be online and accessible to its end-users.
- NPO IT complexity is growing; there is pressure to keep up with technology to drive efficient operations and maximize the benefits to your members.
- Like many organizations, NPOs face IT security resource and skillset shortages.
- An increasing reliance on the security of cloud computing, third-party hosting and application service providers.

What can be done?

You don't need to face these challenges alone. KPMG brings together professionals in information protection and business continuity, risk management, privacy, organizational design, behavioral change and intelligence management. These combined skills are used to tailor a cyber security strategy relevant to the specific types of cyber threats your organization may face.

Our team, whose goal is to help you build a sustainable cyber security capability, offers a unique viewpoint on the building blocks of an effective cyber security function. We see cyber security as a set of different components, and we can assist you in the designing the right model, and embed it in your organization.

NPOs can integrate processes into their strategic planning activities to help boards, employees and members understand that:

- Cyber crime is NOT an IT issue, but rather an integrated business issue.
- Security is an unbalanced struggle: attackers need to find only a single vulnerability, but defenders have to protect every single one.
- Information security is every employee's responsibility.
- Hackers are organizing their attack environment. Coordinated attacks, crowd-maintained tools and information, underground markets and quickly published exploits are abundant.
- Understand your exposure to internal and external Cyber security incidents. Make informed decisions on the impact your organization could suffer from financial, operational, reputational, personnel privacy, and regulatory perspectives.

10 key tips to help enhance your cyber security preparedness

- 1 Know your business risks** – Assess the threat landscape and strike the right balance between focusing on likely channels of attack and business operations.
- 2 Align leadership and governance** – Is the Board and senior management demonstrating due diligence, ownership and effective management of cyber risk?
- 3 Be proactive** – Secure data and systems in advance, don't wait to invest until after a breach has occurred and the damage is done.
- 4 Gather and share intelligence** – Understand the nature and latest methodologies used by cyber criminals. Inform your decisions with this information and share the information within and outside your industry.
- 5 Train your staff** – Despite technology sophistication, people remain critical to security, both as the first line of defense and as a major threat. Education and awareness are key.
- 6 Be clear in your communication on the theme of cyber security** – Make sure everyone knows his or her responsibilities and knows what needs to be done when an incident has occurred or is suspected.
- 7 Engage help where needed** – Don't rely solely on your IT department for security of your organization's data and systems.
- 8 Check with your legal and compliance team** – Are you complying with any and all regulatory and international certification standards, as relevant?
- 9 Be deliberate in your response and focus on your business** – Being deliberate is essential in both proactive investment and reactive response e.g. critical incident plan to maintain customer and shareholder confidence in brand.
- 10 Benchmark your organization** – How are you managing your cyber security program in relation to your peers?

We would encourage you to consult with a KPMG professional to help you both understand and manage Cyber security risks.

Contact us

Kevvie Fowler

Partner

Advisory

T: (416) 777 3742

E: kevviefowler@kpmg.ca

Ben Sapiro

Senior Manager

Advisory

T: (416) 777 8919

E: bsapiro@kpmg.ca

kpmg.ca

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Draft auditors' report

To the Chair and Members, Middlesex London Board of Health

We have audited the accompanying financial statements of Middlesex London Health Unit, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Middlesex London Health Unit as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants
June 2014
London, Canada



KPMG LLP
Chartered Professional Accountants
140 Fullarton Street Suite 1400
PO Box 2305
London, ON N6A 5P2

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

Middlesex-London Health Unit
50 King Street
London, ON
N6A 5L7

June 12, 2014

Ladies and Gentlemen:

Professional standards specify that we communicate to you in writing all relationships between the Entity (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client

PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) from January 1, 2013 up to the date of this letter:

Description of Professional Services
Audit <ul style="list-style-type: none"><li data-bbox="272 783 906 814">• Audit of December 31, 2013 Financial Statements<li data-bbox="272 819 889 846">• Audit of March 31, 2014 Consolidated Programs

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding to the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence from January 1, 2013 up to the date of this letter.

CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity (and its related entities) within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation from January 1, 2013 up to the date of this letter.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants, Licensed Public Accountants

KPMG LLP
Chartered Professional Accountants
1400-140 Fullarton Street
London, ON N6A 5P2

June 2014

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of Middlesex-London Health Unit (“the Entity”) as at and for the period ended December 31, 2013.

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 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:

GENERAL:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 1, 2010 for:
 - a) the preparation and fair presentation of the financial statements
 - b) providing you with all relevant information and access
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

ACCOUNTING POLICIES:

- 2) The accounting policies selected and applied are appropriate in the circumstances.
- 3) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.
- 4) Retrospective application has been made to the prior period financial statements for changes in accounting policies in accordance with the relevant financial reporting framework.

ESTIMATES / MEASUREMENT UNCERTAINTY:

- 5) We are responsible for making any fair value measurements and disclosures included in the financial statements.
- 6) For recorded or disclosed amounts that incorporate fair value measurements:
 - a) the measurement methods are appropriate and consistently applied.
 - b) the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, are adequately supported and have been consistently applied.
 - c) the resulting valuations are reasonable.
 - d) presentation and disclosure is complete and appropriate and in accordance with the relevant financial reporting framework.

