

Financial Statements

**MIDDLESEX – LONDON EMERGENCY
MEDICAL SERVICES AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of Middlesex – London Emergency Medical Services Authority

Opinion

We have audited the financial statements of the London Emergency Medical Services Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations 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 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 Entity as at December 31, 2020, and its results of operations, its changes in net debt 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity's internal control.



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- 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 Entity'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 Entity 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

London, Canada

July 13, 2021

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets:		
Cash	\$ 575	\$ 575
Accounts receivable	5,529,139	3,908,239
	5,529,714	3,908,814
Financial Liabilities:		
Accounts payable and accrued liabilities	4,291,740	3,274,272
Employee future benefits (note 2)	5,873,700	5,306,037
Payable to the County of Middlesex	1,277,265	678,019
Total liabilities	11,442,705	9,258,328
Net debt	(5,912,991)	(5,349,514)
Non-financial assets:		
Prepaid expenses	39,290	43,477
Commitments (note 4)		
Effects of COVID-19 (note 6)		
Accumulated deficit	\$ (5,873,701)	\$ (5,306,037)

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Revenues:			
Grants:			
Province of Ontario	\$ 18,954,677	\$ 22,024,307	\$ 18,500,582
City of London	18,942,951	18,956,645	16,442,979
County of Middlesex	3,683,927	3,740,883	3,199,579
	41,581,555	44,721,835	38,143,140
User charges:			
Fees and donations	–	602,874	124,508
Contributed from the County of Middlesex	1,500,000	1,500,000	500,000
	43,081,555	46,824,709	38,767,648
Expenditures:			
Salaries and benefits (note 5)	33,945,336	36,541,324	30,058,252
Supplies	1,886,952	3,155,616	2,024,633
Contribution to the County of Middlesex	2,252,332	2,618,666	1,153,652
Facilities	2,555,084	2,531,241	2,387,171
Vehicles and equipment	1,124,199	1,117,313	1,002,424
Contracted services	1,008,540	929,716	951,049
Insurance	471,212	498,497	431,313
	43,243,655	47,392,373	38,008,494
Annual surplus (deficit)	(162,100)	(567,664)	759,154
Accumulated deficit, beginning of year	(5,306,037)	(5,306,037)	(6,065,191)
Accumulated deficit, end of year	\$ (5,468,137)	\$ (5,873,701)	\$ (5,306,037)

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Changes in Net Debt

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Annual surplus (deficit)	\$ (162,100)	\$ (567,664)	\$ 759,154
Prepaid expenses	–	4,187	448
Change in net debt	(162,100)	(563,477)	759,602
Net debt, beginning of year	(5,349,514)	(5,349,514)	(6,109,116)
Net debt, end of year	\$ (5,511,614)	\$ (5,912,991)	\$ (5,349,514)

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (567,664)	\$ 759,154
Changes in non-cash operating working capital:		
Accounts receivable	(1,620,900)	(1,018,142)
Prepaid expenses	4,187	448
Accounts payable and accrued liabilities	1,017,468	274,809
Employee future benefits	567,663	(759,154)
Payable to the County of Middlesex	599,246	743,160
Increase in cash	-	275
Cash, beginning of year	575	300
Cash, end of year	\$ 575	\$ 575

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements

December 31, 2020, with comparative information for 2019

1. Significant accounting policies:

The financial statements of the Middlesex – London Emergency Medical Services Authority (the "Authority") are prepared by management in accordance with generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Authority are as follows:

(a) Basis of presentation:

Sources of financing and expenditures are reported on the accrual basis of accounting. 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 goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the financial statements 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.

(c) Employee future benefits:

The Authority has adopted the following policies for future benefits provided to both active and retired employees:

(i) Post-employment benefits:

The cost of termination benefits and compensated absences are recognized when the event that obligates the Authority occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees and expected health costs.

Employee future benefit costs are discounted using the Authority's cost of long-term borrowing. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(c) Employee future benefits (continued):

(ii) Pension benefits:

The Authority provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi - employer pension plan which operates as the Ontario Municipal Employees Retirement Fund, and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the Authority's books.

