

**AGENDA**  
**MIDDLESEX-LONDON BOARD OF HEALTH**  
**Finance and Facilities Committee**

50 King Street, London  
Middlesex-London Health Unit – Room 3A  
Wednesday June 8, 2016 9:30 a.m.

**1. DISCLOSURE OF CONFLICTS OF INTEREST**

**2. APPROVAL OF AGENDA**

**3. APPROVAL OF MINUTES – May 3, 2016**

**4. NEW BUSINESS**

4.1 2015 Draft Financial Statements (Report No. 016-16FFC)

4.2 2015 Reserve / Reserve Fund Balance (Report No. 017-16FFC)

4.3 Q1 Financial Update & Factual Certificate (Report No. 018-16FFC)

**5. CONFIDENTIAL**

The Finance and Facilities Committee will move in camera to discuss items regarding a proposed or pending acquisition of land by the Middlesex-London Board of Health and to approve minutes from its May 3, 2016 in camera session.

**6. OTHER BUSINESS**

Next meeting Thursday, July 7, 2016 at 9:00 a.m. in Room 3A

**7. ADJOURNMENT**



**PUBLIC MINUTES**  
**Finance and Facilities Committee**  
**50 King Street, Room 3A**  
**MIDDLESEX-LONDON BOARD OF HEALTH**  
**2016 May 3, 10:00 a.m.**

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**COMMITTEE**

**MEMBERS PRESENT:** Ms. Trish Fulton (**Committee Chair**)  
Mr. Marcel Meyer  
Mr. Ian Peer  
Mr. Jesse Helmer  
Ms. Joanne Vanderheyden

**OTHERS PRESENT:** Dr. Christopher Mackie, Medical Officer of Health and CEO  
Ms. Elizabeth Milne, Executive Assistant to the Board of Health & Communications (Recorder)  
Ms. Laura Di Cesare, Director, Corporate Services  
Mr. John Millson, Associate Director, Finance

At 10:04 a.m., Chair Fulton called the meeting to order.

**1. DISCLOSURES OF CONFLICT(S) OF INTEREST**

Chair Fulton inquired if there were any disclosures of conflict of interest to be declared. None were declared.

**2. APPROVAL OF AGENDA**

It was moved by Mr. Meyer, seconded by Mr. Peer *that the [AGENDA](#) for the May 3<sup>rd</sup> 2016 Finance and Facilities Committee meeting be approved.*

Carried

**3. APPROVAL OF MINUTES**

It was moved by Mr. Peer, seconded by Ms. Vanderheyden *that the [MINUTES](#) from the April 7, 2016 Finance and Facilities Committee meeting be approved.*

Carried

**4. NEW BUSINESS**

**4.1 Great-West Life Benefits – Rate Renewal ([Report No. 013-16FFC](#))**

Mr. Millson summarized and provided context to this report.  
Mr. Helmer arrived at 10:11 a.m.

Discussion ensued about the following items:

- Internal issues that have caused insurance premiums to increase.
- The possibility of changing the plan to reduce costs such as co-paying, restricting coverage at certain pharmacies to save on dispensing fees and implementing flex benefit plans.

It was moved by Mr. Meyer, seconded by Mr. Helmer *that the Finance and Facilities Committee review and make recommendation to the Board of Health to approve the renewal of the group insurance rates*

*administered by Great-West Life as described in Report No. 013-16FFC re: "Great-West Life Benefits – Renewal Rates".*

Carried

**4.2 2016 One-time Funding Confirmation ([Report No. 014-16FFC](#))**

Mr. Millson summarized and provided context to this report.

Discussion ensued about the following items:

- Costs associated with covering activities related to the TB case investigation and follow up.
- The discretionary nature of 100% Funding grants from the Ministry and the application process
- The Medical Officer of Health compensation grid and changes associated with the rate for 2016.

It was moved by Mr. Peer, seconded by Ms. Vanderheyden, *that the Finance & Facilities Committee make recommendation to the Board of Health to approve the Board Chair to sign the Amending Agreement No. 4 to the Public Health Funding and Accountability Agreement as appended to Report No. 014-16FFC.*

Carried

**5. CONFIDENTIAL**

At 10:40 a.m. Chair Fulton invited a motion to move in camera to discuss a matter regarding a proposed or pending acquisition of land by the Middlesex-London Board of Health.

It was moved by Ms. Vanderheyden, seconded by Mr. Peer, *that the Finance and Facilities Committee move in camera to discuss a matter regarding a proposed or pending acquisition of land by the Middlesex-London Board of Health.*

Carried

At 10:51 a.m. it was moved by Ms. Vanderheyden, seconded by Mr. Meyer *that the Finance and Facilities Committee rise and return to public session to adjourn the meeting.*

Carried

At 10:51 a.m. the Finance and Facilities Committee returned to public session.

**6. OTHER BUSINESS**

**6.1** Dr. Mackie flagged the Middlesex-London Health Unit wireless device selection process and advised that this item will require an important policy discussion. A detailed analysis of various platforms has been completed by IT staff. An information report will go to the Board of Health at the May meeting, and any financial impacts will be provided to the Finance and Facilities Committee during the quarterly variance process.

**6.2** The next Finance and Facilities Committee was rescheduled for Wednesday June 8<sup>th</sup> at 9:30 a.m. due to quorum.