ASSETS & LIABILITIES – GENERAL:

- 7) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.
- 8) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).
- 9) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.
- 10) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.
- 11) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

COMPARATIVE FIGURES/FINANCIAL STATEMENTS:

- 12) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

PROVISIONS:

- 13) Provision, when material, has been made for:
- a) losses to be sustained in the fulfillment of, or inability to fulfill, any sales commitments.
 - b) losses to be sustained as a result of purchase commitments for assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.
 - c) losses to be sustained from impairment of property, plant and equipment, including amortizable intangible assets.
 - d) losses to be sustained from impairment of goodwill and/or non-amortizable assets.

FINANCIAL INSTRUMENTS, OFF-BALANCE-SHEET ACTIVITIES, HEDGING AND GUARANTEES:

- 14) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded and/or disclosed in accordance with the relevant financial reporting framework.
- 15) The following information about financial instruments has been properly disclosed in the financial statements:
- a) extent, nature, and terms of financial instruments, both recognized and unrecognized;
 - b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and
 - c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.
 - d) All financial assets and liabilities outstanding as of the balance sheet date have been reviewed and correctly classified or designated as either: held-for-trading, held-to-maturity, loans and receivables or available-for-sale financial assets or other financial liabilities in accordance with the relevant financial reporting framework, and have been appropriately recorded at their fair value, amortized cost or cost based on their classification or designation.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 17) 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 and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's 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.

COMMITMENTS & CONTINGENCIES:

- 18) There are no:
- a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
 - b) other environmental matters that may have an impact on the financial statements

SUBSEQUENT EVENTS:

- 19) 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:

- 20) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and

transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 21) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 22) 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). We also confirm that the financial statements of the Entity will not be included in the consolidated 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,

Dr. Christopher Mackie, MD
Medical Officer of Health and Chief Executive Officer

John Millson, BA, CGA
Director, Finance & Operations

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, 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 the size or nature of a misstatement, or a combination of both.

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.

RELATED PARTIES

In accordance with Canadian Accounting Standards for the public sector, a *related party* is defined as:

- *Exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.*

In accordance with Canadian Accounting Standards for the public sector, a *related party transaction* is defined as:

- *A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.*

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TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 June 12

OFFICE SPACE NEEDS ASSESSMENT

Recommendation

It is recommended that the Finance & Facilities Committee receive Report No. 028-14FFC re Office Space Needs Assessment for information.

Key Points

- The 2014 approved operating budget includes \$104,755 to develop a facilities plan.
- A Request for Proposal was executed and the successful proponent (Tillmann Ruth Robinson Architects) was chosen at an anticipated cost of \$43,700 (excluding HST).
- Initial planning has begun for developing technological and process changes that will be required to support an alternative work environment.

Background

In the 2014 operating budget the Board of Health approved one-time funding of \$104,755 for the Health Unit to develop a facilities plan which would include a review of existing facilities, program delivery, and needs assessment as it pertains to facilities and the use of such for Health Unit programs. The needs assessment will act as a plan for current and future space requirements in order to inform office location decisions. It will identify the Health Unit's requirements with respect to office space utilization, staffing space needs, and the ability to provide public health services in an effective and efficient manner.

Procurement Process

On April 15th a Request For Proposal (RFP) was sent out for an independent review of our facilities (space needs assessment). The RFP closed April 29, 2014 and it attracted four proponents. An evaluation committee was formed which consisted of Ms. Diane Bewick, Director of Family Health Services, Ms. Melody Couvillon, Manager of Procurement and Operations, and Mr. John Millson, Director of Finance & Operations. The committee met on May 5th to evaluate the four proposals and also interviewed three of the four proponents on May 14, 2014.

Successful Proponent

The committee was unanimous in its recommendation of Tillmann Ruth Robinson Architects who ranked the highest in the evaluation against established criteria which included: experience, qualifications, methodology and approach, reasonableness of cost, delivery, resources, and value added benefits or services. Table 1 below, provides a break-down of the \$43,700 (before HST) contract into the various accepted phases, and a draft timetable is attached as [Appendix A](#).

Table 1 – Space Needs Assessment Overview

Description¹	Amount
Phase 1 – Documentation and Consultation	\$ 11,800
Phase 3 – Capture Vision & Goals	2,400
Phase 4 – Program Analysis	2,400
Phase 5 – Functional Program Development	9,400
Phase 6 – Functional Plan Development	15,300
Phase 8 – Draft Final Report	2,400
Total Contract Price (excluding HST)	\$ 43,700

Note 1) Phases 2 (Research & Precedents \$8,500), and 7 (Costing \$7,500 – creation of an Order of Magnitude Cost Estimate based on the Functional Plan for a new building, or a series of new buildings or leased space) were determined as optional pricing.

Technological & Process Changes

Technological and process changes are anticipated to be required as an outcome of the space needs assessment. Such changes include:

- implementing a Virtual Private Network (VPN) access so that staff can work securely from virtually anywhere they have access to a Wi-Fi network;
- enhancing the corporate Intranet to access program information and submit expense reimbursements and time and attendance information as effectively and as efficiently as possible; and
- reorganizing processes and identifying technology to reduce or eliminate the use of paper.

These changes support staff in more efficient program delivery and also reduce reliance on the traditional, space-intensive work environment.

