

Financial Statements of

**WINDSOR-ESSEX COUNTY
HEALTH UNIT**

And Independent Auditors' Report thereon

Year ended December 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Windsor-Essex County 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 Board of Health is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Health carries out their responsibility for review of the financial statement principally through the Audit Committee. The members of the Audit Committee are not officers or employees of the Health Unit. The Audit 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 recommending approval of the financial statements to the Board of Health. The external auditors have full access to the Audit Committee with and without the presence of management.

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



Theresa Marentette
Chief Executive Officer



Lorie Gregg
Director of Corporate Services



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8
Canada
Telephone (519) 251-3500
Fax (519) 251 3530

INDEPENDENT AUDITORS' REPORT

To the Directors of Windsor-Essex County Health Unit

Opinion

We have audited the financial statements of Windsor-Essex County Health Unit (the Health Unit), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated deficit for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and the 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 responsibility 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 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.



Responsibility 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 risk 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, internal 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 purposes 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 the 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's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 18, 2020

WINDSOR-ESSEX COUNTY HEALTH UNIT

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Financial assets:		
Cash and short-term investments (note 2)	\$ 4,372,359	\$ 2,806,771
Accounts receivable (note 3)	431,477	393,239
	<u>\$ 4,803,836</u>	<u>\$ 3,200,010</u>

Financial liabilities

Financial liabilities:		
Due to Province of Ontario (note 4)	\$ 817,698	\$ 242,716
Due to Municipalities (note 5)	2,237,935	1,655,696
Due to community programs	255,203	70,060
Amounts held in trust (note 6)	36,786	60,043
Trade accounts payable	686,217	496,350
Accrued payroll and deductions	351,147	183,869
Deferred revenue (note 7)	182,557	264,775
Employee future benefit liabilities (note 8)	2,400,893	2,410,140
	<u>6,968,436</u>	<u>5,383,649</u>
Net debt	(2,164,600)	(2,183,639)

Non-financial assets

Non-financial assets:		
Tangible capital assets (note 9)	863,239	817,572
Prepaid and other expenses	155,989	177,284
	<u>1,019,228</u>	<u>994,856</u>

Commitments and contingencies (notes 11, 12 and 13)
Subsequent event (note 16)

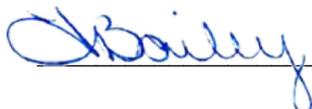
Accumulated deficit (note 10)	\$ (1,145,372)	\$ (1,188,783)
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See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

WINDSOR-ESSEX COUNTY HEALTH UNIT

Statement of Operations and Accumulated Deficit

December 31, 2019, with comparative information for 2018

	2019	2018
Revenue		
Municipalities:		
City of Windsor	\$ 2,431,286	\$ 2,464,389
County of Essex	2,032,116	2,059,785
Township of Pelee	2,631	2,667
Other	57,430	74,557
	<u>4,523,463</u>	<u>4,601,398</u>
Province of Ontario:		
Mandatory Health Programs	13,298,074	13,573,882
Other (schedule 1)	4,048,602	4,109,757
	<u>17,346,676</u>	<u>17,683,639</u>
Other:		
Miscellaneous	229,292	245,220
Sales of family planning supplies	19,229	21,007
Interest	32,889	20,951
Septic	5,497	4,751
	<u>286,907</u>	<u>291,929</u>
Total revenue	22,157,046	22,576,966
Expenses		
General programs (schedule 2)	18,183,458	18,722,016
Other (schedule 3)	3,930,177	4,080,005
Total expenses	<u>22,113,635</u>	<u>22,802,021</u>
Annual surplus (deficit)	43,411	(225,055)
Accumulated deficit, beginning of year	(1,188,783)	(963,728)
Accumulated deficit, end of year	<u>\$ (1,145,372)</u>	<u>\$ (1,188,783)</u>

See accompanying notes to financial statements.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Statement of Changes in Net Debt

December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus (deficit)	\$ 43,411	\$ (225,055)
Acquisition of tangible capital assets	(315,578)	(153,887)
Amortization of tangible capital assets	269,911	315,596
Use of prepaid and other expenses	177,284	160,272
Acquisition of prepaid and other expenses	(155,989)	(177,284)
Change in net debt	19,039	(80,358)
Net debt, beginning of year	(2,183,639)	(2,103,281)
Net debt, end of year	\$ (2,164,600)	\$ (2,183,639)

