

AGENDA
MIDDLESEX-LONDON BOARD OF HEALTH
Finance & Facilities Committee

355 Wellington Street, Suite 110
Citi Plaza, MLHU Boardroom
Microsoft Teams
Thursday, July 2, 2020 9:00 a.m.

1. DISCLOSURE OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA

3. APPROVAL OF MINUTES – June 4, 2020

4. BUSINESS

4.1 2019 Draft Financial Statements (Report No. 015-20FFC)

4.2 Single Source Contracts (Report No. 016-20FFC)

4.3 Temporary Pandemic Pay (Report No. 017-20FFC)

4.4 Cash Flow Analysis (Report No. 018-20FFC)

5. OTHER BUSINESS

5.1 Next meeting Thursday, September 10, 2020 at 9:00 a.m.

6. CONFIDENTIAL

The Finance and Facilities Committee will move in-camera to consider matters regarding a trade secret or financial information, supplied in confidence to the local board, which if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with contractual or other negotiations of a person, group of persons or organization, and a trade secret or financial information that belongs to the municipality or local board and has monetary value.

7. ADJOURNMENT



PUBLIC MINUTES
FINANCE & FACILITIES COMMITTEE
Via Microsoft Teams
Thursday, June 4, 2020 9:00 a.m.

MEMBERS PRESENT: Ms. Maureen Cassidy
Ms. Aina DeViet
Ms. Kelly Elliott (Chair)
Ms. Tino Kasi
Mr. Ian Peer

OTHERS PRESENT: Mr. Matt Reid, Board of Health
Dr. Christopher Mackie, Secretary-Treasurer
Ms. Lynn Guy, Executive Assistant to the Medical Officer of Health (Recorder)
Ms. Laura Di Cesare, Director, Corporate Services
Ms. Kendra Ramer, Manager, Strategic Projects
Mr. Joe Belancic, Manager, Operations and Procurement
Mr. Jeff Cameron, Manager, Information Technology
Ms. Elizabeth Milne, Executive Assistant to the Board of Health and Communications Coordinator

At 9:03 a.m., Chair Elliott called the meeting to order.

DISCLOSURES OF CONFLICT(S) OF INTEREST

Chair Elliott inquired if there were any disclosures of conflicts of interest. None were declared.

APPROVAL OF AGENDA

It was moved by Ms. DeViet, seconded by Ms. Cassidy, *that the AGENDA for the June 4, 2020 Finance and Facilities Committee meeting be approved.*

Carried

APPROVAL OF MINUTES

It was moved by Ms. Cassidy, seconded by Mr. Peer, *that the amended MINUTES of the March 5, 2020 Finance and Facilities Committee meeting be approved.*

Carried

NEW BUSINESS

4.1 Relocation Project Update (Report No. 013-20FFC)

Dr. Mackie introduced this report.

Ms. Kendra Ramer, Manager, Strategic Projects provided some additional information for this report. It was noted that the updates to lighting on the second level were needed to meet Joint Occupational Health and Safety regulations. One of the recommendations from the CEPTED audit was to add a second vestibule to the second floor entrance, as noted in the report.

Ms. Ramer noted that all of the requested updates are estimates and will be going out for bid.

The Board of Health further discussed the significant changes required for the clinical changes. It was noted that the dental program for seniors impacted the space. The HVAC in the dental operator is a significant change.

MLHU staff noted that working with the contractors has been difficult since COVID-19 hit, and some contractors have not returned yet. Scheduling of the trades has been a challenge to ensure there is no overlap of different trades. This may impact the time and have a delay in getting these changes made. This will be funded out of the contingency funds and the project will remain under budget.

It was moved by Mr. Peer, seconded by Ms. Cassidy, *that the Finance and Facilities Committee receive Report No. 013-20FFC re: "Relocation Project Update" for information.*

Carried

OTHER BUSINESS

Next meeting: July 2, 2020 9:00 a.m.

CONFIDENTIAL

At 9:12 a.m., it was moved by Mr. Ian, seconded by Ms. Cassidy, *that the Finance and Facilities Committee move in-camera to consider matters regarding a trade secret or financial information, supplied in confidence to the local board, which if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with contractual or other negotiations of a person, group of persons or organization, and a trade secret or financial information that belongs to the municipality or local board and has monetary value.*

Carried

At 9:53 a.m., it was moved by Ms. Cassidy, seconded by Ms. DeViet, *that the Finance and Facilities Committee return to public session.*

Carried

At 9:53 a.m. the Finance and Facilities Committee returned to public session.

ADJOURNMENT

At 9:53 a.m., it was moved by Ms. Cassidy, seconded by Ms. Kasi, *that the meeting be adjourned.*

Carried

At 9:54 a.m., Chair Elliott *adjourned the meeting.*

KELLY ELLIOTT
Chair

CHRISTOPHER MACKIE
Secretary-Treasurer



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2020 July 2

2019 DRAFT FINANCIAL STATEMENTS

Recommendation

It is recommended that the Finance & Facilities Committee recommend that the Board of Health review and approve the audited Financial Statements for the Middlesex-London Health Unit, December 31, 2019, as appended to Report No. 015-20FFC.

Key Points

- The draft financial statements for the Middlesex-London Health Unit relating to the operating period January 1 to December 31, 2019, are attached as ([Appendix A](#)).
- Preparation of the financial statements is the responsibility of MHLU'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 is provided in Note 1, page 8 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 and Accumulated Surplus. The Statement of Financial Position can be found on page 4 of the draft financial statements ([Appendix A](#)). As at December 31, 2019, the Health Unit has approximately \$3.0 million in cash and near-cash financial assets to offset its \$3.4 million in short-term financial liabilities, \$1.5 million of bank indebtedness and \$2.7 million in long-term liabilities. As of this date, these financial liabilities of \$7.6 million include the following:

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

- 1) \$0.6 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) \$2.3 million in unpaid accounts payable and accrued liabilities
- 3) \$0.5 million in accrued wages and benefits

Bank indebtedness (to be converted to a term loan within the next operating cycle):

- 4) \$1.5 million in demand loan

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

- 5) \$2.7 million in post-employment benefits

With regard to the \$2.7 million in post-employment benefits liability, 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 appropriated from surplus.

The non-financial assets, which total \$5.5 million, include the net book value of the Health Unit's tangible capital assets, such as leasehold improvements, computer systems, and prepaid expenses. During the year, the Health Unit made a significant investment of \$4.4 million into long-term leasehold improvements, related to the fit-up of premises at Citi Plaza. The buildout was financed during the year in part from specific reserves previously authorized by the Board of Health and in part by bank indebtedness. Note 5, page 13 outlines a schedule of changes to the tangible capital assets during the year.

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 items make up this balance can be found in the draft financial statements, Note 8, page 15.

The Statement of Operations and Accumulated Surplus, which details the Health Unit's revenues and expenditures for 2019, is found on page 5 of the financial statements. Total revenue of \$35.4 million is comprised of \$34.0 million (96.2%) in grant revenue from four sources: the Province of Ontario (\$26.4 million, or 77.6% of grant revenue, the Government of Canada (\$0.4 million, or 1.1%), the Corporation of the City of London (\$6.1 million, or 17.9%) and the Corporation of the County of Middlesex (\$1.1 million, or 3.4%). The remaining \$1.4 million (3.8% of total revenue) comes from program revenue, interest, and other off-set revenues.