Next Steps

The next steps will be to have a kick-off meeting with Tillmann Ruth Robinson Architects and to finalize and initiate the project plan. Staff will provide regular updates the Finance & Facility Committee throughout the project.

This report was prepared by Ms. Melody Couvillon, Manager of Procurement and Operations, and Mr. John Millson, Director of Finance & Operations.



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

6. SCHEDULE / WORK PLAN

	Activity	Time Frame and Completion Date	aTRR Working Hours	Requirements of the Health Unit
1.0	Documentation and Consultation			
1.1	Project Team Introduction	Jun 2 - Jun 6	4	Meeting
1.2	Meet Key Project Stakeholders	Jun 2 - Jun 6	4	Meeting
1.3	Review Existing Spaces at all Locations	Jun 9 - Jun 20	60	Access and Drawings
1.4	Consult with Staff	Jun 23 - July 4	25	Meetings
1.5	Prepare Summary of Findings	Jul 7 - Jul 10	25	
1.6	Submit Final Study of Existing Conditions	Jul 11		
2.0	Research and Precedents <i>(Remove 2 weeks from the schedule should this phase not be required)</i>			
2.1	Tour other Health Units	Jul 14 - Jul 25	45	Participation
2.2	Research Current Trends	Jul 14 - Jul 25	25	Meetings
2.3	Summarize Findings	Jul 28 - Jul 31	15	
2.4	Submit Final Study of Research Findings	Aug 1		
3.0	Capture Vision and Goals			
3.1	Facilitate Workshops with Management	Aug 4 - Aug 8	6	Participation
3.2	Issue Digital Survey to all Staff for Input	Aug 11 - Aug 15	6	Distribute Survey
3.3	Facilitate Workshop with Broader Users	Aug 11 - Aug 15	6	Participation
3.4	Meet to Finalize Vision and Goals	Aug 18 - Aug 21	6	Meeting
3.5	Submit Final Vision and Goals Document	Aug 22		Approval to Proceed
4.0	Program Analysis			
4.1	Compare Existing Spaces with Research	Aug 25 - Aug 28	8	
4.2	Compare Existing Space with Goals	Aug 25 - Aug 28	8	
4.3	Identify What is Working and What is Not	Aug 25 - Aug 28	8	
4.4	Submit Final Analysis of Existing Program	Aug 29		
5.0	Functional Program Development			
5.1	Facilitate Functional Program Workshop	Sept 2 - Sept 5	6	Participation
5.2	Draft Functional Program Workshop	Sept 8 - Sept 12	45	
5.3	Facilitate Functional Program Review	Sept 15 - Sept 19	6	Meeting
5.4	Refine Functional Program	Sept 22 - Sept 25	25	
5.5	Review Functional Program with Stakeholders	Sept 22 - Sept 25		
5.6	Submit Final Functional Program	Sept 26		Approval to Proceed
5.7	Participate in Presentations as Required	TBD	6	
6.0	Functional Plan Development			
6.1	Facilitate Functional Plan Workshop	Oct 6 - Oct 10	6	Participation
6.2	Draft Functional Plan	Oct 13 - Oct 17	75	
6.3	Facilitate Functional Plan Review	Oct 20 - Oct 24	6	Meeting
6.4	Refine Functional Plan	Oct 27 - Oct 30	60	
6.5	Submit Final Functional Plan	Oct 31		Approval to Proceed

Activity	Time Frame and Completion Date	aTRR Working Hours	Requirements of the Health Unit
6.6	Participate in Presentations as Required	TBD	6
7.0	Costing	(Add 8 weeks to the schedule should this phase be required)	75 Meeting to Review
8.0	Draft Final Report		
8.1	Consolidate Final Report	Nov 3 - Nov 7	10
8.2	Review with Relevant Stakeholders	Nov 10 - Nov 14	6 Meeting
8.3	Refine Based on Feedback	Nov 17 - Nov 21	8
9.0	Submit Final Report		
9.1	Present Final Report	TBD	6

7. MLHU INVOLVEMENT AND COMMITMENT

The above Work Plan identifies each step in the process and the requirements of the Health Unit at the relevant steps. Where it notes that a Meeting is required, appropriate representatives from the Health Unit will be determined and will be expected to be actively involved in the decision making process. For each workshop, the Work Plan notes that participation is required by the Health Unit. This involves appropriate representatives actively participating in a collaborative and interactive manner.

The following is a list of deliverables required by the Health Unit:

- Drawings and/or Floor Plans of your existing spaces, if available.
- A list of all existing rooms, spaces and areas, if available.
- Assistance in the coordination of tours of other facilities.
- Distribution of the digital survey to all relevant staff.

Our process is built on Collaboration and Commitment throughout. Our team will work hand-in-hand with you to meet your project goals. We will listen to input from all user groups in order to develop a clear understanding. The final outcome will creatively achieve all program requirements and be truly reflective of the culture and spirit at Middlesex-London Health Unit.



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 June 12

FINANCE POLICIES REVIEW: REPORT 2 OF 3

Recommendation

It is recommended that the Finance & Facilities Committee review and recommend that the Board of Health approve the Out of Town Travel Expenses, Tangible Capital Assets, and the Use of Personal Vehicle policies as appended to Report No. 029-14FFC.