See accompanying notes to financial statements.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Statement of Cash Flows

December 31, 2019, with comparative information for 2018

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 43,411	\$ (225,055)
Items not involving cash:		
Amortization	269,911	315,596
Change in employee future benefit liabilities	(9,247)	37,877
Change in non-cash assets and liabilities:		
Accounts receivable	(38,238)	795,872
Prepaid and other expenses	21,295	(17,012)
Due to Municipalities	582,239	264,251
Due to Province of Ontario	574,982	(191,351)
Due to community programs	185,143	16,895
Amounts held in trust	(23,257)	16,901
Trade accounts payable	189,867	(253,601)
Accrued payroll and deductions	167,278	13,950
Deferred revenue	(82,218)	132,186
Net change in cash from operating activities	1,881,166	906,509
Capital activities:		
Cash used to acquire tangible capital assets	(315,578)	(153,887)
Net change in cash from capital activities	(315,578)	(153,887)
Net change in cash	1,565,588	752,622
Cash and short-term investments, beginning of year	2,806,771	2,054,149
Cash and short-term investments, end of year	\$ 4,372,359	\$ 2,806,771

See accompanying notes to financial statements.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements

Year ended December 31, 2019

The Windsor-Essex County Health Unit ("Health Unit") was established under the Health Protection and Promotion Act, R.S.O. 1990. The Health Unit is funded through grants from the Province of Ontario and required contributions from the municipalities of the Corporation of the City of Windsor ("City), the Corporation of the County of Essex ("County") and the Corporation of the Township of Pelee ("Pelee"). The Health Unit provides public health programs to keep the communities of Windsor-Essex County and Pelee healthy by promoting improved health, preventing disease and injury, controlling threats to human life and function and facilitating social conditions to ensure equal opportunity in attaining health for all.

1. Significant accounting policies:

The financial statements of the Windsor-Essex County Health Unit are prepared by management in accordance with the 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 Health Unit are as follows:

(a) Basis of presentation:

The financial statements reflect the assets, liabilities, revenue and expenses of the Health Unit. The Health Unit is comprised of all programs funded by the Province of Ontario, through the Ministry of Health and Long-term Care, the City, County and Pelee. It also includes other programs that the Health Unit may offer from time to time with special grants and other sources of funding.

(b) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting and reflected in the statement of operations and accumulated deficit.

The accrual basis of accounting recognizes revenue as they become available and measurable; expenses 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 Health Unit is funded by government transfers (grants and required contributions) from the Province of Ontario, the City, County and Pelee. 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 accounts receivable due from the related funding organization in the statement of financial position.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

Funding amounts in excess of actual expenditures incurred during the year are repayable and are reflected as liabilities due to the related funding organization in the statement of financial position.

(c) Cash and short-term investments:

Cash comprises cash on hand and balances with the financial institution with maturities of three months or less. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

(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 extending beyond the current year and are not intended for sale in the ordinary course of operations.

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. Amortization is calculated on a straight-line basis over an asset's expected useful life for all classes. Residual values are assumed to be zero. Amortization will be taken at half rates in the year of acquisition.

Asset classification	Useful life (years)
Computer hardware	3
Furniture and fixtures	5
Telephone and security	5
Medical equipment	5
Vehicle	10
Leasehold improvements	term of lease

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

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Employee future benefits:

(i) Pension plan:

The Health Unit sponsors a pension plan for all employees who retire through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer, contributory, defined benefit pension plan established in 1962 by the Province of Ontario for employees of municipalities, local boards and school boards in Ontario. Both participating employers and employees are required to make contributions based on participating employees' contributory earnings.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Health Unit to account for the plan as a defined benefit plan. As such, OMERS is accounted for as a defined contribution pension plan. Obligations for contributions to this defined contribution pension plans are recorded as benefits expense in the statement of operations and accumulated deficit.