The revenues provide for expenditures of \$35.4 million. The majority of the expenditures are salaries and benefits, which total \$26.6 million (75.1%). The remaining \$8.8 million (24.9%) consists of professional services (10.7%), rent and maintenance (4.7%), materials and supplies (4.1%), charge for amortization of tangible capital assets (1.4%), travel (0.7%) and other expenses (3.3%).

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.

Ms. Katie denBok, Partner and Ms. Dania Nabhani, Manager, KPMG LLP, are present at this Finance & Facilities Committee meeting to address any questions regarding this report.

This report was prepared by the Finance Team, Healthy Organization Division.



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

Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2019



MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2019

Financial Statements

Management's Responsibility for the Financial Statements	1
Independent Auditors' Report.....	2-3
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus.....	5
Statement of Change in Net Debt.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2019

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 is 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 Corporation of 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.

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

Brian Glasspoole, CPA, CA
Manager, Finance

Maureen Cassidy, Chair
Board of Health

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Middlesex-London Health Unit (the "Health Unit"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Unit as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Health Unit in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Health Unit's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Health Unit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Unit's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Health Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Unit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Health Unit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Draft"

Chartered Professional Accountants, Licensed Public Accountants

June 2020

London, Canada

MIDDLESEX-LONDON HEALTH UNIT

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 1,414,530	\$ 4,481,129
Accounts receivable	1,182,010	566,108
Grants receivable	404,088	341,452
	<u>3,000,628</u>	<u>5,388,689</u>
Financial Liabilities		
Accounts payable and accrued liabilities	2,295,018	1,621,987
Demand loan (note 4)	1,500,000	-
Due to Province of Ontario	513,307	384,867
Due to Government of Canada	62,636	17,849
Due to The Corporation of the City of London	7,767	283,977
Due to The Corporation of the County of Middlesex	1,477	54,088
Accrued wages and benefits	541,447	899,844
Post-employment benefits liability (note 2(b))	2,725,700	2,554,700
	<u>7,647,352</u>	<u>5,817,312</u>
Net Debt	(4,646,724)	(428,623)
Non-Financial Assets		
Tangible capital assets (note 5)	5,281,985	980,177
Prepaid expenses	212,983	277,535
	<u>5,494,968</u>	<u>1,257,712</u>
Commitments (note 6)		
Contingencies (note 7)		
Subsequent event (note 11)		
Accumulated surplus (note 8)	\$ 848,244	\$ 829,089

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Revenue:			
Grants:			
Ministry of Health	\$ 21,359,262	\$ 21,788,069	\$ 22,025,400
The Corporation of the City of London	6,095,059	6,087,292	5,811,082
Ministry of Children and Youth Services	4,580,072	4,646,438	5,758,404
The Corporation of the County of Middlesex	1,160,961	1,159,484	1,106,873
Government of Canada	428,261	396,413	396,054
	33,623,615	34,077,696	35,097,813
Other:			
Property search fees	3,750	3,600	2,550
Family planning	285,000	131,093	155,242
Investment income	20,000	50,250	57,354
Prenatal class income	-	2,438	11,550
Other income (note 9)	669,616	1,173,315	690,961
	978,366	1,360,696	917,657
Total Revenue	34,601,981	35,438,392	36,015,470
Expenditures:			
Salaries:			
Public Health Nurses	10,058,850	9,759,278	9,146,443
Other salaries	3,152,872	4,188,321	4,224,038
Administrative staff	3,353,857	3,261,572	3,340,108
Public Health Inspectors	2,423,456	2,337,292	2,468,496
Dental staff	770,662	690,998	848,183
Medical Officers of Health	500,649	529,373	474,467
	20,260,346	20,766,834	20,501,735
Other Operating:			
Benefits	5,853,730	5,805,038	5,847,732
Professional services	3,763,587	3,797,114	4,624,029
Rent and maintenance	1,642,914	1,665,468	1,698,491
Other expenses (note 10)	1,357,316	1,173,690	1,346,306
Materials and supplies	944,011	1,453,667	1,204,966
Amortization expense	441,171	495,965	631,272
Travel	338,905	261,461	291,177
	14,341,635	14,652,403	15,643,973
Total Expenditures	34,601,981	35,419,237	36,145,708
Annual surplus (deficit)	-	19,155	(130,238)
Accumulated surplus, beginning of year	829,089	829,089	959,327
Accumulated surplus, end of year	\$ 829,089	\$ 848,244	\$ 829,089

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Change in Net Debt

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Annual surplus (deficit)	\$ -	\$ 19,155	\$ (130,238)
Acquisition of tangible capital assets, net	-	(4,797,776)	(437,923)
Amortization of tangible capital assets	-	495,965	631,272
	-	(4,282,656)	63,111
Acquisition of prepaid expenses	-	(212,983)	(277,535)
Use of prepaid expenses	-	277,535	207,725
	-	64,552	(69,810)
Change in net debt	-	(4,218,101)	(6,699)
Net debt, beginning of year	(428,623)	(428,623)	(421,924)
Net debt, end of year	\$ (428,623)	\$ (4,646,724)	\$ (428,623)

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Cash Flows

December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 19,155	\$ (130,238)
Items not involving cash:		
Amortization expense	495,965	631,272
Change in post-employment benefits liability	171,000	182,300
Changes in non-cash assets and liabilities:		
Accounts receivable	(615,902)	(146,051)
Grants receivable	(62,636)	(142,702)
Prepaid expenses	64,552	(69,810)
Due to Province of Ontario	128,440	155,361
Due to Government of Canada	44,787	6,339
Due to The Corporation of the City of London	(276,210)	(210,414)
Due to The Corporation of the County of Middlesex	(52,611)	(40,079)
Accounts payable and accrued liabilities	673,031	(295,282)
Accrued wages and benefits	(358,397)	61,685
Net change in cash from operating activities	231,177	2,381
Financing Activities:		
Proceeds from demand loan	1,500,000	-
Net change in cash from financing activities	1,500,000	-
Capital activities:		
Cash used to acquire tangible capital assets	(4,797,776)	(437,923)
Net change in cash from capital activities	(4,797,776)	(437,923)
Net change in cash	(3,066,599)	(435,542)
Cash and cash equivalents, beginning of year	4,481,129	4,916,671
Cash and cash equivalents, end of year	\$ 1,414,530	\$ 4,481,129

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

MIDDLESEX-LONDON HEALTH UNIT

Notes to Financial Statements

Year ended December 31, 2019

The Middlesex-London Health Unit (the "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 Government of Canada, 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 Government of Canada, 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 to the related funding organization in the statement of financial position.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

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:

Asset	Useful Life - Years
Leasehold Improvements	5 - 20
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

Financial Statements (continued)

Year ended December 31, 2019

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 are recorded as revenue.

(iii) Leased tangible capital assets

Leases which transfer substantially all 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 post-employment 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

Financial Statements (continued)

Year ended December 31, 2019

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.

A residual reserve of \$29,462 remains after all commitments for this liability have been met. This reserve was used during the year to defray the cost of contributions to OMERS.