**7. ADJOURNMENT**

At 11:05 a.m. Chair Fulton *adjourned the meeting.*

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TRISH FULTON  
Committee Chair

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CHRISTOPHER MACKIE  
Secretary-Treasurer



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2016 June 8

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## 2015 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<sup>st</sup>, 2015 as appended to Report No. 016-16FFC.*

### **Key Points**

- Attached as [Appendix A](#) are the draft Financial Statements for the Middlesex-London Health Unit relating to the operating period January 1<sup>st</sup> to December 31<sup>st</sup>, 2015.
- 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 \$4.1 million in cash and near cash financial assets to offset its \$2.6 million short-term financial liabilities, and \$2.1 million in long-term liabilities. These financial liabilities as at December 31, 2015 include the following:

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

- 1) \$0.5 million in amounts owing to the Province of Ontario, the Government of Canada, The Corporation of the City of London, and The Corporation of the County of Middlesex
- 2) \$1.7 million in unpaid accounts payable and accrued liabilities
- 3) \$0.4 million in accrued wages and benefits

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

- 4) \$0.1 million is sick leave liability (which is funded through a reserve fund)
- 5) \$2.0 million in post-employment benefits

With regards to the \$2.0 million post-employment benefits liability above, this is the estimated amount required to fund all future costs associated with providing post-retirement benefits. This liability is currently unfunded, however, each year an estimated amount required for the current year is included as part of the operating budget.

The non-financial assets which total \$2.1 million include the net book value of the Health Unit's tangible capital assets, such as lease hold improvements and computer systems, and prepaid expenses.

The last amount on the 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. The details of what makes up the balance can be found in Note 7 on page 14 of the draft financial statements. The details of the reserve / reserve fund changes are discussed in [Report No. 017-16FFC](#) of this agenda.

Turning to page 4 of the financial statements you can find the Statement of Operations which details the Health Unit's revenue and expenditures for 2015. As can be seen, the total revenue of \$36.2 million comprised of \$34.7 million (95.9%) in grant revenue from four sources, the Province of Ontario (\$27.1 million or 78.1 % of grant revenue), the Government of Canada (\$0.3 million or 0.8% of grant revenue), The Corporation of the City of London (\$6.1 million or 17.6% of grant revenue), and The Corporation of the County of Middlesex (\$1.2 million or 3.5% of grant revenue). The remaining \$1.5 million (4.1% of total revenue) comes from program revenue, interest, and other off-set revenues.

The revenues provided for expenditures of \$36.4 million, which includes a \$0.7 million (1.9% of total expenditures) charge for amortization expense which is the decreasing value of the tangible capital assets for 2015. 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 \$ 26.4 million (72.5%). The remaining \$9.3 million (25.6%) consists of travel (1.1%), materials and supplies (3.8%), professional services (12.4%), rent and maintenance (4.5%), and other expenses (3.8%).

### **Audit Findings Report**

Attached as [Appendix B](#) is KPMG's Audit Findings Report which will be presented at the June 8<sup>th</sup> meeting. A common practice in presenting the report is for the Auditors to meet in private with Committee members excluding the Chief Executive Officer, Chief Financial Officer and all other staff.

Mr. John Millson, Associate Director, Finance and Mr. Ian Jeffreys, Partner, KPMG LLP will be in attendance at the June 8<sup>th</sup> Committee meeting to address any questions regarding this report.

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



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

DRAFT Financial Statements of

**MIDDLESEX-LONDON HEALTH UNIT**

Year ended December 31, 2015



# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements

Year ended December 31, 2015

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## Financial Statements

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# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements

Year ended December 31, 2015

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## 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 Chartered Professional Accountants of Canada. 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, CPA, CGA  
Associate Director, Finance

Jesse Helmer, 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, 2015, 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, 2015, 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 2016

London, Canada

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash	\$ 3,466,669	\$ 3,421,643
Accounts receivable	328,393	370,630
Grants receivable	345,299	344,553
	<u>4,140,361</u>	<u>4,136,826</u>
<b>Financial Liabilities</b>		
Province of Ontario	374,343	447,389
Government of Canada	65,107	98,681
The Corporation of the City of London	44,039	-
The Corporation of the County of Middlesex	8,386	-
Accounts payable and accrued liabilities	1,690,772	1,206,008
Accrued wages and benefits	445,010	905,124
Vested sick leave liability (note 2(a))	106,859	156,401
Post-employment benefits liability (note 2(b))	1,997,000	1,840,000
	<u>4,731,516</u>	<u>4,653,603</u>
Net Debt	(591,155)	(516,777)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 4)	1,794,019	1,961,025
Prepaid expenses	253,981	182,991
	<u>2,048,000</u>	<u>2,144,016</u>
Commitments and subsequent events (note 5)		
Contingencies (note 6)		
Accumulated Surplus (note 7)	\$ 1,456,845	\$ 1,627,239

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Operations and Accumulated Surplus

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget	2015	2014
<b>Revenue:</b>			
Grants:			
Ministry of Health and Long-Term Care	\$ 21,330,274	\$ 21,706,723	\$ 20,924,053
Ministry of Children and Youth Services	5,256,596	5,482,649	5,156,343
Government of Canada	308,604	329,355	212,833
The Corporation of the City of London	6,095,059	6,051,020	6,095,059
The Corporation of the County of Middlesex	1,160,961	1,152,575	1,160,961
	34,151,494	34,722,322	33,549,249
Other:			
Property search fees	3,750	3,942	2,050
Family planning	285,000	244,934	260,502
Dental service fees	234,470	179,543	199,881
Investment income	21,200	9,814	20,531
Prenatal class income	8,140	4,595	5,210
Other income (note 8)	642,436	1,040,235	1,147,758
	1,194,996	1,483,063	1,635,932
<b>Total Revenue</b>	<b>35,346,490</b>	<b>36,205,385</b>	<b>35,185,181</b>
<b>Expenditures:</b>			
Salaries:			
Medical Officers of Health	450,554	484,297	423,345
Public Health Nurses	9,549,921	9,459,278	9,266,539
Public Health Inspectors	2,540,685	2,484,829	2,460,376
Administrative staff	3,610,364	3,579,006	3,642,632
Dental staff	1,002,914	935,894	977,259
Other salaries	3,095,498	3,563,337	3,558,592
	20,249,936	20,506,641	20,328,743
Other Operating:			
Benefits	5,592,277	5,935,086	5,413,598
Travel	466,563	380,106	401,543
Materials and supplies	1,229,232	1,384,167	1,288,360
Professional services	4,224,058	4,473,636	3,662,763
Rent and maintenance	1,555,712	1,624,139	1,600,988
Amortization expense	531,339	700,706	904,924
Other expenses (note 9)	1,247,373	1,371,298	1,723,878
	14,846,554	15,869,138	14,996,054
<b>Total Expenditures</b>	<b>35,096,490</b>	<b>36,375,779</b>	<b>35,324,797</b>
Annual surplus / (deficit)	250,000	(170,394)	(139,616)
Accumulated surplus, beginning of year	1,627,239	1,627,239	1,766,855
Accumulated surplus, end of year	\$ 1,877,239	\$ 1,456,845	\$ 1,627,239