(ii) Employee future benefits, other than pension:

The Health Unit sponsors a defined benefit plan for certain health, dental and life insurance benefits on behalf all employees who retire from active service with unreduced OMERS pension. The Health Unit accrues its obligations under the defined benefit plans as employees render their services necessary to earn these benefits. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and incorporates management's best estimates with respect to mortality, termination rates, retirement age and expected inflation rate with respect to employee benefit costs.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess actuarial gains (losses) are amortized over the average remaining service period of active employees, which is 14.3 years.

Gains and losses determined upon a plan settlement or curtailment are accounted for in the period of the settlement or curtailment in the statement of operations and accumulated deficit.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

(ii) Employee future benefits, other than pension (continued):

Expenses associated with the defined benefits plan have been recognized as part of benefits expense on the statement of operations and accumulated deficit and the associated liability has been recognized as part of employee future benefit liabilities on the statement of financial position.

(iii) Accrued sick leave:

The Health Unit accrues its liability for unused sick leave which is payable to employees in accordance with their collective bargaining agreements. The cost of accrued sick leave is actuarially determined using the projected benefit method similar to employee future benefits, other than pension. Costs associated with unused sick leave are recognized as part of salaries on the statement of operations and accumulated deficit and the associated liability is recognized as part of employee future benefit liabilities on the statement of financial position.

(iv) Accrued vacation entitlements:

The Health Unit accrues its liability for accrued vacation entitlements as employees renders their services necessary to earn these benefits.

(f) Liability for contaminated sites:

The Health Unit recognizes a liability associated with the remediation of contaminated sites when a contamination exceeds an environmental standard, the Health Unit has direct or has accepted responsibility for the remediation and a reasonable estimate can be made of the costs to remediate.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year. Significant assumptions include the valuation of accounts receivable, the valuation of employee future benefit obligations and certain other payroll related accruals. Actual results could differ from those estimates.

(h) Accounting changes:

Effective January 1, 2019, the Health Unit implemented Canadian public sector accounting standards ("PSAS") 1201, *Financial Statement Presentation*. PSAS 1201 establishes general reporting principles and standards for disclosure of financial information in government financial statements. The implementation of this accounting policy change has had no impact on the annual financial statements of the Health Unit.

(i) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2021, all governments will be required to adopt PSAS 2601, *Foreign Currency Translation* and PSAS 3450, *Financial Instruments*. PSAS 2601 establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. PSAS 3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

Effective for fiscal periods beginning on or after April 1, 2021, all governments will be required to adopt PSAS 2041, *Portfolio Investments*. PSAS 2041 establishes standards on how to account for and report portfolio investments in government financial statements.

Effective for fiscal periods beginning on or after April 1, 2022, all governments will be required to adopt PSAS 3400, *Revenue*. PSAS 3400 establishes standards on how to account for and report revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The Health Unit is currently in the process of evaluating the potential impact of adopting these standards.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Cash and short-term investments:

Cash and short-term investments recognized on the statement of financial position are comprised of the following:

	2019	2018
Non-restricted funds	\$ 4,151,427	\$ 2,564,501
Restricted funds:		
Employee benefits	184,149	182,227
Held in trust – prepaid leave program	36,783	60,043
	<u>\$ 4,372,359</u>	<u>\$ 2,806,771</u>

3. Accounts receivable:

Accounts receivable recognized on the statement of financial position are comprised of the following:

	2019	2018
Province of Ontario	\$ 241,652	\$ 221,683
Commodity taxes receivable	146,246	130,894
Other	43,579	40,662
	<u>431,477</u>	<u>393,239</u>
Less allowance for doubtful accounts	-	-
	<u>\$ 431,477</u>	<u>\$ 393,239</u>

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Due to the Province of Ontario:

The amount due to the Province of Ontario recognized on the statement of financial position resulting from the annual settlement process is comprised of the following:

	2019	2018
Current year settlement	\$ 604,275	\$ 236,456
Prior year settlements	213,423	6,260
	<u>\$ 817,698</u>	<u>\$ 242,716</u>

During the period January 1, 2020 to March 31, 2020, \$86,780 was clawed back by the Province of Ontario on account of the current year settlement bringing the current year settlement to \$517,495.