(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, 2017.

	2019	2018
Accrued employee future benefit obligations	\$ 3,219,400	\$ 3,042,000
Unamortized net actuarial loss	(493,700)	(487,300)
Employee future benefits liability as of December 31	\$ 2,725,700	\$ 2,554,700

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

	2019	2018
Current year benefit cost	\$ 190,300	\$ 180,700
Interest on accrued benefit obligation	102,200	96,100
Amortization of net actuarial loss	53,300	48,800
Total benefit cost	\$ 345,800	\$ 325,600

Benefits paid during the year were \$174,800 (2018 - \$143,300).

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

2. Employee future benefits (continued):

(b) 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, 2019, of the present value of future liabilities and the expense for the year ended December 31, 2019, are determined using a discount rate of 3.25% (2018 – 3.25%).

(ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 7% per year (2018 - 7%) 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 (2018 - 4%).

3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 307 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 2019, 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 \$2,026,821 (2018 - \$1,932,916) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2019.

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

4. Demand loan:

During the year, the Middlesex-London Health Unit entered a loan agreement for a \$7.0 million line of credit to finance the fit-up and relocation costs related to the move to Citi Plaza. Rate of interest charged is variable and based off Canadian Prime. Any residual loan outstanding after completion of fit-up and relocation is convertible to a non-revolving amortizing instalment loan with an amortization period not to exceed 20 years.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

5. Tangible Capital Assets:

Cost	Balance at December 31, 2018	Additions	Disposals / Transfers	Balance at December 31, 2019
Leasehold Improvements – 20 years	\$ -	\$ 4,403,906	\$ -	\$ 4,403,906
Leasehold Improvements – 15 years	2,700,140	-	-	2,700,140
Leasehold Improvements – 5 years	21,780	-	-	21,780
Computer Systems	1,135,581	391,310	(269,176)	1,257,713
Motor Vehicle	5,385	-	-	5,385
Furniture & Equipment	1,492,212	2,559	(454,474)	1,040,297
Total	\$ 5,355,098	\$ 4,797,776	\$ (723,650)	\$ 9,429,221

Accumulated amortization	Balance at December 31, 2018	Amortization expense	Disposals / Transfers	Balance at December 31, 2019
Leasehold Improvements – 15 years	\$ 2,700,140	\$ -	\$ -	\$ 2,700,140
Leasehold Improvements – 5 years	21,780	-	-	21,780
Computer Systems	805,412	201,471	(269,176)	737,707
Motor Vehicle	4,711	674	-	5,385
Furniture & Equipment	842,878	293,820	(454,474)	682,225
Total	\$ 4,374,921	\$ 495,966	\$ (723,650)	\$ 4,147,236

	Net book value December 31, 2018	Net book value December 31, 2019
Leasehold Improvements – 20 years	\$ -	\$ 4,403,907
Computer Systems	330,169	520,008
Motor Vehicle	674	-
Furniture & Equipment	649,334	358,073
Total	\$ 980,177	\$ 5,281,985

During the year, the Middlesex-London Health Unit deemed to have disposed of or transferred fully amortized assets with a cost basis of \$723,650 (2018 - \$616,925). This includes computer systems of \$2,205 and equipment of \$342,081 which were transferred to Thames Valley Children's Centre when they assumed responsibility for the Screening Assessment and Intervention program.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

5. Tangible Capital Assets (continued):

Cost	Balance at December 31, 2017	Additions	Disposals / Transfers	Balance at December 31, 2018
Leasehold Improvements – 15 years	\$ 2,700,140	\$ -	\$ -	\$ 2,700,140
Leasehold Improvements – 5 years	21,780	-	-	21,780
Computer Systems	1,242,387	162,576	(269,383)	1,135,581
Motor Vehicle	5,385	-	-	5,385
Furniture & Equipment	1,564,407	275,347	(347,542)	1,492,212
Total	\$ 5,534,099	\$ 437,923	\$ (616,925)	\$ 5,355,098

Accumulated amortization	Balance at December 31, 2017	Amortization expense	Disposals / Transfers	Balance at December 31, 2018
Leasehold Improvements – 15 years	\$ 2,517,094	\$ 183,045	\$ -	\$ 2,700,140
Leasehold Improvements – 5 years	13,235	8,545	-	21,780
Computer Systems	844,593	230,202	(269,383)	805,412
Motor Vehicle	3,365	1,346	-	4,711
Furniture & Equipment	982,286	208,134	(347,542)	842,878
Total	\$ 4,360,573	\$ 631,272	\$ (616,925)	\$ 4,374,921

	Net book value December 31, 2017	Net book value December 31, 2018
Leasehold Improvements – 15 years	\$ 183,046	\$ -
Leasehold Improvements – 5 years	8,545	-
Computer Systems	397,794	330,169
Motor Vehicle	2,020	674
Furniture & Equipment	582,121	649,334
Total	\$ 1,173,526	\$ 980,177

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

6. 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:

2020	\$ 753,227
2021	732,771
2022	672,165
2023	672,165
2024	672,165
Thereafter	10,003,564

7. 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.

8. Accumulated Surplus:

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

	2019	2018
Surpluses:		
Invested in tangible capital assets	\$ 5,281,985	\$ 980,177
Net transfer to surplus	(384,118)	-
Unfunded:		
Demand loan	(1,500,000)	-
Post-employment benefits	(2,725,700)	(2,554,700)
Total surplus (deficit)	672,167	(1,574,523)
Reserves set aside by the Board:		
Accumulated sick leave	-	29,462
Funding stabilization	-	818,258
Employment costs	176,077	176,077
Technology and infrastructure	-	1,250,000
Environmental – septic tank	-	6,044
Dental treatment	-	123,771
Total reserves	176,077	2,403,612
Accumulated surplus	\$ 848,244	\$ 829,089

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

9. Other income:

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

	2019 Budget	2019	2018
Collaborative project	\$ 10,000	\$ 481,764	\$ 277,328
Food handler training	20,000	26,322	26,706
Public Fit-testing	-	-	1,695
Miscellaneous	278,416	314,672	124,312
OHIP	244,000	237,269	197,710
Vaccines	117,200	113,288	63,210
	\$ 669,616	\$ 1,173,315	\$ 690,961

10. Other expenses:

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

	2019 Budget	2019	2018
Communications	\$ 147,246	\$ 156,379	\$ 236,473
Health promotion/advertising	331,610	341,949	302,338
Miscellaneous	479,783	310,700	387,029
Postage and courier	67,280	68,157	57,173
Printing	138,929	138,443	163,818
Staff development	192,468	158,062	199,475
	\$ 1,357,316	\$ 1,173,690	\$ 1,346,306

11. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Initiated a comprehensive incident management (IMS) response and has redeployed a majority of staff to support COVID-19 related assignments;
- Implemented a 7 day a week call centre, case management, and contact tracing throughout the London and Middlesex community, and to support the COVID-19 Assessment Centres;
- Continued to provide prioritized essential services to the community;
- Instituted mandatory working from home requirement for those staff able to do so.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Middlesex- London Health Unit

Audit Findings Report
for the year ended December 31, 2019

KPMG LLP

June 17, 2020

kpmg.ca/audit



Table of contents

EXECUTIVE SUMMARY	1
AUDIT RISKS AND RESULTS	2
MATERIALITY	5
FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE	6
UNCORRECTED DIFFERENCES AND CORRECTED ADJUSTMENTS	7
APPENDICES	8
APPENDIX 1: OTHER REQUIRED COMMUNICATIONS	9
APPENDIX 2: AUDIT QUALITY AND RISK MANAGEMENT	10
APPENDIX 3: MANAGEMENT REPRESENTATION LETTER	11
APPENDIX 4: PREPARING FOR PSAB STANDARD CHANGES	12
APPENDIX 5: AUDIT RESPONSE TO COVID-19 PANDEMIC	13



KPMG contacts

The contacts at KPMG in connection with this report are:



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Executive summary

Purpose of this report¹

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 as at and for the year ended December 31st, 2019.