Key Points

- The 2013 PricewaterhouseCoopers (PwC) review recommended MLHU update its finance policies.
- In consultation with PwC, MLHU reviewed these policies to ensure they reflect industry best practices, fiscal responsibility, and operational feasibility.

Background

Finance & Facilities Committee (FFC) endorsed a process at the March 26th, 2014 meeting to address a key recommendation of PwC to ensure MLHU's financial policies and practices align with the industry best-practice. As per endorsed process, this report, the second of three, provides revisions to the following policies: [Appendix A](#)

- Use of Personal Vehicle
- Tangible Capital Assets
- Out of Town Travel Expenses

These three policies require Board of Health approval. Major changes to the policies will be highlighted in a presentation to FFC.

Next Steps

With input from FFC, these policies will go to the Board of Health for review and approval. Implementation, including staff and manager training, will occur over Q3 and Q4. Additional financial policies will be brought forward to the Finance & Facilities Committee for review and endorsement at a future meeting.

This report was prepared by Mr. Ross Graham, Manager of Strategic Projects and Mr. John Millson, Director of Finance and Operations.



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



MIDDLESEX-LONDON HEALTH UNIT

ADMINISTRATION MANUAL

SUBJECT:	Use of Personal Vehicle	POLICY NUMBER:	4-090
SECTION:	Financial Management	PAGE:	1 of 3
IMPLEMENTATION:	October 15 1987	APPROVAL:	Board of Health
SPONSOR:	Director of Finance and Operations	SIGNATURE:	

PURPOSE

This policy addresses the conditions of paying mileage and reimbursing for other travel related expenses to staff/board members when a personal vehicle is used to conduct Health Unit business within the catchment area of the Middlesex London Health Unit. For travel outside of the Middlesex-London catchment area, the Out of Town Travel Policy will apply.

POLICY

The Health Unit will reimburse mileage at a per kilometre rate as approved by the Board of Health. The rate is presumed to cover the cost of fuel, depreciation, maintenance and insurance fees. Parking charges will be reimbursed when the costs are incurred away from the regular place of business.

Staff Responsibilities

Staff/board members will be responsible for all expenses incurred for the use of their personal vehicle including maintaining the vehicle in a safe, and good running condition, holding a valid driver's license, and adequately insuring the vehicle. Employees should consult with their insurance broker to ensure the auto coverage they have is suitable for business use (including transporting passengers if appropriate). Automobile insurance for both Public Liability and Property Damage in an amount of \$1 million or as stipulated by their collective agreement is required.

When staff/board members are in their personal vehicles during normal business hours and are considered to be working, no smoking shall occur in the personal vehicle. Staff must abide by the Highway Traffic Act.

Reimbursement of Mileage Claims

The cost of travel between the employee's residence and the place of business is always the responsibility of the employee, and is therefore not reimbursable. Employees are to exercise care and judgment in planning their schedules and routes, keeping in mind their responsibilities to manage time effectively and to incur only necessary expenses.

- Employees may be required to perform work at other locations, than their normal place of business.
- Employees whose first work destination of the day is not their place of business may claim mileage from their residence to their first work destination less the distance between their residence and their place of business. There is no mileage claim if the distance to the first work destination is equal to or less than the employee's daily commute to their place of business.

REVISION DATES (* = major revision): July 8 1992, August 2 2000, January 5 2001, October 30 2008, March 31 2014



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ADMINISTRATION MANUAL

SUBJECT: Use of Personal Vehicle **POLICY NUMBER:** 4-090
SECTION: Financial Management **PAGE:** 2 of 3

- Mileage may be claimed for all subsequent business travel during the day, including trips to and from the place of business. Employees who store materials, equipment, supplies, or files at locations other than their place of business, or who use the facilities at other locations to perform work between destinations, may submit mileage when travelling to and from such locations provided such travel is not to the first destination. Employees who finish their day at other than their place of business may claim their mileage from their last work destination to their residence less the distance from their place of business to their place of residence. There is no mileage claim if the distance from the last work destination is equal to or less than the employee's daily commute from their place of business.
- Employees who are called in to work under the call-in provisions of their collective agreement, or non-union employees who are called in to work outside their regular working hours, will be reimbursed for all mileage related to the work done for the call-in, including departure and return from their residence to their place of business.
- Employees who are required to work a split shift cannot claim mileage between home and place of work.
- Staff/board members may be required to attend workshops, seminars or conferences as part of their responsibilities, and will be reimbursed for the cost of travel.
- In the event that out-of town travel is required, the Out of Town Travel Policy will supersede this policy.

Staff will submit mileage and parking claims on a monthly basis through the on-line system accessible from the corporate intranet (The HUB). All claims must be approved by their supervisor or delegate as per the authorization limits according to the Signing Authority Policy. Extra care should be taken when recording the description for the purpose of the trip. This will include the name and address of the premise, facility, school, day-care, etc. If doing a home visit, indicate the street; if it is a long street, indicate the next major intersection as well. Do not include personally identifiable information such as the exact address. This information will be used for payment of mileage, but may be further reviewed or subject to random audit by the Director of the Service Area or by Finance staff.

