



TO: Chair and Members of the Board of Health

FROM: Dr. Gayane Hovhannisyan, Acting Medical Officer of Health
Laura Di Cesare, Acting Chief Executive Officer

DATE: 2017 June 15

2016 DRAFT FINANCIAL STATEMENTS

Recommendation

It is recommended that the Board of Health review and approve the audited Financial Statements for the Middlesex-London Health Unit, December 31, 2016, as appended to Report No. 032-17.

Key Points

- The draft financial statements for the Middlesex-London Health Unit relating to the operating period January 1–December 31, 2016, are attached as [Appendix A](#).
- Preparation of the financial statements is the responsibility of MHLU 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 is provided 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 3 of the draft financial statements ([Appendix A](#)). The Health Unit has approximately \$4.7 million in cash and near-cash financial assets to offset its \$3.0 million in short-term financial liabilities and \$2.2 million in long-term liabilities. As of December 31, 2016, these financial liabilities include the following:

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

- 1) \$0.7 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) \$1.4 million in unpaid accounts payable and accrued liabilities
- 3) \$0.9 million in accrued wages and benefits

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

- 4) \$2.2 million in post-employment benefits

With regard to the \$2.2 million in 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 \$1.6 million, include the net book value of the Health Unit's tangible capital assets, such as leasehold improvements and computer systems, and prepaid expenses.

The last amount listed on the Statement of Financial Position is the Health Unit's Accumulated Surplus. This represents the net financial and physical resources available to provide future services. The details of what makes up the balance can be found in the draft financial statements, page 14, note 7. The details of the reserve/reserve fund changes are discussed in [Report No. 024-17FFC](#).

On page 4 of the draft financial statements is the Statement of Operations, which details the Health Unit's revenues and expenditures for 2016. As can be seen, the great majority of the total revenue of \$35.5 million is comprised of \$33.8 million (95.2%) in grant revenue from four sources: the Province of Ontario (\$26.5 million, or 78.3 % of grant revenue), the Government of Canada (\$0.3 million, or 0.9%), The Corporation of the City of London (\$5.9 million, or 17.5%) and The Corporation of the County of Middlesex (\$1.1 million, or 3.3%). The remaining \$1.6 million (4.8% of total revenue) comes from program revenue, interest and other off-set revenues.

The revenues provided for expenditures of \$35.8 million, which include a \$0.7 million (1.8% of total expenditures) charge for amortization expense, which is the decreasing value of the tangible capital assets for 2016. Beginning on page 12, note 4 provides a schedule of changes to the tangible capital assets. The majority of the expenditures are salaries and benefits, which total \$26.8 million (74.8%). The remaining \$9.0 million (23.4%) consists of travel (0.9%), materials and supplies (3.5%), professional services (10.2%), rent and maintenance (4.6%), and other expenses (4.2%).

Audit Findings Report

KPMG's Audit Findings Report, is attached as [Appendix B](#). A common practice in presenting the report is for the Auditor 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 present at the June 15 Board of Health meeting to address any questions regarding this report.

This report was prepared by the Finance Team, Corporate Services Division.



Dr. Gayane Hovhannisyan, MD, PhD, FRCPC
Acting Medical Officer of Health



Laura Di Cesare, CHRE
Acting Chief Executive Officer