5. Due to Municipalities:

The amount due to the participating municipalities, namely the City, County and Pelee, recognized on the statement of financial position, is comprised of the following:

	2019	2018
City of Windsor:		
Current year settlement	\$ 700,902	\$ 518,646
Prior year settlements	901,729	781,551
Repayment of prior year's settlements	(383,083)	(398,468)
	<u>1,219,548</u>	<u>901,729</u>
County of Essex:		
Current year settlement	585,828	433,495
Prior year settlements	756,322	609,247
Repayment of prior year's settlements	(322,827)	(286,420)
	<u>1,019,323</u>	<u>756,322</u>
Township of Pelee:		
Current year settlement	(936)	(2,666)
Prior year settlements	(2,355)	647
Repayment of prior year's settlements	2,355	(336)
	<u>(936)</u>	<u>(2,355)</u>
	<u>\$ 2,237,935</u>	<u>\$ 1,655,696</u>

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Amounts held in trust:

Certain employees of the Health Unit participate in a prepaid leave program. These programs are funded by the participating employees allowing the employee to spread four years' salary over a five-year period. This enables employees to take one year leave of absence following the four years of salary deferral. Amounts held in trust at December 31, 2019, of \$36,786 (2018 - \$60,043) are recognized as a liability on the statement of financial position.

7. Deferred revenue:

The Health Unit receives funding from external parties to administer programs. The Health Unit also receives funding from the Province of Ontario for specified purposes. The excess of funding over expenses is recognized as deferred revenue on the statement of financial position until such time as those funds and related expenses are settled.

Deferred revenue is comprised of the following:

	2019	2018
Programs funded by external parties	\$ 154,690	\$ 178,348
Funding for specified purposes	27,867	86,427
Deferred revenue, end of year	\$ 182,557	\$ 264,775

A summary of the year's activity relating to those programs is as follows:

	2018	2017
Deferred revenue, beginning of year	\$ 264,775	\$ 132,589
Funds received during the year	289,860	717,349
Expenses incurred in the year	(372,078)	(585,163)
Deferred revenue, end of year	\$ 182,557	\$ 264,775

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Employee future benefits:

(a) Pension agreements:

The Health Unit makes contributions to OMERS on behalf of members of its staff. The plan is a multi-employer 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. The multi-employer plan is valued on a current market basis for all plan assets. The amount contributed to OMERS for current service for 2019 was \$1,137,695 (2018 - \$1,219,003) and is included in benefits expense on the statement of operations and accumulated deficit.

(b) Employee future benefits liabilities:

Employee future benefit liabilities recognized on the statement of financial position, are future liabilities of the Health Unit to its employees and retirees for benefits earned but not taken as at December 31, 2019. The employee future benefits liabilities consist of the following:

	2019	2018
Accrued vacation entitlements	\$ 294,545	\$ 295,153
Post-retirement benefits	940,785	917,965
Sick leave entitlements	1,165,563	1,197,022
	<u>\$ 2,400,893</u>	<u>\$ 2,410,140</u>

(i) Accrued vacation entitlements:

Accrued vacation entitlements consists of vacation entitlements that accumulate and employees would be entitled to cash payments equal to the value of their unused entitlement if they were to terminate their employment with the Health Unit. Carryforward of vacation entitlements from prior years is limited to 10 days and is consistent with the terms of the collective bargaining agreements. Total accrued vacation entitlements at December 31, 2019 are \$294,545 (2018 - \$295,153) and are included in employee future benefits liabilities on the statement of financial position.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Employee future benefits (continued):

(b) Employee future benefits liabilities (continued):

(ii) Post-retirement benefits:

The post-retirement benefit liability is based on an actuarial valuation performed by the Health Unit's actuaries. The date of the most recent actuarial valuation for the other post-retirement benefit plan is December 31, 2017, with results extrapolated to December 31, 2019. The significant actuarial assumptions adopted in estimating the Health Unit's liability are as follows:

Discount Rate 3.10% (2018 - 3.60%)

Health Care Trend Rate 6.65% (2018 - 6.65%) in 2019; decreasing by 0.45% per annum to 3.5%

Dental Care Trend Rate 3.5% (2018 - 3.5%)

Information about the Health Unit's future obligations with respect to these costs is as follows:

	2019	2018
Accrued benefit liability, beginning of year	\$ 917,965	\$ 918,548
Current service cost	64,494	66,855
Interest cost	42,041	39,939
Benefits paid	(102,515)	(131,331)
Amortization of actuarial losses	18,800	23,954
Accrued benefit liability, end of year	940,785	917,965
Unamortized net actuarial losses	325,259	268,845
Accrued benefit obligations, end of year	\$ 1,266,044	\$ 1,186,810

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Employee future benefits (continued):

(b) Employee future benefits liabilities (continued):

(ii) Post retirement benefits (continued):

Benefit expense recorded in the statement of operations and accumulated deficit is as follows:

	2019	2018
Current service cost	\$ 64,494	\$ 66,855
Interest cost	42,041	39,939
Amortization of actuarial losses	18,800	23,954
Benefit expense	\$ 125,335	\$ 130,748

The approximate effect on the accrued benefit obligation if the health care and dental trend rate assumption was increased or decreased by 1% is as follows:

1% increase in discount rate	\$ 135,000
1% decrease in discount rate	(114,000)

(iii) Sick leave entitlements:

Included in employee future benefits liability on the statement of financial position is the liability for sick leave entitlements of \$1,165,563 (2018 - \$1,197,022). The Health Unit is bound by two collective bargaining agreements. The Canadian Union of Public Employees, Local 543.3 ("CUPE"), representing certain non-management employees and the Ontario Nurses Association ("ONA"), representing non-management nurses.

As it relates to the ONA sick leave plan, effective January 1, 2013, full-time employee are credited 12 sick days. These sick days do not accumulate from year-to-year. Upon separation from the Health Unit, ONA members will be entitled to be paid in cash one-half of the accumulated sick leave credit at their current wage rate up to a maximum of six months' salary. ONA member sick leave banks were frozen prior to January 1, 2013.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Employee future benefits (continued):

(b) Employee future benefits liabilities (continued):

(iii) Sick leave entitlements (continued):

On January 1st annually, CUPE members are credited 15 sick leave days. Unused days can be carried forward from year-to-year. In the latter part of 2015, the Health Unit negotiated changes to the sick leave plan for CUPE employees. Under the terms of the new collective bargaining agreement, the sick leave bank is capped at 150 days. One half of the bank was frozen at September 30, 2015 wage rates. The remaining one-half has no commuted cash value, and will remain in the members' sick bank for future use, if required. Of that frozen portion, one-half or \$382,214 was paid out in November of 2015 with the remainder to be paid out upon separation of those members from the Health Unit.

The sick leave liability is based on an actuarial valuation performed by the Health Unit's actuaries. The date of the most recent actuarial valuation for the sick leave liability is December 31, 2018. The significant actuarial assumptions adopted in estimating the Health Unit's liability are as follows:

Discount Rate 2.95% (2018 - 3.60%)

Information about the Health Unit's future obligations with respect to these costs is as follows:

	2019	2018
Accrued benefit liability, beginning of year	\$ 1,197,022	\$ 1,167,525
Current service cost	60,753	97,516
Interest cost	26,699	38,466
Benefits paid	(84,253)	(108,440)
Amortization of actuarial losses (gains)	(34,658)	1,955
Accrued benefit liability, end of year	1,165,563	1,197,022
Unamortized net actuarial gains	(370,906)	(443,626)
Accrued benefit obligations, end of year	\$ 794,657	\$ 753,396

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Employee future benefits (continued):

(b) Employee future benefits liabilities (continued):

(iii) Sick leave entitlements (continued):

Benefit expense recorded in the statement of operations and accumulated deficit is as follows:

	2019	2018
Current service cost	\$ 60,753	\$ 97,516
Interest cost	26,699	38,466
Amortization of actuarial losses (gains)	(34,658)	1,955
Benefit expense	\$ 52,794	\$ 137,937

The approximate effect on the accrued benefit obligation if the discount rate assumption was increased or decreased by 1% is as follows:

1% increase in discount rate	\$ (54,800)
1% decrease in discount rate	63,300

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Computer hardware	\$ 826,832	\$ 126,581	\$ 44,565	\$ 908,848
Furniture and fixtures	602,026	26,371	3,260	625,137
Telephone and security	271,337	-	10,159	261,178
Medical equipment	654,753	138,881	18,717	774,917
Leasehold improvements	1,243,253	23,745	-	1,266,998
Vehicle	20,351	-	-	20,351
Total	\$ 3,618,552	\$ 315,578	\$ 76,701	\$ 3,857,429