Finalizing the Audit

As of June 17, 2020 we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Obtaining the signed management representation letter;
- Completing our discussions with the Finance and Facilities committee
- Obtaining evidence of the Board's approval of the financial statements

We will update the Finance and Facilities Committee, and not solely the Chair, 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 remaining procedures.

Independence

We are independent of MLHU in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

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.

Uncorrected differences

We did not identify differences that remain uncorrected.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

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.

Audit risks and results

Relevant factors affecting our risk assessment

Complexity



Estimate



Related party transaction



We highlight our significant findings in respect of significant financial reporting risks as well as any additional significant risks identified.

1 Fraud Risk

The risk that financial statements have material misstatement due to fraudulent activity.

Significant financial reporting risk	Why is it significant?
Fraud risk from revenue recognition	<p>This is a presumed risk.</p> <p>There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.</p>
Fraud risk from management override of controls	<p>This is a presumed risk.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>

Our response and significant findings

We have rebutted this fraud risk as it is not applicable to MLHU where performance is not measured based on earnings.

As this risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale for significant unusual transactions.

Audit findings:

- No significant findings noted.

Audit risks and results (Continued)

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Grants and other revenue	MLHU receives funding from various levels of government. The dollar value of grants and other revenue make these significant financial reporting captions.
Salaries and benefits	The dollar value of salaries and benefits make these significant financial reporting captions.

Our response and significant findings

Audit approach:

- Performed substantive analytical procedures over grants and other revenues.
- Agreed significant grants from all levels of government to underlying funding agreements or other supporting documentation.
- Obtained supporting documentation for significant deferred revenue balances at year-end.

Audit findings:

No significant issues noted.

Audit approach:

- Performed substantive analytical procedures over salaries and benefits, including vouching new hires and terminations to supporting documentation.

Audit findings:

No significant issues noted.

Audit risks and results (Continued)

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Post-employment benefits liability	The dollar value of the post-employment benefits liability makes this a significant financial reporting caption. The liability also represents a significant estimate.

Our response and significant findings

Audit approach:

- Obtained a copy of the actuarial report directly from the actuary and agreed the liability per the report to the post-employment benefits liability per the statement of financial position.
- Obtained corroborative evidence to support the reasonableness of assumptions provided by management to the actuaries that are used in developing the valuation and calculating the liability.
- In a prior year, KPMG performed testing over the employee attributes provided to the actuary to perform the valuation.
- Reviewed financial statement disclosures to gain assurance over compliance with Canadian public sector accounting standards.

Audit findings:

No significant issues noted.



Materiality

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$1,080,000.	\$987,600
Benchmark	Based on total expenses for the year. This benchmark is consistent with the prior year.	\$35,419,234
% of Benchmark	The corresponding percentage for the prior year's audit was 3%.	2.7%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$54,000	\$49,380

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

We will report to the Finance and Facilities Committee:

-  Corrected audit misstatements
-  Uncorrected audit misstatements

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Entity's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

Form, arrangement, and content of the financial statements

Adequate.

Application of accounting pronouncements issued but not yet effective

No concerns at this time regarding future implementation.

Uncorrected differences and Corrected Adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Finance and Facilities Committee that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

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

Appendices

Content

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Management Representation Letter

Appendix 4: Preparing for PSAB Standard Changes

Appendix 5: Audit Response to COVID-19 Pandemic



Appendix 1: Other 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:

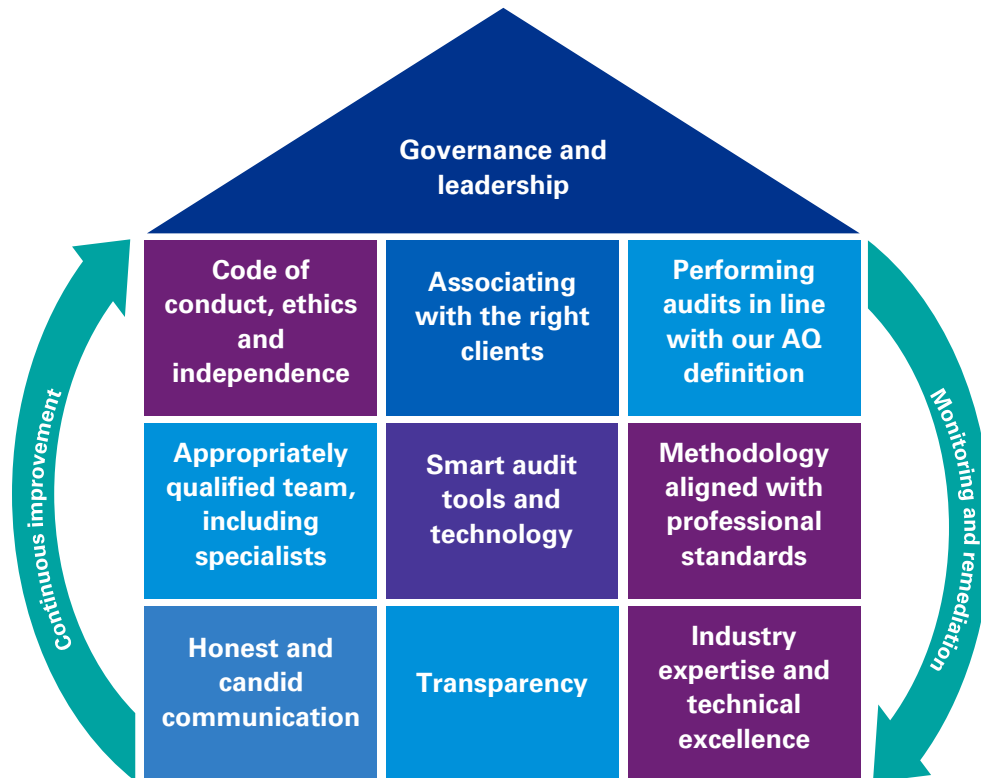
Auditor's report	Management representation letter
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	In accordance with professional standards, a copy of the management representation letter are provided to the Finance and Facilities Committee.

Appendix 2: 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 summarizes the key elements of our quality control system.

Audit Quality Framework



What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity.**

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

Appendix 3: Management representation letter

(Letterhead)

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

Date

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 financial statements (hereinafter referred to as "financial statements") of Middlesex-London Health Unit ("the Entity") as at and for the period ended December 31, 2019.