Stolen/Damaged Property

In the event that property being transported in the personal vehicle, while it is being operated for Health Unit business, is damaged or stolen, the Health Unit will cover that portion of the deductible which relates to damaged or stolen Health Unit property. The Health Unit will not be responsible for stolen personal property. The employee will cover the portion of the deductible that relates to personal property. The split will be calculated based on a percentage of the total value (e.g. if the loss associated with personal property is \$1,000, and the loss to Health Unit property is \$1,000, the deductible would be split 50/50 between the employee and the Health Unit).

In the event property is stolen or damaged, staff should contact Finance & Operations, and follow the Employee Injury/Incident Policy to report the incident.

REVISION DATES (* = major revision): July 8 1992, August 2 2000, January 5 2001, October 30 2008, March 31 2014



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SECTION: Financial Management **PAGE:** 3 of 3

Non-Reimbursable Expenses

The following expenses are not reimbursable under this policy:

- Damage to personal vehicle as a result of a collision.
- Stolen or damaged personal property.
- Expenses resulting from unlawful conduct.
- Parking infractions, Highway Traffic Act violations or any other traffic violations.
- Expenses related to travel outside of the catchment area (refer to Out of Town Travel Policy).

DEFINITIONS

Place of business: 201 Queens Ave and 50 King St. in London, and 50 Front St. in Strathroy or where the employee's permanent work place is.

Regular Business/Working Hours: 8:30 am to 4:30 pm.

Insurance Broker: An agent who sells insurance.

Mileage: Total length, extent, or distance measured or expressed in kilometres.

Parking Infractions: An offense, usually cited by a police officer or other government official in the form of a traffic ticket, for parking a vehicle in a restricted place or for parking in an unauthorized manner.

Personal Use Vehicle: Any vehicle driven by an employee, or a person related to the employee, for purposes related to his or her employment.

REFERENCES

Corporate Policies: Signing Authority (Policy #1-060), Out of Town Travel and Accommodation (Policy #4-120), Employee Injury/Incident (Policy #8-020)

REVISION DATES (* = major revision): July 8 1992, August 2 2000, January 5 2001, October 30 2008, March 31 2014



MIDDLESEX-LONDON HEALTH UNIT

ADMINISTRATION MANUAL

SUBJECT: Tangible Capital Assets
SECTION: Financial Management

POLICY NUMBER: 4-140
Page 1 of 5

IMPLEMENTATION DATE: January 1, 2010
SPONSOR: Director of Finance and Operations

APPROVED BY: Board of Health
SIGNATURE:

PURPOSE

The purpose of this policy is to prescribe the accounting treatment for tangible capital assets so that the investments in property, plant and equipment are reflected on the Health Unit's financial statements in order to comply with new accounting rules in accordance with the Public Sector Accounting Board (PSAB) Handbook Section PSAB 3150. The principle issues are the recognition of the assets and the determination of amortization charges. Also addressed are policies and procedures to protect and control the use of all tangible capital assets, provide accountability over tangible capital assets, and gather and maintain information needed to prepare financial statements.

POLICY

Capitalization and Asset Categories:

Tangible capital assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following thresholds per year:

Categories	Useful Life	Thresholds
• Land	Capitalize only	All
• Buildings	40 years	\$50,000
• Building betterments:		
Structure, including roof	20 years	\$15,000
Interior, including flooring	10 years	\$5,000
Services, including HVAC	10 years	\$5,000
• Computer systems including hardware and software	4 years	\$10,000 (pooled)
• Motor vehicles	5 years	\$10,000 (pooled)
• Furniture and equipment	7 years	\$10,000 (pooled)

The Health Unit must have legal title to the assets in order for the asset to qualify as a capital asset.

Valuation

Tangible capital assets should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition for use.

1.1 Purchased assets

The cost is the gross amount paid to acquire the asset and includes all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs etc., net of any trade discounts or rebates.

The cost of land includes purchase price plus legal fees, land registration fees, transfer taxes etc. Costs would include any costs to make the land suitable for intended use such as demolition and site improvements that become part of the land.

1.2 Acquired, Constructed or Developed Assets

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SUBJECT: Tangible Capital Assets
SECTION: Financial Management

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The cost includes all costs directly attributable (e.g. construction, architectural and other professional fees) to the acquisition, construction or development of the asset. Capitalization of general administrative overhead is not allowed.

1.3 Donated or Contributed Assets

The cost of donated or contributed assets is equal to the fair value at the date of construction or contribution. Fair value may be determined using market or appraisal values. Cost may be determined by an estimate of replacement cost.

Componentization

Tangible capital assets may be accounted for using either the single asset or component approach. Whether the component approach is to be used will be determined by the usefulness of the information versus the cost of collecting and maintaining information at the component level.

Factors to consider when determining whether to use a component approach include:

- a) Major components have significantly different useful lives and consumption patterns than the related tangible capital asset.
- b) The value of the components in relation to the related capital tangible capital asset.

Amortization

The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. (PS 3150.22)

Amortization should be accounted for as an expense in the statement of operations. A record is still required for assets still in use, but already fully amortized. Amortization does not commence until the asset is available for use. In the year an asset is put into service, half of the applicable amortization is expensed.

In conjunction with the City of London policy, the straight line method of amortization will be used. In the year an asset is put into service, half of the applicable amortization is expensed. However, the method of asset amortization, threshold levels and estimated useful life will be reviewed on a regular basis.

