



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.



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Medical Officer of Health