

DRAFT

Financial Statements of

**MIDDLESEX-LONDON HEALTH UNIT**

Year ended December 31, 2014



MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements  
Year ended December 31, 2014

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Financial Statements

Management’s Responsibility for the Financial Statements ..... 1

Independent Auditor’s Report .....2

Statement of Financial Position .....3

Statement of Operations .....4

Statement of Change in Net Debt .....5

Statement of Cash Flows .....6

Notes to Financial Statements ..... 7 - 16

# **MIDDLESEX-LONDON HEALTH UNIT**

DRAFT - Financial Statements

Year ended December 31, 2014

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## **Management's Responsibility for the Financial Statements**

The accompanying financial statements of the Middlesex-London Health Unit ("Health Unit") are the responsibility of the Health Unit's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Health Unit's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

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

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

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

John Millson, BA, CPA, CGA  
Director, Finance & Operations

Ian Peer, Chair  
Board of Health

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Middlesex-London Health Unit, which comprise the statement of financial position as at December 31, 2014, the statements of operations, change in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Middlesex-London Health Unit as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

"DRAFT"

Chartered Professional Accountants, Licensed Public Accountants

June 2015

London, Canada

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
<b>Financial Assets</b>		
Cash	\$ 3,421,643	\$ 5,373,430
Accounts receivable	370,630	301,798
Grants receivable	344,553	140,234
	<b>4,136,826</b>	<b>5,815,462</b>
<b>Financial Liabilities</b>		
Province of Ontario	447,389	916,210
Government of Canada	98,681	68,197
The Corporation of the City of London	-	883,602
The Corporation of the County of Middlesex	-	168,300
Accounts payable and accrued liabilities	1,206,008	1,531,844
Accrued wages and benefits	905,124	1,136,256
Vested sick leave liability (note 2(a))	156,401	179,975
Post-employment benefits liability (note 2(b))	1,840,000	1,799,200
	<b>4,653,603</b>	<b>6,683,584</b>
Net Debt	(516,777)	(868,122)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 4)	1,961,025	2,460,318
Prepaid expenses	182,991	174,659
	<b>2,144,016</b>	<b>2,634,977</b>
Commitments (note 5)		
Contingencies (note 6)		
Accumulated Surplus (note 7)	\$ 1,627,239	\$ 1,766,855

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget	2014	2013
Revenue:			
Grants:			
Ministry of Health and Long-Term Care	\$ 20,488,045	\$ 20,924,053	\$ 20,580,751
Ministry of Children and Youth Services	5,179,323	5,156,343	5,128,113
Government of Canada	271,967	212,833	159,602
The Corporation of the City of London	6,095,059	6,095,059	5,377,922
The Corporation of the County of Middlesex	1,160,961	1,160,961	1,024,366
	33,195,355	33,549,249	32,270,754
Other:			
Property search fees	3,750	2,050	2,297
Family planning	285,000	260,502	284,676
Dental service fees	228,884	199,881	210,380
Investment income	21,200	20,531	21,863
Prenatal class income	8,140	5,210	5,270
Other income (note 8)	317,287	1,147,758	840,594
	864,261	1,635,932	1,365,080
<b>Total Revenue</b>	<b>34,059,616</b>	<b>35,185,181</b>	<b>33,635,834</b>
Expenditures:			
Salaries:			
Medical Officers of Health	481,617	423,345	464,075
Public Health Nurses	9,075,018	9,266,539	8,728,412
Public Health Inspectors	2,567,292	2,460,376	2,414,948
Administrative staff	3,527,524	3,642,632	3,585,882
Dental staff	972,412	977,259	895,108
Other salaries	2,804,612	3,558,592	3,472,081
	19,428,475	20,328,743	19,560,506
Other Operating:			
Benefits	5,287,242	5,413,598	5,186,419
Travel	471,542	401,543	410,229
Materials and supplies	1,041,609	1,288,360	1,311,062
Professional services	3,865,330	3,662,763	3,632,270
Rent and maintenance	1,543,753	1,600,988	1,581,634
Amortization expense	484,563	904,924	961,503
Other expenses (note 9)	1,487,102	1,723,878	1,538,344
	14,181,141	14,996,054	14,621,461
<b>Total Expenditures</b>	<b>33,609,616</b>	<b>35,324,797</b>	<b>34,181,967</b>
Annual surplus / (deficit)	450,000	(139,616)	(546,133)
Accumulated surplus, beginning of year	1,766,855	1,766,855	2,312,988
Accumulated surplus, end of year	\$ 2,216,855	\$ 1,627,239	\$ 1,766,855

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

## MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Statement of Changes in Net Debt

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Annual deficit	\$ (139,616)	\$ (546,133)
Acquisition of tangible capital assets	(405,631)	(451,231)
Amortization of tangible capital assets	904,924	961,503
	359,677	(35,861)
Acquisition of prepaid expenses	(182,991)	(174,659)
Use of prepaid expenses	174,659	137,355
	(8,332)	(37,304)
Change in net debt	351,345	(73,165)
Net debt, beginning of year	(868,122)	(794,957)
Net debt, end of year	\$ (516,777)	\$ (868,122)