General:

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 also 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:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 15, 2016, including 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 information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the 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. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information
 - d) providing you with complete responses to all enquiries made by you during the engagement.

- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

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 we are 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 that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting' or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the 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.

- f) We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

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.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) 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).
- 12) We also confirm that the financial statements of the Entity will not be included in the group 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,

Brian Glasspoole, Manager, Finance

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

cc: Finance and Facilities Committee

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 control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close 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. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. 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: Preparing for PSAB Standard Changes



Preparing for PSAB Standard Changes

Are you ready to implement PSAB's impactful series of new standards?



Public sector entities are preparing to implement three significant Public Sector Accounting standards through 2022. These standards will impact not only your accounting policies, but also how Finance engages key stakeholders.

Asset Retirement Obligations

PS3280 addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities.

PS3280 will apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. Three transition options are available – retroactive, modified retroactive, prospective.

Asset retirement activities are defined to include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed
- decontamination created by the normal use of the tangible capital asset
- post-retirement activities such as monitoring
- constructing other tangible capital assets in order to perform postretirement activities

With the introduction of PS3280 PSAB has withdrawn existing Section PS3270, solid waste landfill closure and post-closure liability.

Some examples of asset retirement obligations which fall under scope of proposed PS3280 include:

- end of lease provisions (from a lessee perspective)
- removal of radiologically contaminated medical equipment
- wastewater or sewage treatment facilities
- firewater holding tanks
- closure and post-closure obligations associated with landfills
- septic beds
- fuel storage tank removal

Under PS3280, an asset retirement obligation should be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset
- the past transaction or event giving rise to the liability has occurred
- it is expected that future economic benefits will be given up
- a reasonable estimate of the amount can be made

Whether you are an education or health institution or a government entity (federal, provincial, municipal or Indigenous) this accounting standard will have implications for your organization if you report under the Public Sector Accounting Standards.

Are You Ready?

1. *Has a project plan been developed for the implementation of this section?*
2. *Has Finance communicated with key stakeholders, including Council or Board on the impact of this section?*
3. *Does Finance communicate with representatives of the Public Works, Asset Management, Facilities Management or Legal functions through the financial reporting process?*
4. *Has a complete inventory been developed of all inactive or active assets or sites, to provide a baseline for scoping of potential retirement obligations?*
5. *If a complete inventory has been developed, does it reconcile back to information currently reported in the entity's financial statements for tangible capital assets or contaminated sites?*
6. *Does your entity have data on non-recorded assets or sites (ie: assets which were originally expensed on purchase, or recorded at no book value) which could have retirement obligations?*
7. *Does your entity have an active solid waste landfill site?*
8. *If yes, does your entity have an existing estimate of the full costs to retire and monitor the landfill site?*
9. *Is your entity aware of any of its buildings which have asbestos?*
10. *If so, does your entity have information to inform a cost estimate to remove/ treat the asbestos?*
11. *Is your entity aware of underground fuel storage tanks or boilers which must be removed at end of life?*
12. *If so, does your entity have information to inform a cost estimate to remove the tanks?*
13. *Is your entity aware of any lease arrangements where it will be required to incur costs to return the premises to pre-existing conditions at the end of the lease?*
14. *Has your entity determined if it has any sewage or wastewater treatment plants which have closure plans or environmental approvals which require full or partial retirement of the plant at the end of its life?*
15. *Is your entity aware of any other contractual or legal obligations to retire or otherwise dismantle or remove an asset at the end of its life?*

Revenues

PS3400 outlines a framework describing two categories of revenue – transactions with performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions).

- This section will apply to fiscal years beginning on or after April 1, 2022, with earlier adoption permitted.
- This Section may be applied retroactively or prospectively.
- This section will not impact the present accounting for taxation revenues and government transfers.

Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time.

If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Public sector entities will need to review their revenue recognition policies for in-scope transaction types. Impacted areas may include:

- Development charges
- Permits
- Licences
- Advertising programs

Are You Ready?

1. *Has the entity identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)?*
2. *If so, has the entity reviewed its accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met?*
3. *Has the entity quantified the impact of any change in accounting policy, or determined that there is no impact?*

Financial Instruments

PS3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

- This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
- Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook applied this Section to fiscal years beginning on or after April 1, 2012.
- This section must be adopted with Section PS 2601, Foreign Currency Translation.
- Specific transition requirements are outlined in the section.

This section prescribes a fair value measurement framework for derivatives, and equity instruments that are quoted in an active market.

Where an entity manages risks, the investment strategy, or performance of a group of financial assets, financial liabilities or both on a fair value basis, they may also be measured at fair value.

Other financial instruments are measured at cost/ amortized cost.

Changes in the fair value of a financial instrument in the fair value category are recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the financial instrument is derecognized.

- Upon derecognition, the remeasurement gain or loss is realized in the Statement of Operations.

Are You Ready?

1. *Does the entity hold any financial assets which are equity or derivative instruments?*
2. *Has the entity determined if it has any embedded derivatives that might arise from existing contractual arrangements?*
3. *Does the entity have other financial assets which it assesses performance of based on fair value, and for which it might elect a fair value measure?*
4. *If yes to any of the above three questions, does the entity have readily observable market data to inform a fair value measure?*
5. *Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section?*
6. *Does the entity enter into transactions involving foreign exchange?*
7. *Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency?*

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Package	Individual	CFO exclusive	Team – up to 10 team members	Comprehensive A – up to 10 team members	Comprehensive B – up to 10 team members
10 hours of in-depth CPD-eligible training *	×	×	×	×	×
1 Licence KPMG Learning online	×	×	×	×	×
10 Hours of on-call accounting advice		×		×	
25 Hours of on-call accounting advice					×
Annual Fee	\$2,000	\$5,000	\$10,000	\$13,000	\$17,500

* Course availability subject to the enrollment of five or more customers

Course Delivery by classroom or video on demand dependent on geographic enrollment

Contact Us



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Email Bailey to join his Public Sector Accounting newsletter distribution list.

Appendix 5: Audit Response to COVID-19 Pandemic

Subsequent Events	Our audit approach
<p>Subsequent Events</p>	<p>Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social dislocating impact. As such enhanced subsequent events procedures are warranted.</p> <p>There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:</p> <ul style="list-style-type: none"> — Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures. — Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made. <p>Audit response:</p> <ul style="list-style-type: none"> — Management should work with the audit team to customize language for a subsequent events note. — An assessment for closure costs incurred, costs associated with wage subsidy, and revenue impacts for closures estimates should be undertaken and documented by management. — A list of any financial implications and actions undertaken by the entity should be disclosed in the notes, examples may include: <ul style="list-style-type: none"> — Initiated a comprehensive incident management (IMS) response and has redeployed a majority of staff to support COVID-19 related assignments; — Implemented a 7 day a week call centre, case management, and contact tracing throughout the London and Middlesex community, and to support the COVID-19 Assessment Centres; — Continued to provide prioritized essential services to the community; — Instituted mandatory working from home requirement for those staff able to do so. — A statement as to whether or not these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Along with measurement of an estimated impact on the financial effect <u>or</u> indication if one is not practicable at this time.