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, 2015, with comparative information for 2014

	2015	2014
Annual deficit	\$ (170,394)	\$ (139,616)
Acquisition of tangible capital assets	(533,700)	(405,631)
Amortization of tangible capital assets	700,706	904,924
	(3,388)	359,677
Acquisition of prepaid expenses	(253,981)	(182,991)
Use of prepaid expenses	182,991	174,659
	(70,990)	(8,332)
Change in net debt	(74,378)	351,345
Net debt, beginning of year	(516,777)	(868,122)
Net debt, end of year	\$ (591,155)	\$ (516,777)

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

## MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Cash Flows

December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (170,394)	\$ (139,616)
Items not involving cash:		
Amortization	700,706	904,924
Change in employee benefits and other liabilities	107,458	17,226
Changes in non-cash assets and liabilities:		
Accounts receivable	42,237	(68,832)
Grants receivable	(746)	(204,319)
Prepaid expenses	(70,990)	(8,332)
Due to Province of Ontario	(73,046)	(468,821)
Due to Government of Canada	(33,574)	30,484
Due to The Corporation of the City of London	44,039	(883,602)
Due to The Corporation of the County of Middlesex	8,386	(168,300)
Accounts payable and accrued liabilities	484,764	(325,836)
Accrued wages and benefits	(460,114)	(231,132)
Net change in cash from operating activities	578,726	(1,546,156)
Capital activities:		
Cash used to acquire tangible capital assets	(533,700)	(405,631)
Net change in cash from capital activities	(533,700)	(405,631)
Net change in cash	45,026	(1,951,787)
Cash and cash equivalents, beginning of year	3,421,643	5,373,430
Cash and cash equivalents, end of year	\$ 3,466,669	\$ 3,421,643

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Notes to Financial Statements

Year ended December 31, 2015

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The Middlesex-London 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 Chartered Professional Accountants of Canada. 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 Financial Statements (continued)

Year ended December 31, 2015

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## 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 benefit pension plan, 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, are amortized on a straight line basis over the estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Leasehold Improvements	5 - 15
Computer Systems	4
Motor Vehicles	5
Furniture & Equipment	7

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

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## 1. Significant accounting policies (continued):

### (d) Non-financial assets (continued):

#### (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.



# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

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## 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 \$106,859 (2014 - \$156,401) at the end of the year.

A reserve of \$137,946 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 December 31, 2014.

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	2015	2014
Accrued employee future benefit obligations	\$ 2,503,000	\$ 2,257,800
Unamortized net actuarial gain/(loss)	(506,000)	(417,800)
<b>Employee future benefits liability as of December 31</b>	<b>\$ 1,997,000</b>	<b>\$ 1,840,000</b>

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

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	2015	2014
Current year benefit cost	\$ 157,600	\$ 111,100
Interest on accrued benefit obligation	88,300	67,100
Amortization	35,200	300
<b>Total benefit cost</b>	<b>\$ 281,100</b>	<b>\$ 178,500</b>

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Benefits paid during the year were \$124,100 (2014 - \$137,700).

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

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## 2. Employee future benefits (continued):

### (c) Post-retirement benefits liability (continued):

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

#### (i) Discount rate:

The obligation as at December 31, 2015, of the present value of future liabilities and the expense for the year ended December 31, 2015, are determined using a discount rate of 3.25% (2014 – 3.75%).

#### (ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 8% per year (2014 - 8%) declining to 4% per year over 20 years. Other Medical and Vision costs are assumed to increase at a rate of 4% per year, and 0% per year respectively.

#### (iii) Dental costs:

Dental costs are assumed to increase at the rate of 4% per year (2014 - 4%).

## 3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 312 members. 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 2015, the plan required employers to contribute 9.0% of employee earnings up to the year's maximum pensionable earnings and 14.6% thereafter. The Middlesex-London Health Unit contributed \$1,992,186 (2014 - \$1,908,308) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2015.

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

## 4. Tangible Capital Assets:

Cost	Balance at December 31, 2014	Additions	Disposals	Balance at December 31, 2015
Leasehold Improvements – 15 years	\$ 2,643,847	\$ 29,025	\$ -	\$ 2,672,872
Leasehold Improvements – 5 years	175,070	6,598	-	181,668
Computer Systems	1,520,047	384,427	(269,747)	1,634,727
Motor Vehicle	-	5,385	-	5,385
Furniture & Equipment	2,130,514	108,265	(247,420)	1,991,359
<b>Total</b>	<b>\$ 6,469,478</b>	<b>\$ 533,700</b>	<b>\$ (517,167)</b>	<b>\$ 6,486,011</b>

Accumulated amortization	Balance at December 31, 2014	Amortization expense	Disposals	Balance at December 31, 2015
Leasehold Improvements – 15 years	\$ 2,008,063	\$ 162,574	\$ -	\$ 2,170,637
Leasehold Improvements – 5 years	153,815	18,121	-	171,936
Computer Systems	992,808	289,400	(269,747)	1,012,461
Motor Vehicle	-	673	-	673
Furniture & Equipment	1,353,767	229,938	(247,420)	1,336,285
<b>Total</b>	<b>\$ 4,508,453</b>	<b>\$ 700,706</b>	<b>\$ (517,167)</b>	<b>\$ 4,691,992</b>