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Statement of Cash Flows

December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (139,616)	\$ (546,133)
Items not involving cash:		
Amortization	904,924	961,503
Change in employee benefits and other liabilities	17,226	68,089
Change in non-cash assets and liabilities:		
Accounts receivable	(68,832)	142,434
Grants receivable	(204,319)	(28,798)
Prepaid expenses	(8,332)	(37,304)
Due to Province of Ontario	(468,821)	(295,242)
Due to Government of Canada	30,484	49,327
Due to The Corporation of the City of London	(883,602)	717,137
Due to The Corporation of the County of Middlesex	(168,300)	136,595
Accounts payable and accrued liabilities	(325,836)	(436,290)
Accrued wages and benefits	(231,132)	190,640
Net change in cash from operating activities	(1,546,156)	921,958
Capital activities:		
Cash used to acquire tangible capital assets	(405,631)	(451,231)
Net change in cash from capital activities	(405,631)	(451,231)
Net change in cash	(1,951,787)	470,727
Cash and cash equivalents, beginning of year	5,373,430	4,902,703
Cash and cash equivalents, end of year	\$ 3,421,643	\$ 5,373,430

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



# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Notes to Financial Statements

Year ended December 31, 2014

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

## 1. Significant accounting policies:

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

### (a) Basis of presentation:

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

Inter-departmental transactions and balances have been eliminated.

### (b) Basis of accounting:

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

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

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

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

### (c) Employee future benefits:

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

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

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

### (d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives that extend beyond the current year and are not intended for sale in the ordinary course of operations.

- (i) Tangible capital assets

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

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

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

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

#### (ii) Contributions of tangible capital assets

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

#### (iii) Leased tangible capital assets

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

### (e) Use of estimates:

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

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

Actual results could differ from these estimates.

## MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

### 2. Employee future benefits:

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

(a) Vested sick leave liability:

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

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$156,401 (2013 - \$179,975) at the end of the year.

A reserve of \$283,876 has been established to meet future commitments for this liability.

(b) Post-retirement benefits liability:

The Middlesex-London Health Unit pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Middlesex-London Health Unit recognizes these post-retirement costs in the period in which the employees render services. The most recent actuarial valuation was performed as at December 31, 2014.

	2014	2013
Accrued employee future benefit obligations	\$ 2,257,800	\$ 1,760,200
Unamortized net actuarial gain/(loss)	(417,800)	39,000
Employee future benefits liability as of December 31	\$ 1,840,000	\$ 1,799,200

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

	2014	2013
Current year benefit cost	\$ 111,100	\$ 120,400
Interest on accrued benefit obligation	67,100	79,600
Amortization	300	30,400
Total benefit cost	\$ 178,500	\$ 230,400

Benefits paid during the year were \$ 137,700 (2013 - \$167,300).

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

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## 2. Employee future benefits (continued):

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

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

#### (i) Discount rate:

The obligation as at December 31, 2014, of the present value of future liabilities and the expense for the year ended December 31, 2014, are determined using a discount rate of 3.75% (2013 – 3.75%).

#### (ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 8% per year (2013 - 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 (2013 - 4%).

## 3. Pension agreement:

The Middlesex-London Health Unit contributes to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 339 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 2014, the plan required employers to contribute 9.0% of employee earnings up to the year's maximum pensionable earnings and 14.6% thereafter. The Health Unit contributed \$1,908,308 (2013 - \$1,829,910) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2014.

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

## 4. Tangible Capital Assets:

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

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

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

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

## 4. Tangible Capital Assets (continued):

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

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

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

During the year, the Health Unit deemed to have disposed of fully amortized assets with a cost basis of \$663,620 (2013 - \$633,008).

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

## 5. Commitments:

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

Future minimum payments to expiry are as follows:

2015	\$ 911,852
2016	857,311
2017	70,800
2018	70,800
2019	35,400

## 6. Contingencies:

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

## 7. Accumulated Surplus:

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

	2014	2013
Surpluses:		
Invested in tangible capital assets	\$ 1,961,025	\$ 2,460,318
Unfunded:		
Sick leave benefits	(156,401)	(179,975)
Post-employment benefits	(1,840,000)	(1,799,200)
Total Surplus	(35,376)	481,143
Reserves set aside by the Board:		
Accumulated sick leave	283,876	307,314
Funding stabilization	818,258	818,258
Employment Costs	176,077	-
Technology & Infrastructure	250,000	-
Environmental – septic tank	6,044	6,044
Dental Treatment reserve	128,360	154,096
Total reserves	1,662,615	1,285,712
Accumulated surplus	\$ 1,627,239	\$ 1,766,855



## MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

### 8. Other income:

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

	2014 Budget	2014 Actual	2013 Actual
Collaborative project revenues	\$ 2,269	\$ 422,868	\$ 169,105
Food handler training	42,750	59,015	64,931
Public Fit-testing	15,000	16,849	-
Miscellaneous revenues	191,795	347,500	259,518
Vaccine sales	61,925	293,611	321,065
Workshop fees	3,548	7,915	25,975
	\$ 317,287	\$ 1,147,758	\$ 840,594

### 9. Other expenses:

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

	2014 Budget	2014 Actual	2013 Actual
Communications	\$ 209,188	\$ 183,772	\$ 190,109
Health promotion/advertising	510,143	526,810	418,658
Miscellaneous expenses	412,150	691,559	596,004
Postage and courier	69,125	61,233	75,232
Printing	131,433	122,327	151,376
Staff development	155,063	138,177	106,965
	\$ 1,487,102	\$ 1,723,878	\$ 1,538,344

# MIDDLESEX-LONDON HEALTH UNIT

DRAFT - Financial Statements (continued)

Year ended December 31, 2014

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## 10. Budget data:

The budget data presented in these financial statements is based upon the 2014 operating budgets approved by the Board of Health. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements

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Revenues:	
Operating budget	\$ 34,059,616
Expenses:	
Operating budget	33,125,053
Capital budget	484,563
Total expenses	33,609,616
Annual surplus, as budgeted	\$ 450,000

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