Audit Response to COVID-19 Pandemic (continued)

Resources	
Resources for Management, Board and Committee members	<p><u>COVID-19 Alerts (Live Link)</u></p> <p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by Federal, Provincial and Municipal news releases.</p> <ul style="list-style-type: none">— Business continuity guide— Immediate actions to take— Medium to long-term actions— Tax considerations and a summary of Federal and Provincial programs— Legal considerations— Financial reporting and audit considerations— Global perspectives





TO: Chair and Members of the Board of Health

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2020 July 2

SINGLE SOURCE CONTRACT AWARDS

It is recommended that the Finance & Facilities Committee recommends the Board of Health receive Report No. 016-20FFC, re: “Single Source Contract Awards” for information.

Key Points

- 1-year award of HVAC Maintenance contract to Honeywell Building Solutions for \$11,680 + HST
- 1-year award of Elevator and Service Maintenance contract to Skyline Elevator for \$4,392 + HST
- Upgrade of security and card access card readers awarded to JPW Systems for \$21,846 + HST

Background

The primary goals of a non-competitive purchase are to allow for procurement in an efficient and timely manner. Details of the policy are listed in ([Appendix A](#)). This report outlines three recent non-competitive contract awards which require reporting to the Board of Health for transparency.

The completion of the move to Citi Plaza March 31st required a review of support agreements related to the operation of the new facility. Given the new space and compressed timelines, maintaining the Landlord’s current service providers during the first year of operation is desirable. This will allow Middlesex-London Health Unit staff to gain an understanding of the scope of services required and determine an appropriate strategy for competitive bidding in 2021. MLHU staff will work the landlord to maximize economies of scales and leverage their buying power.

HVAC Maintenance

The Heating Ventilation and Air Conditioning (HVAC) maintenance contract was awarded to Honeywell Building Solutions. They are the current provider of the Building Automation System and maintenance services to Citi Plaza. The scope of their services include automation, mechanical maintenance, online support, air filter services and the ongoing support of the MLHU owned Roof Top Unit which exclusively provides air handling for the clinic. The annual value of these services is \$11,680. A 12% labour discount was provided as a result of the Citi Plaza contract. These terms comply with the non-competitive purchases protocol 3.2.2 (iii) where only one source of supply would be acceptable and cost effective at this time. Additional sources of supply will be reviewed in 2021 when as built drawings of the HVAC system will be provided by the general contractor to support a competitive bid.

Elevator Service and Maintenance Contract

The move into a new building also necessitated the creation of an Elevator Preventative Maintenance Contract. Citi Plaza issued a competitive bid and found the most cost effective and comprehensive service provider to be Skyline Elevator. The elevator maintenance cost is \$366/month or \$4,392 annually + HST.

The scope of work includes preventative maintenance visits, emergency call back services and replacement parts. Additional sources of supply will be reviewed in 2021 when as built drawings of the Elevator System will be provided by the general contractor to support a competitive bid.

Upgrade of Strathroy Door Access System

New card readers were also required for the Strathroy Office. The procurement of card readers is not related to a landlord contract. This purchase is related to the harmonization or two separate card reader systems. The closure of the King Street office impacted the ability to modify door access to the Strathroy office as both locations were using the same system. The Citi Plaza card reader system was developed in consultation with the security contractor, Emergency Planning and Joint Occupational Health and Safety Committee members. The new card system will provide a seamless transition for employees working in either one of our locations and will allow remote programming capabilities. MLHU requires a singular supplier of our security access systems to run both at Citi Plaza and in Strathroy. Separate systems would increase our security risk as we would be working with different access rights and cards across the two sites. A singular supplier is more cost efficient in the long run as the Health Unit does not need to maintain additional equipment and maintenance requirements.

This is a non-competitive bid supported in Section 3.2.2 items (iii and v). Section v identifies it would not be in the public interest to solicit competitive bids in the case of security. Meanwhile, Section iii supports a situation where only one source of supply would be acceptable or cost effective. The replacement of the card access system will not be taking the existing system offline or removing any hardware. This phase of the install is expected to be completed in 2-3 days and will focus on perimeter doors first, followed by the interior doors. Downtime will be minimal during this transition. The cost of this replacement is \$21,846 + taxes.

Next Steps

With the exception of the items identified in this report, single source contract awards will be evaluated on a case by case basis and will be brought to the attention of the Finance and Facilities Committee for update or approval.

This report was prepared by the Procurement and Operations Team, Healthy Organization Division.



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

SINGLE SOURCE CONTRACT AWARD

G-230 App A - Middlesex- London Health Unit Procurement Protocols

3.0 NON-COMPETITIVE PURCHASES

3.2 Requirements

- 1) The requirement for competitive bid solicitation for goods, services and construction may be waived if the item is less than \$5,000.
- 2) Alternatively, under joint authority of the appropriate Director and the MOH / CEO, the requirement for competitive bid solicitation for goods, services and construction may be replaced with negotiations by the Director, Healthy Organization, or designate under the following circumstances:
 - (i) where competition is precluded due to the application of any Act or legislation or because of the existence of patent rights, copyrights, technical secrets or controls of raw material;
 - (ii) where due to abnormal market condition, the goods, services or construction required are in short supply;
 - (iii) where only one source of supply would be acceptable and cost effective;
 - (iv) where there is an absence of competition for technical or other reasons and the goods, services or construction can only be supplied by a particular supplier and no alternative exists;
 - (v) where the nature of the requirement is such that it would not be in the public interest to solicit competitive bids as in the case of security or confidentiality matters;
 - (vi) where in the event of an “Emergency” as defined by these Protocols, a requirement exists; or where the requirement is for a utility for which there exists a monopoly.
- (3) When a Director/Manager intends to select a supplier to provide goods, services or construction pursuant to subsection 3.2(2), a written report indicating the compelling rationale that warrants a non-competitive selection will be submitted by the Division to the Board of Health.
- (4) For contracts between \$5,000 and \$49,999, the MOH / CEO awards the contract.



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2020 July 02

MINISTRY OF HEALTH TEMPORARY PANDEMIC PAY INITIATIVE

Recommendation:

That the Finance & Facilities Committee recommend that the Board of Health:

- 1. Receive Report No. 017-20FFC re: “Ministry of Health Temporary Pandemic Pay Initiative;” and*
- 2. Direct staff to receive this funding.*

Key Points

The Ministry of Health is providing the Health Unit with one-time funding up to \$271,900 for the 2020 - 2021 funding year to support the temporary pandemic pay initiative as part of the COVID-19 response in the public health sector.

Discussion

The purpose of this pay incentive is to provide additional support for eligible Board of Health employees who are experiencing severe challenges and are at heightened risk during the COVID-19 outbreak. The pay increase for eligible employees covers the period between April 24, 2020 and August 13, 2020. Eligible employees will receive a \$4 per hour premium over current wage subject to certain restrictions. Details are outlined in the attached ([Appendix A](#)).

The Health Unit will be required to:

1. determine and identify eligible employees;
2. pay funds to each eligible employee in accordance with guidelines as set out in the attached ([Appendix B](#));
3. Provide separate disclosure to each employee of amount of pandemic pay;
4. Provide monthly reporting to the province on a defined template in line with provincial requirements; and
5. Create and maintain accounting records to support subsequent reporting to the province as unspent funds are subject to recovery in accordance with the province’s year-end reconciliation policy.