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Computer hardware	\$ 719,555	\$ 44,565	\$ 90,432	\$ 765,422
Furniture and fixtures	447,480	3,260	67,482	511,702
Telephone and security	221,044	10,159	24,292	235,177
Medical equipment	473,411	18,717	64,006	518,700
Leasehold improvements	933,385	-	21,664	955,049
Vehicle	6,105	-	2,035	8,140
Total	\$ 2,800,980	\$ 76,701	\$ 269,911	\$ 2,994,190

Net book value	Balance at December 31, 2018	Balance at December 31, 2019
Computer hardware	\$ 107,277	\$ 143,426
Furniture and fixtures	154,546	113,435
Telephone and security	50,293	26,001
Medical equipment	181,342	256,217
Leasehold improvements	309,868	311,949
Vehicle	14,246	12,211
Total	\$ 817,572	\$ 863,239

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Computer hardware	\$ 898,316	\$ 47,747	\$ (119,231)	\$ 826,832
Furniture and fixtures	587,421	14,605	-	602,026
Telephone and security	262,408	8,929	-	271,337
Medical equipment	580,787	82,606	(8,640)	654,753
Leasehold improvements	1,243,253	-	-	1,243,253
Vehicle	20,351	-	-	20,351
Total	\$ 3,592,536	\$ 153,887	\$ (127,871)	\$ 3,618,552

Accumulated amortization	Balance at December 31, 2017	Disposals	Amortization expense	Balance at December 31, 2018
Computer hardware	\$ 716,620	\$ (119,231)	\$ 122,166	\$ 719,555
Furniture and fixtures	378,702	-	68,778	447,480
Telephone and security	199,492	-	21,552	221,044
Medical equipment	431,973	(8,640)	50,078	473,411
Leasehold improvements	882,398	-	50,987	933,385
Vehicle	4,070	-	2,035	6,105
Total	\$ 2,613,255	\$ (127,871)	\$ 315,596	\$ 2,800,980

Net book value	Balance at December 31, 2017		Balance at December 31, 2018
Computer hardware	\$ 181,696		\$ 107,277
Furniture and fixtures	208,719		154,546
Telephone and security	62,916		50,293
Medical equipment	148,814		181,342
Leasehold improvements	360,855		309,868
Vehicle	16,281		14,246
Total	\$ 979,281		\$ 817,572

Amortization expense for 2019 was \$269,911 (2018 - \$315,596) is presented as amortization expense on the statement of operations and accumulated deficit as part of general program expenses. Total additions by funding source are as follows:

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

	2019	2018
Mandatory program funded to a maximum of 75%	\$ 119,095	\$ 46,334
Ontario Seniors Dental Care Program	57,120	-
Healthy Smiles Ontario	15,700	51,533
Enhanced Food Safety	1,633	4,606
Enhanced Safe Water	5,909	5,879
One-time funding:		
Healthy Growth/School Health – Vision Screening	-	45,535
Vaccine Storage and Handling	10,521	-
Ontario Seniors Dental Care Program	95,416	-
Enhanced Mosquito Surveillance	10,184	-
	\$ 315,578	\$ 153,887

10. Accumulated deficit:

Accumulated deficit consists of individual fund balances and reserves as follows:

	2019	2018
Deficit:		
Invested in tangible capital assets	\$ 863,239	\$ 817,572
Other	153,794	171,605
Amounts to be recovered in future years:		
Employee future benefit liabilities	(2,400,893)	(2,410,140)
Total deficit	(1,383,860)	(1,420,963)
Reserves:		
Employee benefits	184,149	182,227
Septic	54,339	49,953
Total reserves	238,488	232,180
	\$ (1,145,372)	\$ (1,188,783)

11. Operating line of credit:

The Health Unit has available an operating line of credit of \$750,000 with TD Canada Trust. The line of credit bears interest at the bank's prime rate and is unsecured. No amount is outstanding at December 31, 2019 (2018 - \$nil).