	Net book value December 31, 2014	Net book value December 31, 2015
Leasehold Improvements – 15 years	\$ 635,784	\$ 502,235
Leasehold Improvements – 5 years	21,255	9,732
Computer Systems	527,239	622,266
Motor Vehicle	-	4,712
Furniture & Equipment	776,747	655,074
<b>Total</b>	<b>\$ 1,961,025</b>	<b>\$ 1,794,019</b>

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

## 4. Tangible Capital Assets (continued):

Cost	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Leasehold Improvements – 15 years	\$ 2,643,847	\$ -	\$ -	\$ 2,643,847
Leasehold Improvements – 5 years	172,879	2,191	-	175,070
Computer Systems	1,542,561	266,971	(289,485)	1,520,047
Furniture & Equipment	2,368,180	136,469	(374,135)	2,130,514
<b>Total</b>	<b>\$ 6,727,467</b>	<b>\$ 405,631</b>	<b>\$ (663,620)</b>	<b>\$ 6,469,478</b>

Accumulated amortization	Balance at December 31, 2013	Amortization expense	Disposals	Balance at December 31, 2014
Leasehold Improvements – 15 years	\$ 1,690,171	\$ 317,892	\$ -	\$ 2,008,063
Leasehold Improvements – 5 years	143,735	10,080	-	153,815
Computer Systems	969,371	312,922	(289,485)	992,808
Furniture & Equipment	1,463,872	264,030	(374,135)	1,353,767
<b>Total</b>	<b>\$ 4,267,149</b>	<b>\$ 904,924</b>	<b>\$ (663,620)</b>	<b>\$ 4,508,453</b>

	Net book value December 31, 2013	Net book value December 31, 2014
Leasehold Improvements – 15 years	\$ 953,676	\$ 635,784
Leasehold Improvements – 5 years	29,144	21,255
Computer Systems	573,190	527,239
Furniture & Equipment	904,308	776,747
<b>Total</b>	<b>\$ 2,460,318</b>	<b>\$ 1,961,025</b>

During the year, the Middlesex-London Health Unit deemed to have disposed of fully amortized assets with a cost basis of \$517,167 (2014 - \$663,620).

## MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

### 5. Commitments and Subsequent Events:

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

Future minimum payments to expiry are as follows:

2016	\$ 887,624
2017	719,986
2018	719,986
2019	684,586
2020	649,186
Thereafter	649,186

Subsequent to the end of the year, the Middlesex-London Health Unit extended its main building lease for an additional five years beginning January 1, 2017. This has been included in the commitments schedule above. Under the lease renewal, either party can terminate the lease by providing twelve months written notice.

### 6. Contingencies:

From time to time, the Middlesex-London 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 Middlesex-London 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:

	2015	2014
Surpluses:		
Invested in tangible capital assets	\$ 1,794,019	\$ 1,961,025
Unfunded:		
Sick leave benefits	(106,859)	(156,401)
Post-employment benefits	(1,997,000)	(1,840,000)
Total Surplus	(309,840)	(35,376)
Reserves set aside by the Board:		
Accumulated sick leave	137,946	283,876
Funding stabilization	818,258	818,258
Employment Costs	176,077	176,077
Technology & Infrastructure	500,000	250,000
Environmental – septic tank	6,044	6,044
Dental Treatment reserve	128,360	128,360
Total reserves	1,766,685	1,662,615
Accumulated surplus	\$ 1,456,845	\$ 1,627,239

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

## 8. Other income:

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

	2015 Budget	2015 Actual	2014 Actual
Collaborative project revenues	\$ 17,466	\$ 288,697	\$ 422,868
Food handler training	12,750	32,065	59,015
Public Fit-testing	15,000	8,124	16,849
Miscellaneous revenues	196,295	251,615	347,500
OHIP Revenue	30,000	89,755	-
Vaccine sales	367,925	356,787	293,611
Workshop fees	3,000	13,192	7,915
	\$ 642,436	\$ 1,040,235	\$ 1,147,758

## 9. Other expenses:

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

	2015 Budget	2015 Actual	2014 Actual
Communications	\$ 189,979	\$ 187,676	\$ 183,772
Health promotion/advertising	341,010	373,047	526,810
Miscellaneous expenses	292,814	387,005	691,559
Postage and courier	68,125	56,799	61,233
Printing	142,847	161,042	122,327
Staff development	212,598	205,729	138,177
	\$ 1,247,373	\$ 1,371,298	\$ 1,723,878

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2015

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## 10. Budget data:

The budget data presented in these financial statements is based upon the 2015 operating budgets approved by the Board of Health. 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

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Revenues:	
Operating budget	\$ 35,346,490
Expenses:	
Operating budget	34,565,151
Capital budget	531,339
Total expenses	35,096,490
Annual surplus, as budgeted	\$ 250,000

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AUDIT

# Middlesex-London Health Unit

Audit Findings Report  
For the year ended December 31, 2015



Licensed Public Accountants

June 8, 2016

kpmg.ca





The contacts at KPMG in connection with this report are:

**Ian Jeffreys**

Lead Audit Engagement  
Partner

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**Melissa Redden**

Audit Senior Manager

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

# Executive summary

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## Purpose of this report\*

The purpose 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 the Middlesex-London Health Unit as at and for the year ended December 31, 2015.

This Audit Findings Report builds on the Audit Plan that was provided to management.

## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously provided.

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## Audit risks and results

We identified at the start of the audit a significant financial reporting risk relating to the presumed fraud risk over management override of controls. This risk has been addressed in our audit. We have no significant matters to report to the Finance and Facilities Committee in respect of this risk.

We have no other areas of audit focus to discuss with you.

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## Adjustments and differences

We did not identify differences that remain uncorrected.

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

\* 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.

# Executive summary

## Finalizing the audit

As of May 17, 2016, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- obtaining the Needles Exchange report for fiscal 2015;
- obtaining a reconciliation of the approved budget to the budgeted figures in the financial statements;
- completing our discussions with the Finance and Facilities Committee;
- obtaining evidence of the Board's approval of the financial statements;
- completing subsequent events discussion with management;
- receipt of the signed management representation letter.