The Board of Health will be notified of the 2020 provincial funding allocations for all other public health programs and services at a later date.

Conclusion

The Ministry of Health is providing the Health Unit with one-time funding up to \$271,900 to support the temporary pandemic pay initiative as part of the COVID-19 response in the public health sector.

This report prepared by the Finance Team, Healthy Organization Division.

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

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

Ministry of Health

Office of the Deputy Premier
and Minister of Health

777 Bay Street, 5th Floor
Toronto ON M7A 1N3
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Facsimile: 416 326-1571
www.ontario.ca/health

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et du ministre de la Santé

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JUN 15 2020

eApprove-182-2020-58

Ms. Maureen Cassidy
Chair, Board of Health
Middlesex-London Health Unit
355 Wellington Street, Suite 110
London ON N6A 3N7

Dear Ms. Cassidy:

Thank you for your continued partnership in supporting the effective delivery of essential public health programs and services during this unprecedented time.

I am pleased to advise you that the Ministry of Health will provide the Board of Health for the Middlesex-London Health Unit up to \$271,900 in one-time funding for the 2020-21 funding year to support the temporary pandemic pay initiative as part of the COVID-19 response in the public health sector.

Dr. David Williams, Chief Medical Officer of Health, will write to the Middlesex-London Health Unit shortly concerning the terms and conditions governing the funding.

Thank you for the important service that your public health unit provides to Ontarians, and your ongoing dedication and commitment to addressing the public health needs of Ontarians.

Sincerely,

Handwritten signature of Christine Elliott in cursive.

Christine Elliott
Deputy Premier and Minister of Health

c: Dr. Christopher Mackie, Medical Officer of Health, Middlesex-London Health Unit



Ministry of Health

Ministère de la Santé

Office of Chief Medical Officer of Health,
Public Health
393 University Avenue, 21st Floor
Toronto ON M5G 2M2

Bureau du médecin hygiéniste en chef,
santé publique
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Télécopieur: (416) 325-8412

eApprove-182-2020-58

JUN 15 2020

Dr. Christopher Mackie
Medical Officer of Health
Middlesex-London Health Unit
355 Wellington Street, Suite 110
London ON N6A 3N7

Dear Dr. ^{Chen}Mackie:

Re: Ministry of Health Public Health Funding and Accountability Agreement with the Board of Health for the Middlesex-London Health Unit (the “Board of Health”) dated January 1, 2014, as amended (the “Agreement”)

This letter is further to the recent letter from the Honourable Christine Elliott, Deputy Premier and Minister of Health, in which she informed your organization that the Ministry of Health will provide the Board of Health with up to \$271,900 in one-time funding for the 2020-21 funding year to support the temporary pandemic pay initiative as part of the COVID-19 response in the public health sector.

Please note that this funding is subject to the following terms and conditions:

- Temporary Pandemic Pay funds must be used in accordance with the criteria and reporting requirements set out in **Appendix A** of this letter; and,
- The funding is subject to the terms and conditions of the Agreement dated January 1, 2014, as amended.

We appreciate your cooperation with the ministry in managing your funding as effectively as possible. You are expected to adhere to our reporting requirements, particularly for in-year service and financial reporting, which is expected to be timely and accurate. Based on our monitoring and assessment of your in-year service and financial reporting, your cash flow may be adjusted to match actual services provided.

It is also essential that you manage costs within your approved budget.

Dr. Christopher Mackie

In order to accept the conditions to receive this funding, please return a signed/scanned copy of **Appendix B** attached to this letter to: Brent Feeney, Manager, Funding and Oversight Unit, Accountability and Liaison Branch, via email at Brent.Feeney@ontario.ca.

The Board of Health will be notified of the 2020 provincial funding allocations for all other public health programs and services at a later date. At that time, the Board of Health will receive new Schedules for the Agreement, which will include the requirements for this temporary pandemic pay Initiative as noted in **Appendix A**.

Should you require any further information and/or clarification, please contact Elizabeth Walker, Director, Accountability and Liaison Branch, at 416-212-6359 or by email at Elizabeth.Walker@ontario.ca.

Yours truly,



David C. Williams, MD, MHSc, FRCPC
Chief Medical Officer of Health

Attachments

c: Maureen Cassidy, Board of Health Chair, Middlesex-London Health Unit
Laura Di Cesare, Director, Corporate Services, Middlesex-London Health Unit
Jim Yuill, Director, Financial Management Branch, MOH
Teresa Buchanan, Director (A), Fiscal Oversight & Performance Branch, MOH

APPENDIX A: Temporary Pandemic Pay Initiative

Grants and Budget

Program/Initiative Name	2020-21 Approved Allocation (\$)
Maximum One-Time Funds	
Temporary Pandemic Pay Initiative	\$271,900

Payment Schedule

- Maximum one-time funding is flowed on a mid and end of month basis. Cash flow will be adjusted when the Board of Health has signed **Appendix B** (attached to this letter).

Related Program Policies and Guidelines

1. Purpose

- To provide additional support for eligible Board of Health employees who are experiencing severe challenges and are at heightened risk during the COVID-19 outbreak, the Province is providing a pandemic pay increase between April 24, 2020 and August 13, 2020 for the public health sector.
- The Temporary Pandemic Pay Initiative is a targeted program designed to support Board of Health employees who face a real and perceived risk of COVID-19 exposure, where maintaining physical distancing is difficult or not possible.

2. Pandemic Pay Funds

- The Province will: determine the Board of Health's eligibility; the amount of Pandemic Pay one-time funding the Board of Health may be eligible to receive; and, provide the Board of Health with Pandemic Pay one-time funding for the purposes of administering the Temporary Pandemic Pay Initiative.

3. Board of Health's Obligations

- The Board of Health will:
 - Be required to determine and identify eligible employees;
 - Pay Pandemic Pay funds to each eligible employee that the Board of Health employs in accordance with the Temporary Pandemic Pay calculations as set out in section 5;
 - Make reasonable efforts to set out Temporary Pandemic Pay as a separate line item from other amounts paid to eligible employees in a pay stub or other document provided to eligible employees;
 - Only use Pandemic Pay one-time funding for the purposes of paying eligible employees and the costs incurred under statute or contract because of the payment of Temporary Pandemic Pay. For greater clarity, the Temporary Pandemic Pay one-time funding may not be used for administrative costs or any other purpose for which funding is provided to the Board of Health under the Agreement.
 - Create and maintain records that document: number of employee hours eligible for hourly pandemic pay, tracked per mid-term and final reporting periods, gross amount of hourly pandemic pay paid out to eligible employees, gross amount of

pandemic pay lump sum paid out to eligible workers, amount of statutory contributions paid by employers as a result of providing pandemic pay to eligible workers, amount paid by the Board of Health to address statutory or collective agreement entitlements as a result of providing pandemic pay, and completed attestations for lump sum payments;

- Provide the Province with such information and records, including the records listed above as may be requested in order to calculate the Board of Health's entitlement to Pandemic Pay one-time funding or to evaluate the outcomes and effectiveness of the Board of Health's use of Pandemic Pay one-time funding; and,
- At the request of the Province, provide communications materials to eligible employees concerning the Temporary Pandemic Pay Initiative.