Disposal

Managers should notify the Director Finance & Operations Manager when assets become surplus to operations. Disposal procedures for capital assets will be in accordance with Health Unit Procurement Policy.

Capital Leases

Account for a capital lease as acquiring a capital asset and incurring a liability.

Reporting

PS 3150.40 requires that the financial statements should disclose, for each major category of tangible capital assets and in total:

- a) Cost at the beginning of the period
- b) Additions in the period
- c) Disposals in the period
- d) The amount of any write-downs in the period
- e) The amount of amortization of the costs of tangible capital assets for the period

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SUBJECT: Tangible Capital Assets

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- f) Accumulated amortization at the beginning and end of the period and
- g) Net carrying amount at the beginning and end of the period.

Method for determining initial cost of each asset category:

Where feasible, an inventory of all assets will be conducted. A master list of assets will be created, identified by category and updated as assets are acquired or disposed of. Assets which are old and still in use past their normal amortization period will still be recorded.

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SUBJECT: Tangible Capital Assets
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Valuation:

Where possible and where the age of the capital asset is identified as being within 7 years (legislated retention period) historical cost will be determined from accounting records. In the absence of historical records, or where the cost and effort required to perform the appropriate research may outweigh the benefits, current replacement costs, discounted to the year of acquisition or construction, will be used. CPI rates will be used for discounting purposes. For buildings, historical values will be determined by a professional engineering firm. A consistent method of estimating the costs will be applied except where it can be demonstrated that a different method would provide a more accurate estimate of the cost.

Future capital assets will be recorded at cost. Contributed capital assets will be recorded at fair value at the time of contribution.

DEFINITIONS

Tangible Capital Assets: are non-financial assets having physical substance that:

- a) Are used on a continuing basis in the Health Unit's operations
- b) Have useful lives extending beyond one year
- c) Are not held for re-sale in the ordinary course of operations.

Amortization: is the accounting process of allocating the cost less the residual value of a tangible capital asset to operating periods as an expense over its useful life. (Also referred to as depreciation.)

Betterments: are subsequent expenditures on tangible capital assets that:

- Increase service capacity
- Lower associated operating costs
- Extend the useful life of the asset
- Improve the quality of the asset

These costs are included in the tangible capital asset's cost. Any other expenditure would be considered a repair or maintenance and expensed in the period in which the expense was incurred.

Capital lease: is a lease with contractual terms that transfer substantially all the benefits and risks inherent in ownership of property to the Health Unit. One or more of the following conditions must be met:

- a) There is reasonable assurance that the Health Unit will obtain ownership of the leased property by the end of the lease term
- b) The lease term is of such duration that the Health Unit will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span.
- c) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.

Capitalization threshold: is the minimum amount that expenditures must exceed before they are capitalized and are reported on the balance sheet of the financial statements. Items not meeting the threshold would be recorded as an expense in the period in which the expense was incurred.

Group Assets (pooling): have an individual value below the capitalization threshold but have a material value as a group. Although recorded in the financial systems as a single asset, each unit may be recorded in the asset sub-ledger for monitoring and control of its use and maintenance. Examples could include computers, furniture and fixtures, small moveable equipment etc.

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Useful Life: is the shortest of the asset's physical, technological, commercial or legal life.



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ADMINISTRATION MANUAL

SUBJECT:	Out of Town Travel Expenses	POLICY NUMBER:	4-120
SECTION:	Financial Management	PAGE:	1 of 7
IMPLEMENTATION:		APPROVAL:	Board of Health
SPONSOR:	Director of Finance & Operations	SIGNATURE:	

PURPOSE

This policy addresses the reimbursement of out of town travel expenses incurred by staff and board members of the Health Unit, while conducting Health Unit business. This includes but is not limited to, conferences, conventions, seminars, workshops, and other business-related reasons.

Consultants are not covered by this policy. The contract between the Health Unit and the consultant should clearly specify what, if any, expenses a consultant would be reimbursed for.

POLICY

Staff/Board members are always expected to make the most practical, economical and reasonable arrangements for travel, meals, accommodation, hospitality, and other travel-related expenses. Out of town travel must be approved in advance of the occurring the expense.

In situations where a collective agreement or an employment contract specifies reimbursement terms/rates, those terms/rates shall apply, and shall supersede the terms/rates contained in this policy. In situations where staff/board members are traveling on behalf of a “sponsoring” organization (for example, ONA, CMA, etc.) and that organization is reimbursing travel expenses in whole or in part, the reimbursement will be made directly to the individual by the sponsor organization. The Health Unit will reimburse for the amount not covered by the sponsor organization.

Approval of Expenses

Out of town travel must be approved in advance. All expenses must be authorized by the appropriate approver (refer to Signing Authority Policy). The approver is responsible to ensure all claims are correct, reasonable, and in accordance with this policy, including meal allowances and travel rates. Approvers cannot authorize their own expenses, or that of a subordinate that has paid for travel, meals, etc., expensed to the approver’s benefit.

Approvers are accountable for their decisions, which should be:

- Subject to good judgment and knowledge of the situation,
- Exercised in appropriate circumstances,
- Comply with the principles and mandatory requirements set out in this policy.