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

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

## Significant accounting estimates

Overall, we are satisfied with the reasonability of significant accounting estimates.

- Management identifies all accounting estimates and establishes processes 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 Note 1(e), Use of estimates. This note provides information on areas in the financial statements that include estimates.
- Management evaluates these estimates on a regular basis to ensure they are appropriate.

## Independence

We are independent with respect to the Company, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

## Significant accounting policies and practices

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

## Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Company's relevant financial reporting framework. The form, arrangement, and content of the financial statements is considered to be appropriate.

# Appendices

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**Appendix 1: Required communications**

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**Appendix 2: Independence**

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**Appendix 3: Management representation letter**

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**Appendix 4: Audit Quality and Risk Management**

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# Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements
- **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Finance and Facilities Committee. The management representation letter is attached at Appendix 3.

## Appendix 2: Independence

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

The following summarizes the professional services rendered by us to the Company:

### Description of professional services

Audit of the financial statements of Middlesex-London Health Unit for the year ended December 31, 2015

Audit of the schedule of revenue and expenditures of Middlesex-London Health Unit for the period January 1, 2015 to December 31, 2015

Audit of the consolidated financial statements of Middlesex-London Health Unit March 31<sup>st</sup> Programs for the year ended March 31, 2016

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 related 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

# Appendix 3: Management representation letter

KPMG LLP  
1400-140 Fullarton Street  
London, Ontario N6A 5P2  
Canada

June 8, 2016

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 non-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, 2015.

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 engagement letter dated December 1, 2010, for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
  - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
  - 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



**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

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

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - b) all information in relation to fraud or suspected fraud that we are aware of 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, regulators, or others
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

**SUBSEQUENT EVENTS:**

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

**RELATED PARTIES:**

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

**ESTIMATES:**

- 6) 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:**

- 7) 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,

MIDDLESEX-LONDON HEALTH UNIT

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By: John Millson, Director, Finance & Operations

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

## **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 public sector accounting standards, *related party* is defined as:

- 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 public sector accounting standards, 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.

# Appendix 4: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

### [kpmg.ca](http://kpmg.ca)

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TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2016 June 8

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## 2015 RESERVE / RESERVE FUND BALANCES

### **Recommendation**

*That the Finance & Facilities Committee recommend to the Board of Health:*

- 1) *To approve a \$25,930 drawdown from the Sick Leave Reserve Fund to fund the 2015 sick leave payments to eligible staff; and further,*
- 2) *To receive the 2015 -2016 Reserve / Reserve Fund Overview ([Appendix A](#)) for information; and further,*
- 3) *That Report No. 017- 16FFC, “2015 Reserve / Reserve Fund Balances” be forwarded to the City of London and the County of Middlesex for information.*

### **Key Points**

- The purpose of the report is to request approval of drawdowns from reserve funds for sick leave payments made in 2015 which have not been previously approved and to provide a year over year account for the changes in the Reserves and Reserve Fund Balances as reported in the 2015 Financial Statements of the Middlesex-London Health Unit.
- The balance of the reserve and reserve funds increased by a net amount of \$104,070.

### **Background**

In accordance to Policy 4-015, “Reserve /Reserve Fund Policy” planned contributions and drawdowns to the reserves or reserve funds will be included in the annual operating budget approved by the Board of Health. Any unplanned drawdowns will be approved by resolution of the Board of Health. The policy also states that each year a report will be provided to the obligated municipalities outlining the transactions of the reserve and reserve funds. Attached as [Appendix A](#), is an overview of the reserve and reserve fund balances to December 31, 2015 and projections for 2016.

### **Planned Contributions**

Included in the Board approved 2015 operating budget was \$250,000 for an annual contribution to the Technology & Infrastructure Reserve Fund. A further \$250,000 contribution to the Technology & Infrastructure Reserve Fund is planned and is included in the 2016 Board approved operating budget.

### **2015 Unplanned Drawdowns**

The draft 2015 Financial Statements, as audited, also includes a total of \$145,930 in drawdowns from reserve funds for 2015. A \$25,930 drawdown is being recommended for a sick leave payout that was experienced due to an eligible staff retiring. On June 18, 2015 the Board of Health approved ([Report No. 16-15FFC](#)) a \$120,000 drawdown to partially offset a shortfall resulting from a retroactive payment to OMERS for a past service adjustment.

### **2016 Projected Drawdowns**

A total of \$56,229 in drawdowns is currently projected for the 2016 operating year and consists of payments to eligible staff that are expected to retire in 2016.

### **Conclusion**

It is recommended that the Board of Health approve \$25,930 drawdown to the Sick Leave Reserve Fund to for sick leave payments made in 2015.

Mr. John Millson, Associate Director of Finance will be in attendance at the June 8<sup>th</sup> Committee meeting to address any questions regarding the report.

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

A handwritten signature in black ink, appearing to read 'C. Mackie', is positioned above the printed name and title.