4. Eligibility

- The eligibility period for the Temporary Pandemic Pay Initiative is from April 24, 2020 up to and including August 13, 2020.
- The following Board of Health employees (in a full-time or part-time capacity) are eligible for Temporary Pandemic Pay:
 - Nurses that have consistent and ongoing risk of exposure (i.e., direct/in-person client interaction) to COVID-19 (Infection Prevention and Control Nurses, Nurse Practitioners, Registered Nurses, Registered Practical Nurses, Public Health Nurses).
- For additional clarity, all other Board of Health employees (including individuals employed in a management capacity) are not eligible for Temporary Pandemic Pay one-time funding approved as part of this Agreement.

5. Calculation of Temporary Pandemic Pay

- Temporary Pandemic Pay for each eligible employee shall be calculated based on the following criteria during the eligibility period set out in section 4.
 - Temporary Pandemic Pay is to be calculated in addition to an employee's regular wages and is not part of base salary;
 - For each hour worked during the eligibility period, the eligible employee shall be paid four dollars (\$4);
 - Where an eligible employee works more than one hundred (100) hours in one of the designated four-week periods set out below, they shall be paid an additional lump sum payment of two hundred and fifty dollars (\$250) for that period and up to one thousand dollars (\$1,000) over these sixteen (16) week:
 - April 24, 2020 to May 21, 2020
 - May 22, 2020 to June 18, 2020
 - June 19, 2020 to July 16, 2020
 - July 17, 2020 to August 13, 2020
- Subject to the Province's sole discretion to determine the amount, the following shall be included in the calculation of Temporary Pandemic Pay Funds:
 - The total amount that eligible Board of Health employees are eligible to receive as Temporary Pandemic Pay; and,
 - An amount equal to the increased costs that the Board of Health incurs pursuant to its obligations as an employer under a statutory or contractual requirement but does not include increased costs associated with any required contributions to a

pension plan or benefits plan. Examples of increased costs include: Employers' statutory contributions to the Canada Pension Plan, Employers' statutory contributions to Employment Insurance, Employer Health Tax on payroll, Employers' statutory obligation to pay Workplace Safety and Insurance Board premiums, Employers' statutory payment of Vacation Pay, Employers' statutory payment of Public Holiday Pay, and Employers' statutory payment of Overtime Pay.

- The Board of Health will be required to return any funding not used for the intended purpose. Unspent funds are subject to recovery in accordance with the Province's year-end reconciliation policy.

Reporting Requirements

Name of Report	Reporting Period	Due Date
1. Temporary Pandemic Pay Monthly Reports	For the period of April 24, 2020 to August 31, 2020	Monthly
2. Annual Reconciliation Report	For the period of April 24, 2020 to August 31, 2020	See Schedule C of the Agreement
3. Attestation to the Use of Funding	For the period of April 24, 2020 to August 31, 2020	To Be Determined

Temporary Pandemic Pay Monthly Reports

- Temporary Pandemic Pay Initiative reports will be submitted to the Province on a defined template on a monthly basis, in line with provincial requirements.
- Monthly reports will be signed-off as appropriate (e.g., Medical Officer of Health, Chief Executive Officer, Business Administrator).
- Reporting requirements will include the provision of information such as the number of eligible Board of Health employees, their positions, hours of work, and status report regarding utilization of funds (for the purposes of reallocation funding if needed).

Annual Reconciliation Report

- The Board of Health will submit a program-specific Annual Reconciliation Report for the financial year ending December 31st.
- Accounting for the reporting of both the revenue and expenditures for the Temporary Pandemic Pay Initiative should appear as separate and distinct items within the Annual Reconciliation Report.
- The Board of Health is required to submit Audited Financial Statements with its Annual Reconciliation Report. The Audited Financial Statement must include appropriate disclosure regarding the Board of Health's revenue and expenditures related to the Temporary Pandemic Pay Initiative.

Attestation to the Use of Funding

- For the purposes of program evaluation and audit, the Province will seek assurances the funds have been disbursed as intended by the Agreement's terms and conditions, through the submission of a written attestation from the Board of Health.

APPENDIX B: Sign-Back Agreement for the Board of Health

On behalf of the Board of Health, I acknowledge that our organization has been approved a total of up to \$271,900 in one-time funding that is to be used to support the Temporary Pandemic Pay Initiative.

A signature from a representative who has the authority to bind the Board of Health for the Middlesex-London Health Unit is required below to indicate acceptance of the conditions as noted in this letter, including **Appendix A**. I acknowledge that this funding is being provided subject to the terms and conditions in the Public Health Funding and Accountability Agreement.

Signature:



Name:

Christopher Mackie

Position:

Medical Officer of Health and CEO

Date:

June 17, 2020

I have the authority to bind the Board of Health.

Please return a signed/scanned copy of this form to the email address provided in the funding letter.



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health /CEO

DATE: 2020 July 02

CASH FLOW ANALYSIS

Recommendation:

It is recommended that the Finance & Facilities Committee receive Report No. 018-20FFC “Cash Flow Analysis” for information.

Key Points

- Due to planned drawdowns of cash and higher costs related to COVID-19 on the current operating budget, cash reserves are low.
- Without excess cash reserves to act as a funding buffer, operating cash flow must be closely monitored to ensure that funds do not become fully depleted.
- A planned debt repayment of \$100,000 may not be met unless additional funds are received from the province related to COVID-19 expenditures.
- In early June, a temporary draw of \$400,000 was taken on the line of credit to ensure adequate cash flow to support higher than planned payroll costs and to partly offset a third payroll occurring in the month of May.
- This temporary draw will be repaid from current funding and will not impact the overall amount of long-term debt the Health Unit intends to assume to finance the fit-up of Citi Plaza.

Background

In prior years, the cash reserves on hand acted as a buffer when the timing of operating expenses was not completely aligned with grant payments received over the course of the year. In 2019, The Board of Health authorized the use of accumulated reserves largely to support the cost of fit up of new premises at Citi Plaza as outlined in reports [004-19FFC](#) and [034-19FFC](#). After drawing down these reserves, the only residual funded reserve is the Employment Costs Reserve (\$176,077). Because the Health Unit is operating without significant cash reserves, there is more frequent monitoring of the net cash position, especially in light of higher bi-weekly payrolls to finance COVID-19 related overtime costs.

In response to a combination of three payrolls in May and timing of payment of significant operating expenses, a temporary draw of \$400,000 was made from the Health Unit’s line of credit. In consultation with the Health Unit’s banker, this practice aligns with the intent of the line of credit in the context of managing cash flow during the construction phase of a major project. The \$7.0 million line of credit is completely open and excess funds borrowed can be repaid as soon as practicable without penalty.

Next Steps

The Finance team will continue to monitor the cash position of the Health Unit and will repay the \$400,000 as soon as cash reserves are available. It is not intended that this amount will form a part of the longer-term debt.

This report was prepared by the Finance Team, Healthy Organization Division.

A handwritten signature in black ink, appearing to read 'C. Mackie'.

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