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Commitments:

The future minimum lease payments for operating leases on equipment over the next five years are as follows:

Years	Annual payments
2020	\$ 61,354
2021	49,826
2022	31,869
2023	16,665
2024	299

The Health Unit entered into a lease agreement for its building located at 1005 Ouellette Avenue, Windsor, Ontario, over a period of twenty-six years commencing January 1, 1993. During 2016, the Health Unit entered into a lease extension for an additional five-year period commencing January 1, 2019 to December 31, 2023 with the option to terminate the lease during that time with a six-month notice period. The annual lease payments over the remaining term of the lease on a calendar year basis are as follows:

Years	Annual payment
2020 to 2023	\$ 533,312

Total lease payments for the remaining term amount to \$2,133,248. In addition, the Health Unit is responsible for insurance premiums, routine maintenance, property taxes and utilities in connection with the leased premises.

In November of 2015, the Health Unit entered into an operating lease for space at 33 Princess Street, Leamington, Ontario. The commencement date of this lease is April 1, 2016. The term of the lease is for a twenty-year period and will mature on March 31, 2036, or earlier, in the event certain early termination clauses are exercised. Lease payments over the life of the lease on a calendar year basis are as follows:

Years	Annual payment	Total payment
2020 to 2021	\$ 94,241	\$ 188,482
2022 to 2026	106,021	530,105
2027 to 2031	117,801	589,005
2032 to 2036	129,581	647,905
		\$ 1,955,497

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Commitments (continued):

The Health Unit has an operating lease agreement for space located on the first floor of the Essex Civic and Education Centre ("Civic Centre") at 360 Fairview West, Essex, Ontario. The commencement date of the lease is December 1, 2017. The term of the lease is for six-year period and will mature on December 31, 2023. After December 31, 2019, either party have the option to terminate the lease with one-year advanced notice. Lease payments over the life of the lease on a calendar year basis are as follows:

Years	Annual payment
2020	\$ 88,505
2021	90,717
2022	92,985
2023	95,310

The Health Unit leases parking lot space near the main office on a renewable annual term with annual lease payments as follows:

Years	Annual payment
2020	\$ 90,936
2021	97,080
2022	97,080
2023	97,080

13. Contingencies:

The Health Unit is periodically subject to claims or grievances. In the opinion of management, the ultimate resolution of any current claims or grievances would not have a material effect on the financial position or results of operations of the Health Unit.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. One-time funding:

One-time funding of \$289,265 from the Ministry of Health and Long-Term Care was expended on the following projects in 2019:

	Revenue	Expenses
Approval for period April 1, 2018 to March 31, 2019:		
Mandatory Programs:		
Potassium Iodide Distribution Program	\$ 48,628	\$ 48,628
Healthy Growth/School Health: Vision Screening Tools	665	665
Smoke-Free Ontario Strategy – Cannabis Enforcement	44,158	44,158
Capital:		
Windsor Office Project	2,562	2,562
Approval for period April 1, 2019 to March 31, 2020:		
Mandatory Programs:		
Enhanced Mosquito Surveillance	60,000	49,816
Vaccine Storage and Handling	10,522	-
Public Health Inspection Practicum Program	10,000	10,000
Capital:		
Ontario Seniors Dental Care Program	112,731	17,314
	\$ 289,266	\$ 173,143

Of total expenses related to the one-time funding, \$116,121, were recognized as tangible capital assets on the statement of financial position. Refer to note 9 for asset details by project.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. One-time funding (continued):

One-time funding of \$611,010 from the Ministry of Health and Long-Term Care was expended on the following projects in 2018:

	Revenue	Expenses
Approval for period April 1, 2017 to March 31, 2018:		
Mandatory Programs:		
Potassium Iodide Distribution Program	\$ 161,065	\$ 161,065
Needle Exchange Program Initiative	39,333	39,333
Smoke-Free Ontario Strategy – Expanded Cessation Program	30,000	30,000
Approval for period April 1, 2018 to March 31, 2019:		
Mandatory Programs:		
Potassium Iodide Distribution Program	90,463	90,463
Public Disclosure System	10,380	10,380
Panorama	33,856	33,856
Immunization of School Pupils Act	5,000	5,000
Vaccine Storage and Handling	874	874
Public Health Inspection Practicum Program	20,000	20,000
Vector-Borne Diseases Program: Enhanced Mosquito Surveillance	46,700	46,700
Needle Exchange Program Initiative	10,100	10,100
Healthy Growth/School Health: Vision Screening Tools	45,535	-
Smoke-Free Ontario Strategy – Cannabis Enforcement	37,647	37,647
Capital:		
Windsor Office Project	80,057	80,057
	<u>\$ 611,010</u>	<u>\$ 565,475</u>