REVISION DATES (* = major revision):
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SUBJECT: Out of Town Travel Expenses **POLICY NUMBER:** 4-120
SECTION: Financial Management **PAGE:** 2 of 7

When a situation arises and discretion needs to be exercised, approvers should consider whether the request is:

- Able to stand up to scrutiny by the auditors and members of the public,
- Properly explained and documented,
- Fair and equitable,
- Reasonable and appropriate.

Reimbursement of Expenses

All out of town expenses should be charged to the team corporate purchase card and therefore, no reimbursement is necessary. When an expense cannot be charged or the staff/board member does not have a corporate purchase card, then they are required to complete a Travel Expense Statement on a timely basis to ensure the reimbursement of expenses. Original receipts must be attached for all expenses being reimbursed. Forms that do not comply with policies and procedures are returned to the approver and are not processed until corrected.

Loyalty Programs

When staff/board members accumulate loyalty points for travel by train (VIA Preference Program) or by air (there are a variety of airline and hotel loyalty programs, such as Aeroplan), those points are to be accumulated and used for future corporate travel, and must not be used for personal travel. Separate accounts should be held for personal and business travel if available. For the VIA Preference Program, a maximum of 5,000 points can be accumulated on any one account, and thereafter must be used for corporate travel. Staff may be asked to produce a statement showing points balance at the end of the year.

Privacy

All expense information is considered to be public information and shall be made available upon request, to the Privacy Officer, regardless of whether the request is by the Health Unit or a member of the public.

Travel

The mode of transportation chosen – air, train, or car – should be that which enables staff/board members to attend to Health Unit business with the least cost to the Health Unit, consistent with a minimal amount of interruption to regular business and personal schedules. Consideration should be made as to unproductive time away from the workplace.

Where a number of staff/board members attend the same function, shared travel will be considered where possible. Basic economy/coach fares will be paid by the Health Unit. Any upgrades are the responsibility of the staff/board member.

Sickness and Accident Insurance is provided by the Health Unit to staff/board members when they are traveling outside of Canada on Health Unit business. Additional sickness or accident insurance premiums will not be covered by the Health Unit.



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SUBJECT: Out of Town Travel Expenses
POLICY NUMBER: 4-120

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Travel by Air

Staff/board members may travel by air for trips that are beyond reasonable driving distance. Prior approval for all air travel must be obtained from the direct supervisor.

Economy airfare is normally to be used, but business class may be authorized if:

- Less expensive seats are not available, or
- The individual is travelling on a continuous flight in excess of five hours

Every effort should be made to book travel well in advance to take advantage of discounted fares and to obtain the lowest fares compatible with necessary travel requirements. The cost of an additional night of accommodation may be incurred, and will be reimbursed, if it is required in order to take advantage of a discount fare, provided that the cost of the extra accommodation is not greater than the savings realized from benefitting from the discounted fare.

Original boarding pass(es) and ticket/E-ticket should be attached to the expense report for each segment of travel. If the boarding pass or ticket is unavailable, then proof of travel must be demonstrated.

Travel by Rail

When booking train travel, the VIA Rail promotion code (700603) should be used in order to receive the corporate discount. Basic economy/coach fares will be paid by the Health Unit; any upgrades are the responsibility of staff/board members. Staff/board members will choose the most economical and direct form of transportation by train. Wherever possible, travel arrangements should be made in advance to ensure availability of economy class seats and at the best price.

Economy airfare is normally to be used, but business class may be authorized if:

- Less expensive seats are not available, or
- The individual is travelling on a continuous flight in excess of five hours

Original boarding pass(es) and ticket/E-ticket should be attached to the expense report for each segment of travel. If the boarding pass or ticket is unavailable, then proof of travel must be demonstrated.

Travel by Car

When a car is the most practical and economical way to travel, a personal vehicle can be used but mileage reimbursement will be the actual distance travelled or 250 kms (round-trip), whichever is less, at the allowable rates. Otherwise a rental vehicle should be secured.

Rental vehicle - Rental of compact or mid-sized vehicles is encouraged. The car rental company approved by the Health Unit is Enterprise and should be used where possible to ensure the most favourable rates. Consideration may be given for a car rental upgrade based on the number of passengers, weather conditions and other safety reasons. All luxury and sports car

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October 17, 2013, March 31, 2014



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SUBJECT: Out of Town Travel Expenses
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rentals are expressly prohibited. Rental cars must be refueled before returning, to avoid extra charges, and the receipt for the gasoline purchase must be attached to the Travel Expense Statement, together with a copy of the rental agreement.

Personal Vehicle - When more than one staff/board member is travelling in the same motor vehicle, only the owner of the vehicle is entitled to reimbursement for mileage expenses. The owner of the vehicle must ensure that the vehicle is adequately insured. Insurance should provide for \$1 million in liability, accident benefits, collision and direct compensation coverage.

The Health Unit assumes no financial responsibility for privately-owned vehicles being used for Health Unit business other than paying the mileage rate. The mileage rate covers the cost of fuel, depreciation, maintenance, and insurance. When calculating the total kilometres of a trip that originates from the staff member's home, the normal distance driven to the Health Unit should be excluded. A maximum of 250kms per out of town trip is allowed for reimbursement.

Parking and Other Fees

Cost of parking a vehicle at a transportation terminal while on out-of-town business will be reimbursed, provided that the cost of the parking does not exceed the cost of ground transportation from departure point (home or place of business) to the transportation terminal. Cost of parking in another city while on out of town business will also be reimbursed. Loss or damage to the personal vehicle, while parked, is not the responsibility of the Health Unit.