The employer's contributions to a multi-employer, defined benefit plan are expensed as the obligations arise.

(d) Use of estimates:

The preparation of 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 date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

Actual results could differ from these estimates.

(e) 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

(f) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

2. Employee future benefits:

(a) Pension:

The Authority contributed \$2,190,801 (2019 - \$1,947,360) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

(b) Health, dental and life insurance:

The Authority provides certain employee benefits such as health, dental and life insurance to qualified retirees until they reach 65 years of age that will require funding in future periods. An actuarial valuation was undertaken as at December 31, 2019, it provided projected expense and liability disclosure information for the fiscal periods 2020, 2021 and 2022. The accrued benefit obligation calculated for these employees was \$999,800 (2019 - \$837,700).

The benefit obligation continuity is as follows:

	2020	2019
Accrued benefit obligation, January 1	\$ 891,700	\$ 545,500
Current period benefit cost	162,200	146,800
Post-employment benefit interest expenditure	30,000	28,000
Plan amendments	-	151,300
Benefits paid	(35,000)	(33,600)
Actuarial loss and amortization of losses	-	53,700
Accrued benefit obligation, December 31	1,048,900	891,700
Unamortized actuarial loss	(49,100)	(54,000)
Liability for benefits	\$ 999,800	\$ 837,700

Post retirement and sick leave benefits expenses are follows:

Current period benefit cost	\$ 162,200	\$ 146,800
Amortization of actuarial loss (gain)	4,900	(300)
Plan amendments	-	151,300
Post-employment benefit interest expenditure	30,000	28,000
	\$ 197,100	\$ 325,800

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

2. Employee future benefits (continued):

(b) Health, dental and life insurance (continued):

The significant assumptions used in the actuarial valuation are as follows:

	2020	2019
Discount rate	2.9%	2.9%
Rate of compensation increase	3.0%	3.0%
Dental & other Extended Health Care cost increases	4.0%	4.0%
Extended Health Care cost increases	5.72% for 2020 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.85% for 2019 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached

(c) Workplace Safety and Insurance Board:

The Authority has undertaken the risk which would normally be covered by the Workplace Safety and Insurance Board ("WSIB"). The Authority became self-insured for injured worker benefits with WSIB administering the benefits on behalf of the municipality as a schedule II employer. Payments to WSIB during the year were \$1,220,602 (2019 - \$1,095,231).

An actuarial valuation was undertaken as at December 31, 2020, it provided projected expense and liability disclosure information for the fiscal periods 2021 and 2022. The estimate of the future benefit cost for WSIB claims was \$4,873,900 (2019 - \$4,468,337).

The significant assumptions used in the actuarial valuation are as follows:

	2020	2019
Discount rate	2.0%	4.75%
Inflation rate	2.0%	2.0%
Future benefit indexing rate:		
Loss of earning benefits	2.0%	2.0%
Other income benefits	2.0%	2.0%
Health benefits	4.0%	4.0%

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

3. Financial instruments:

The Authority's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and accounts receivable/payable to the County of Middlesex. The fair values of these financial instruments approximate their carrying value due to the expected short-term maturity of these instruments. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

4. Commitments:

The Authority has entered into commitments for rent and leases expiring at various dates prior to 2049. The future minimum annual payments are estimated to be as follows:

2021	\$ 1,808,651
2022	1,759,120
2023	1,604,488
2024	1,548,747
2025	1,706,306
Thereafter	20,242,562
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	\$ 28,669,874

5. Economic Dependence:

The Authority is responsible for the provision of land ambulance services within the geographic boundaries of the County of Middlesex and the Corporation of the City of London. The County of Middlesex retains the power to finance the capital and operating costs for providing the services.

6. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in Governments worldwide enacting emergency measures to combat the spread of the virus. Several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses, and organizations globally which has resulted in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the Authority, which conducts business in communities impacted by COVID-19, has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of a number of facilities to the general public;

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

6. Effects of COVID-19 (continued):

- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing and/or provincial public health and workplace safety measures and restrictions;
- The implementation of working from home requirements for certain municipal employees;
- Additional staff hiring;

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.