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

**Middlesex-London Health Unit  
2015 - 2016 Reserve / Reserve Fund Overview**

Reserve / Reserve Fund	Balance 31-Dec-14	2015		Projected Balance 31-Dec-15	2016 Projected		Projected Balance 31-Dec-16
		Contributions <sup>2</sup>	Drawdowns <sup>3</sup>		Contributions <sup>2</sup>	Drawdowns	
Reserves set aside by the Board: Funding stabilization reserve <sup>1</sup>	\$ 818,258	\$ -	\$ -	\$ 818,258	\$ -	\$ -	\$ 818,258
Reserve funds set aside by the Board:							
Accumulated sick leave	283,876	-	(145,930)	137,946	-	(56,229)	81,717
Employment Costs	176,077	-	-	176,077	-	-	176,077
Technology and Infrastructure	250,000	250,000	-	500,000	250,000	-	750,000
Environmental - septic tank	6,044	-	-	6,044	-	-	6,044
Dental Treatment	128,360	-	-	128,360	-	-	128,360
<b>Total reserve funds</b>	<b>\$ 844,357</b>	<b>\$ 250,000</b>	<b>\$ (145,930)</b>	<b>\$ 948,427</b>	<b>\$ 250,000</b>	<b>\$ (56,229)</b>	<b>\$ 1,142,198</b>
<b>Total reserves and reserve funds</b>	<b>\$ 1,662,615</b>	<b>\$ 250,000</b>	<b>\$ (145,930)</b>	<b>\$ 1,766,685</b>	<b>\$ 250,000</b>	<b>\$ (56,229)</b>	<b>\$ 1,960,456</b>

Notes:

(1) 2015 limit as per policy = \$3,620,538

(2) Board of Health approved contributions

(3) June 18, 2015 - Board of Health approved a \$120,000 drawdown (Report No.16-15FFC)





TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2016 June 8

---

## Q1 FINANCIAL UPDATE & FACTUAL CERTIFICATE

### **Recommendation**

*It is recommended that the Finance & Facilities Committee review and recommend to the Board of Health to receive Report No. 018-16FFC re: “Q1 Financial Update Report & Factual Certificate” for information.*

### **Key Points**

- The 2016 approved budget assumes a 2% increase in Mandatory Programs funding from the Ministry of Health and Long-Term Care.
- The annual grant request was submitted to the Ministry of Health & Long-Term Care on February 29, 2016 and included one-time funding requests totaling \$154,731 for implementation of the Electronic Cigarettes Act, Nicotine Replacement Therapy and Organizational Structure and Location initiatives.
- Ministry grant approvals are expected in late summer (Q2) or early fall (Q3).
- Included in the financial update is a signed factual certificate which provides assurance that the financial and risk management functions are being performed.

### **Background**

The 2016 operating budget was approved by the Board of Health on February 19, 2016 ([Report No. 008-16](#)). The approved budget includes a \$250,000 contribution to the Technology and Infrastructure Reserve Fund and assumes a 2% increase in Mandatory Programs funding from the Ministry of Health & Long-Term Care. In addition, as part of the grant submission, one-time funding of \$154,731 was requested for the implementation of the Electronic Cigarettes Act, Nicotine Replacement Therapy, and Organizational Structure and Location initiatives.

### **Financial Highlights**

Attached as [Appendix A](#) is the Budget Variance Summary which provides actual and budgeted expenditures for the first three months and projections to the end of the operating year for the programs and services governed by the Board of Health.

Current forecasting shows favourable variances across the organization as a result of position vacancies due to implementation of approved PBMA proposals, maternity leaves, retirements/resignations, medical leaves of absence, and competitive purchasing for the Vector-Borne Disease contracts. These favourable variances are partially offset by the following expenditures:

- \$62,000 Unanticipated costs associated with Tuberculosis case management and a Hepatitis A outbreak. It is expected that the MOHLTC will provide some 100% funding to assist in defraying some of these costs.
- \$15,000 Additional IT consulting required as a result of the vacant Business Analyst position.
- \$10,000 Less lecture revenue – AMOH will be holding one less session of lectures than planned.
- \$50,000 Additional EI benefits for maternity/parental leaves (EI top-up).

- \$10,000 To replace office chairs. There are approximately 100 chairs that require replacement and this is expected to occur over the next 4-5 years.
- \$30,000 Additional extraordinary legal costs.
- \$15,000 Additional costs related to the new cellular phone contract.

Overall the net favourable variance is \$263,270 and will contribute to the overall expected annual gapping budget of \$789,938. The Health Unit is expecting to breakeven by the end of 2016 assuming the Province provides the expected additional funding.

Ministry grant approvals are not expected until late summer or early fall.

### **Factual Certificate**

Attached as [Appendix B](#) is a signed factual certificate. This certificate is signed by senior administrators of the Health Unit responsible for ensuring certain key financial and risk management functions are being performed to the best of their knowledge. The certificate is revised as appropriate on a quarterly basis and submitted with each financial update.