Highway and bridge tolls and ferry charges will be reimbursed with receipts attached. Traffic and parking violations incurred while driving on Health Unit business will not be reimbursed.

Hotel Accommodation

Government rates should be requested at the time of making the hotel reservation. Individuals may be reimbursed for the total cost (including taxes) of either a single or double room depending on individual circumstances. Staff should share accommodations when possible. An overnight stay in association with a one day meeting or business event out of town is justified only when the staff/board member is required to leave home early in order to be on time for the event starting before 9:00 a.m.

While travelling on business related to the Health Unit, in situations where staff/board members choose to stay overnight with friends or relatives instead of at a hotel, accommodation expenses will not be reimbursed, but appropriate meal allowances will still apply.

Hotel charges incurred because of failure to cancel a reservation on a timely basis will not be reimbursed.

Meals

A meal expense will be reimbursed when staff/board members

- Are out of town over a normal meal period, or
- Have prior approval for the meal expense

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The maximum allowable amount that will be reimbursed for meals (inclusive of taxes and gratuities) is \$10 for breakfast, \$20 for lunch and \$30 for dinner. Original receipts must be provided for all meal expenses. Expenses must be incurred during normal working hours, or on route to home. The approver is responsible for ensuring that submissions for meal allowances fall within the maximum allowable amounts.

It is understood that gratuities may be provided during meals to acknowledge good service received. The maximum allowable gratuity that the Health Unit will reimburse is 15% of the total after tax amount of the meal.

Alcohol

The cost of alcoholic beverages will not be reimbursed. In the event that alcohol is consumed during a meal or otherwise, staff/board members are to ask the restaurant for a separate invoice/receipt for the alcohol so that there is clarity for the reimbursable food portion.

Telephone Calls

Staff/board members will be reimbursed for all telephone calls (local or long distance) that are directly related to Health Unit business. One reasonable personal call home from a hotel will be reimbursed for each day of out of town travel.

Combining Personal Travel

Staff/board members are responsible for all additional and incremental expenses incurred as a result of a spouse, partner or companion or any other person, travelling with them. Expenses should be tracked very carefully to be able to clearly distinguish between the staff/board member portion, and that which applies to the other person.

When personal travel is combined with business travel, only the business portion of the trip will be reimbursed. Expenses should be tracked very carefully to be able to clearly distinguish between the personal portion and the business portion.

Other Travel-Related Expenses

Business expenses, such as computer access charges, photocopying, word processing services, facsimile transmissions, internet connections, rental and transportation of necessary office equipment will be reimbursed provided the charges incurred are reasonable and related to Health Unit business.

Additionally, staff/board members will be reimbursed for taxicab fares, airport limousines and buses (or equivalents, e.g. subway) for transportation between the individual's home/workplace and the designated transportation terminal. While out of town, transportation to/from the transportation terminal and the hotel, and transportation within the destination city, will also be reimbursed. Staff should use public transit when available.

REVISION DATES (* = major revision):
October 17, 2013, March 31, 2014



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Recreational items (e.g. video rentals, mini-bars, special facilities charges, entertainment not directly related to Health Unit business, etc.) will not be reimbursed.

Hospitality Events

Hosting or contributing to hospitality events is not reimbursable.

Travel Cash Advances

Requests for a travel cash advance must be made to the employee's direct supervisor and forwarded to Finance at least one week prior to departure. The amount of cash advanced will be calculated by the manager based on the individual circumstance, with a \$100 minimum amount. Exceptional circumstances will be approved by Finance.

Any funds owing to the Health Unit beyond a 30 day period from return date of travel will automatically be deducted from the staff member's next pay cheque or the board member's next remuneration.

Non-Reimbursable Expenses

In addition to other items mentioned above, which are not reimbursable, expenses of a personal nature will not be reimbursed. Such expenses include, but are not limited to:

- Expenses resulting from unlawful conduct,
- Damage to personal vehicle as a result of a collision,
- Personal items not required to conduct health unit business ,
- Memberships to reward programs or clubs (e.g., airline clubs),
- Personal credit card fees and/or late payment charges.

DEFINITIONS

ONA: Ontario Nurses Association

CMA: Canadian Medical Association

Loyalty Programs: Long-term marketing effort which provides incentives to repeat customers who demonstrate loyal buying behavior for example: Aero-plan rewards

Sickness and Accident Insurance: Insurance policy covering personal accident and sickness benefits

Economy Airfare: Also referred to coach class or standard class, is the lowest travel class of seating in air or rail travel

VIA Rail: Via Rail Canada offers intercity passenger rail services in Canada

Boarding Pass/E-ticket: Is a document provided by an airline during check in, giving a passenger permission to board the airplane for a particular flight

Liability, accident benefits, collision and direct compensation Insurance: Insurance policy covering liability, accident benefits, collision and direct compensation

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Travel Cash Advances: An authorized payment of money by the MLHU, directly to a staff/board member in support of anticipated travel expenses

Hospitality Events: To host or entertain people while on out of town business relating to the affairs of the Health Unit

REFERENCES

Corporate Policies: Signing Authority (Policy #1-060), Use of Personal Vehicle (Policy #4-090)