Of total expenses related to the one-time funding, \$45,535, were recognized as tangible capital assets on the statement of financial position. Refer to note 9 for asset details by project.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Notes to Financial Statements (continued)

Year ended December 31, 2019

15. Health Unit expenses:

The statement of operations and accumulated deficit presents expenses for the Health Unit by function. The following is a summary of expenses by object.

	2019	2018
Salaries and benefits	\$ 17,791,381	\$ 18,541,359
Amortization	269,911	315,596
Financial expenses	20,263	16,666
Purchased services	553,902	450,496
Rental	118,648	130,403
Supplies and other	1,804,112	1,817,319
Occupancy costs	1,553,917	1,530,182
	<hr/>	<hr/>
	\$ 22,112,134	\$ 22,802,021

16. Subsequent event:

Subsequent to year end, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Health Unit's future financial results.

WINDSOR-ESSEX COUNTY HEALTH UNIT

Schedule of Other Funding

Schedule 1

December 31, 2019, with comparative information for 2018

	2019	2018
Healthy Smiles Ontario Program	\$ 1,529,700	\$ 1,529,700
Infectious diseases control initiative	452,680	461,700
Ontario Seniors Dental Care Program	286,464	-
Harm reduction program enhancement	227,809	250,000
Nursing Initiatives	374,253	392,100
Enhanced food safety - Haines initiative	52,006	50,662
Enhanced safe water initiative	30,215	16,783
Needle exchange program initiative	63,000	63,000
Smoke-Free Ontario Strategy	636,700	626,567
AMOH/MOH compensation initiative	6,501	5,000
West Nile program	96,600	96,600
Small drinking water systems program	3,408	6,635
One-time funding (note 14)	289,266	611,010
	<u>\$ 4,048,602</u>	<u>\$ 4,109,757</u>

WINDSOR-ESSEX COUNTY HEALTH UNIT

Schedule of General Program Expenses

Schedule 2

December 31, 2019, with comparative information for 2018

	2018	2017
Advertising, publications and subscriptions	\$ 5,008	\$ 6,181
Amortization (note 9)	269,911	315,596
Bank charges	20,263	16,666
Benefits	2,991,174	3,227,979
Directors' fees	15,271	13,479
Vehicle expenses	880	770
Legal and audit	272,180	137,094
Maintenance	110,094	105,061
Memberships	32,060	35,439
Mileage	188,491	176,687
Office equipment rentals (note 12)	118,648	130,403
Office supplies	43,237	32,583
Parking	90,936	83,570
Postage and freight	31,715	31,210
Professional development	46,717	70,572
Program supplies	666,597	549,971
Purchased services	126,873	138,823
Rent (note 12)	770,068	788,276
Salaries	11,792,476	12,289,050
Security	55,230	15,893
Taxes and insurance	289,286	290,947
Telephone	92,413	109,190
Travel	8,040	19,331
Utilities	145,890	137,245
	\$ 18,183,458	18,722,016

WINDSOR-ESSEX COUNTY HEALTH UNIT

Schedule of Expenses for Other Funding

Schedule 3

December 31, 2019, with comparative information for 2018

	2019	2018
Healthy Smiles Ontario Program	\$ 1,514,001	\$ 1,478,166
Infectious diseases control initiative	452,680	461,700
Ontario Seniors Dental Care Program	229,344	-
Harm reduction program enhancement	227,809	250,000
Nursing initiatives	374,253	392,100
Enhanced food safety - Haines initiative	50,373	46,056
Enhanced safe water initiative	24,306	10,904
Needle exchange program initiative	63,000	63,000
Smoke-Free Ontario Strategy	636,700	626,567
AMOH/MOH compensation initiative	6,501	5,000
West Nile program	154,030	171,157
Small drinking water systems program	3,408	8,847
One-time funding (note 14)	173,143	565,475
Other	19,518	-
Septic	1,111	1,033
	\$ 3,930,177	\$ 4,080,005