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



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

**MIDDLESEX-LONDON HEALTH UNIT  
BUDGET VARIANCE SUMMARY**

As at March 31, 2016

**Appendix A to Report No. 018-16FFC**

	2016 YTD ACTUAL (NET)	2016 YTD BUDGET (NET)	VARIANCE (OVER) / UNDER	% VARIANCE	DECEMBER FORECAST	2016 ANNUAL NET BUDGET	DECEMBER SURPLUS / (DEFICIT)	% VARIANCE	Comment / Explanation
<b>Environmental Health &amp; Infectious Disease Division</b>									
Office of the Director	\$ 58,238	\$ 56,391	\$ (1,847)	-3.3%	\$ 240,614	\$ 240,614	\$ -	0.0%	No anticipated variance by the end of the operating year.
Emergency Management	46,210	39,814	(6,396)	-16.1%	169,302	169,302	-	0.0%	No anticipated variance by the end of the operating year.
Food Safety & Healthy Environments	396,338	398,449	2,111	0.5%	1,692,011	1,701,489	9,478	0.6%	\$9,478 anticipated favorable variance for additional food handler training/assessment.
Safe Water & Vector-Borne Disease	250,243	356,977	106,734	29.9%	1,497,825	1,542,090	44,265	2.9%	\$44,265 savings in service contract for the Vector Borne Disease Program as a result of renewal in 2016.
Infectious Disease	365,142	347,961	(17,181)	-4.9%	1,548,403	1,486,403	(62,000)	-4.2%	Unanticipated costs associated with TB and HepA outbreaks [wages/benefits (\$25,000); Taxis/Meds (\$30,000); Translators (\$6,000); Printing (\$1,000) ]
Vaccine Preventable Disease	325,823	526,375	200,552	38.1%	1,590,077	1,590,077	-	0.0%	No anticipated variance at year end. Salaries and benefits currently appear underspent due to utilization of Panorama funding. Supplies currently appear underspent due to vaccines left over from 2015.
Travel Clinic	11,281	12,222	941	7.7%	51,342	51,342	-	0.0%	No anticipated variance by the end of the operating year.
Sexual Health	453,796	552,926	99,130	17.9%	2,247,297	2,316,297	69,000	3.0%	\$24,000 favourable variance due to position vacancies; \$45,000 additional revenue in Family Planning Clinic / STI Clinic OHIP billings.
<b>Total Environmental Health &amp; Infectious Disease Division</b>	<b>\$ 1,907,071</b>	<b>\$ 2,291,115</b>	<b>\$ 384,044</b>	<b>16.8%</b>	<b>\$ 9,036,871</b>	<b>\$ 9,097,614</b>	<b>\$ 60,743</b>	<b>0.7%</b>	
<b>Healthy Living Division</b>									
Office of the Director	\$ 51,165	\$ 57,304	\$ 6,139	10.7%	\$ 244,267	\$ 244,267	\$ -	0.0%	No anticipated variance by the end of the operating year.
Child Health	347,520	397,482	49,962	12.6%	1,624,768	1,694,544	69,776	4.1%	LOA and partial vacant PHN position for 6 months.
Chronic Disease and Tobacco Control	316,034	335,205	19,171	5.7%	1,417,834	1,417,834	-	0.0%	No anticipated variance by the end of the operating year.
Healthy Communities and Injury Prevention	263,739	276,648	12,909	4.7%	1,159,829	1,178,984	19,155	1.6%	\$19,155 anticipated variance due to vacant manager of HCIP, and the replacement at a lower salary.
Oral Health	325,713	351,227	25,514	7.3%	1,478,089	1,493,089	15,000	1.0%	\$15,000 favourable variance due to vacancies in a part-time dental hygienist and program assistant position.
Southwest Tobacco Control Area Network	71,953	105,432	33,479	31.8%	436,500	436,500	-	0.0%	No anticipated variance by the end of the operating year.
Young Adult Health	230,969	265,306	34,337	12.9%	1,117,681	1,131,045	13,364	1.2%	\$13,364 anticipated variance due to a maternity leave and replacement of a PHN position at a lower salary.
<b>Total Healthy Living Division</b>	<b>\$ 1,607,093</b>	<b>\$ 1,788,604</b>	<b>\$ 181,511</b>	<b>10.1%</b>	<b>\$ 7,478,968</b>	<b>\$ 7,596,263</b>	<b>\$ 117,295</b>	<b>1.5%</b>	
<b>Healthy Start Division</b>									
Office of the Director	\$ 52,627	\$ 57,111	\$ 4,484	7.9%	\$ 242,759	\$ 242,759	\$ -	0.0%	No anticipated variance by the end of the operating year.
Office of the Chief Nursing Officer & Social Determinants of Health	76,133	94,891	18,758	19.8%	403,889	403,889	-	0.0%	No anticipated variance by the end of the operating year.
Nurse Family Partnership	-	-	-	#DIV/0!	35,000	35,000	-	0.0%	No anticipated variance by the end of the operating year.

	2016 YTD ACTUAL (NET)	2016 YTD BUDGET (NET)	VARIANCE (OVER) / UNDER	% VARIANCE	DECEMBER FORECAST	2016 ANNUAL NET BUDGET	DECEMBER SURPLUS / (DEFICIT)	% VARIANCE	Comment / Explanation
Best Beginnings	695,553	706,253	10,700	1.5%	2,983,298	3,019,546	36,248	1.2%	\$36,248 anticipated favourable variance due to acting manager, maternity leaves and vacant PHN positions.
Early Years Health	359,818	363,820	4,002	1.1%	1,530,490	1,530,490	-	0.0%	No anticipated variance by the end of the operating year.
Reproductive Health	298,345	324,086	25,741	7.9%	1,343,559	1,381,059	37,500	2.7%	\$40,000 favourable variance due to maternity leaves partially offset by (\$2,500) in translation costs.
Screening Assessment and Intervention (SAI)	2,822,962	2,822,962	-	0.0%	2,822,962	2,822,962	-	0.0%	No anticipated variance by the end of the operating year.
<b>Total Healthy Start Division</b>	<b>\$ 4,305,438</b>	<b>\$ 4,369,123</b>	<b>\$ 63,685</b>	<b>1.5%</b>	<b>\$ 9,361,957</b>	<b>\$ 9,435,705</b>	<b>\$ 73,748</b>	<b>0.8%</b>	
<b>Office of the Medical Officer of Health</b>									
Office of the Medical Officer of Health	\$ 97,341	\$ 96,666	\$ (675)	-0.7%	\$ 416,083	\$ 416,083	\$ -	0.0%	No anticipated variance by the end of the operating year.
Communications	103,856	117,675	13,819	11.7%	498,961	498,961	-	0.0%	No anticipated variance by the end of the operating year.
<b>Total Office of the Medical Officer of Health</b>	<b>\$ 201,197</b>	<b>\$ 214,341</b>	<b>\$ 13,144</b>	<b>6.1%</b>	<b>\$ 915,044</b>	<b>\$ 915,044</b>	<b>\$ -</b>	<b>0.0%</b>	
<b>Corporate Services Division</b>									
Office of the Director	\$ 83,364	\$ 97,279	\$ 13,915	14.3%	\$ 405,050	\$ 405,050	\$ -	0.0%	No anticipated variance by the end of the operating year.
Finance	119,058	126,879	7,821	6.2%	531,263	542,263	11,000	2.0%	Vacant Program Assistant position in Q1, and recoveries from Screening Assessment & Intervention program.
Human Resources & Labour Relations	129,731	107,326	(22,405)	-20.9%	486,416	457,400	(29,016)	-6.3%	Paid leave of absence and relocation expense for new position.
Information Technology	204,596	237,342	32,746	13.8%	963,818	986,318	22,500	2.3%	\$37,500 due to vacant Business Analyst and Program Assistant position for part of the year partially offset by (\$15,000) for additional consulting as a result of the vacant position.
Privacy & Occupational Health & Safety	8,640	39,969	31,329	78.4%	148,164	169,664	21,500	12.7%	Unpaid leave of absence until the beginning of Q2.
Procurement & Operations	58,565	59,448	883	1.5%	254,199	254,199	-	0.0%	No anticipated variance by the end of the operating year.
Strategic Projects	29,886	30,253	367	1.2%	128,604	128,604	-	0.0%	No anticipated variance by the end of the operating year.
<b>Total Corporate Services Division</b>	<b>\$ 633,840</b>	<b>\$ 698,496</b>	<b>\$ 64,656</b>	<b>9.3%</b>	<b>\$ 2,917,514</b>	<b>\$ 2,943,498</b>	<b>\$ 25,984</b>	<b>0.9%</b>	
<b>Foundational Standard Division</b>									
Office of the Director	\$ 78,001	\$ 75,688	\$ (2,313)	-3.1%	\$ 333,671	\$ 323,671	\$ (10,000)	-3.1%	(\$10,000) in lecture revenue that will not be realized based on 2015 experinece.
Program Planning & Evaluation	246,988	281,205	34,217	12.2%	1,156,109	1,192,209	36,100	3.0%	\$36,100 favourable variance due to position vacancies and new staff at lower salaries.
Library & Resource Lending	121,768	139,050	17,282	12.4%	231,928	241,128	9,200	3.8%	\$9,200 favourable variance expected due to vacant program assistant position in Q1.
<b>Total Foundational Standard Division</b>	<b>\$ 446,757</b>	<b>\$ 495,943</b>	<b>\$ 49,186</b>	<b>9.9%</b>	<b>\$ 1,721,708</b>	<b>\$ 1,757,008</b>	<b>\$ 35,300</b>	<b>2.0%</b>	
<b>General Expenses &amp; Revenues</b>	<b>\$ 609,151</b>	<b>\$ 642,531</b>	<b>\$ 33,380</b>	<b>5.2%</b>	<b>\$ 2,635,844</b>	<b>\$ 2,586,044</b>	<b>\$ (49,800)</b>	<b>-1.9%</b>	\$10,200 favourable for insurance; \$30,000 for one-time renovations for OSL recommendations completed in 2015, \$15,000 for 6-months of living wage implementation; offset by (\$50,000) in Employment Insurance top-up for maternity / parental leaves; (\$30,000) for extraordinary legal costs; (\$15,000) for cell phone hardware purchases; and (\$10,000) for office chairs.
<b>Total Board of Health net Expenditures Before Expected Gaping</b>	<b>\$ 9,710,547</b>	<b>\$ 10,500,153</b>	<b>\$ 789,606</b>	<b>7.5%</b>	<b>\$ 34,067,906</b>	<b>\$ 34,331,176</b>	<b>\$ 263,270</b>	<b>0.8%</b>	
Less: Expected Agency Gapping Budget		- 197,485	(197,485)		(526,668)	(789,938)	(263,270)		\$526,668 represents the required amount of agency gapping in Q2-Q4 to meet budget requirements.
<b>TOTAL BOARD OF HEALTH NET EXPENDITURES</b>	<b>\$ 9,710,547</b>	<b>\$ 10,302,668</b>	<b>\$ 592,121</b>	<b>5.7%</b>	<b>\$ 33,541,238</b>	<b>\$ 33,541,238</b>	<b>\$ -</b>	<b>0.0%</b>	

**Middlesex-London Health Unit**  
**FACTUAL CERTIFICATE**

**To: Members of the Board of Health, Middlesex-London Health Unit**

The undersigned hereby certify that, to the best of their knowledge, information and belief after due inquiry, as at March 31, 2016:

1. The Middlesex-London Health Unit is in compliance, as required by law, with all statutes and regulations relating to the withholding and/or payment of governmental remittances, including, without limiting the generality of the foregoing, the following:
  - All payroll deductions at source, including Employment Insurance, Canada Pension Plan and Income Tax;
  - Ontario Employer Health Tax;
  - Federal Harmonized Sales Tax (HST)And, they believe that all necessary policies and procedures are in place to ensure that all future payments of such amounts will be made in a timely manner.
2. The Middlesex-London Health Unit has remitted to the Ontario Municipal Employees Retirement System (OMERS) all funds deducted from employees along with all employer contributions for these purposes.
3. The Middlesex-London Health Unit is in compliance with all applicable Health and Safety legislation.
4. The Middlesex-London Health Unit is in compliance with applicable Pay Equity legislation.
5. The Middlesex-London Health Unit has not changed its accounting policies or principles since January 1, 2015.
6. The Middlesex-London Health Unit reconciles its bank accounts regularly and no unexpected activity has been found.
7. The Middlesex-London Health Unit has filed all information requests within appropriate deadlines.
8. The Middlesex-London Health Unit is in compliance with the requirements of the Charities Act, and the return for 2014 has been filled (2015 by June 30<sup>th</sup>).
9. The Middlesex-London Health Unit has been named in a complaint to the Human Rights Tribunal of Ontario by a former student. The hearing is underway and has not come to completion..
10. The Middlesex-London Health Unit is fulfilling its obligations by providing services in accordance with our funding agreements, the Health Protection & Promotion Act, the Ontario Public Health Standards, the Ontario Public Health Organizational Standards and as reported to the Board of Health through reports including but not limited to:
  - Quarterly Financial Updates
  - Annual Audited Financial Statements
  - Annual Reporting on the Accountability Indicators
  - Annual Planning and Budget Templates
  - Information and Information Summary Reports

Dated at London, Ontario this 16<sup>th</sup> day of June, 2016

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Dr. Christopher Mackie  
Medical Officer of Health & CEO

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John Millson  
Associate Director, Finance

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Laura Di Cesare  
Director, Corporate Services