

Financial Statements

**MIDDLESEX – LONDON EMERGENCY
MEDICAL SERVICES AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2018



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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 Middlesex – London Emergency Medical Services Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net debt
- 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, 2018, 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.
- 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 16, 2019

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Financial Position

December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--------------------------------------------------|-----------------------|-----------------------|
| Financial Assets: | | |
| Cash | \$ 300 | \$ 300 |
| Accounts receivable | 2,890,097 | 4,666,923 |
| Accounts receivable from the County of Middlesex | 65,141 | - |
| | 2,955,538 | 4,667,223 |
| Financial Liabilities: | | |
| Accounts payable and accrued liabilities | 2,999,463 | 3,411,811 |
| Employee future benefits (note 2) | 6,065,191 | 2,748,278 |
| Payable to the County of Middlesex | - | 1,301,278 |
| Total liabilities | 9,064,654 | 7,461,367 |
| Net debt | (6,109,116) | (2,794,144) |
| Non-financial assets: | | |
| Prepaid expenses | 43,925 | 45,866 |
| Commitments (note 4) | | |
| Accumulated deficit | \$ (6,065,191) | \$ (2,748,278) |

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

| | Budget 2018 | 2018 | 2017 |
|------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Revenues: | | | |
| Grants: | | | |
| Province of Ontario | \$ 17,517,146 | \$ 17,597,752 | \$ 16,556,513 |
| City of London | 14,728,089 | 14,728,089 | 14,407,918 |
| County of Middlesex | 2,709,574 | 2,891,976 | 2,782,935 |
| | 34,954,809 | 35,217,817 | 33,747,366 |
| User charges: | | | |
| Fees and donations | – | 172,340 | 87,576 |
| Contributed from the County of Middlesex | 1,023,236 | 1,478,526 | – |
| | 35,978,045 | 36,868,683 | 33,834,942 |
| Expenditures: | | | |
| Salaries and benefits (note 5) | 28,838,495 | 32,457,018 | 27,883,613 |
| Facilities | 2,236,497 | 2,324,333 | 2,046,059 |
| Supplies | 1,981,363 | 1,947,231 | 1,711,047 |
| Contributions to vehicle and equipment, Contribution to the County of Middlesex | 1,239,181 | 1,239,181 | 1,352,329 |
| Vehicles operations | 671,320 | 1,076,774 | 874,799 |
| Contracted services | 696,722 | 744,528 | 710,479 |
| Insurance | 344,349 | 396,531 | 378,966 |
| | 36,007,927 | 40,185,596 | 34,957,292 |
| Annual deficit | (29,882) | (3,316,913) | (1,122,350) |
| Accumulated deficit, beginning of year | (2,748,278) | (2,748,278) | (1,625,928) |
| Accumulated deficit, end of year | \$ (2,778,160) | \$ (6,065,191) | \$ (2,748,278) |

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Changes in Net Debt

Year ended December 31, 2018, with comparative information for 2017

| | Budget 2018 | 2018 | 2017 |
|-----------------------------|----------------|----------------|----------------|
| Annual deficit | \$ (29,882) | \$ (3,316,913) | \$ (1,122,350) |
| Prepaid expenses | - | 1,941 | 14,918 |
| Change in net debt | (29,882) | (3,314,972) | (1,107,432) |
| Net debt, beginning of year | (2,794,144) | (2,794,144) | (1,686,712) |
| Net debt, end of year | \$ (2,824,026) | \$ (6,109,116) | \$ (2,794,144) |

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|------------------------------------------------|----------------|----------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual deficit | \$ (3,316,913) | \$ (1,122,350) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 1,776,826 | (721,618) |
| Prepaid expenses | 1,941 | 14,918 |
| Accounts payable and accrued liabilities | (412,348) | 599,384 |
| Employee future benefits | 3,316,913 | 1,122,350 |
| Payable to the County of Middlesex | (1,366,419) | 107,316 |
| Increase in cash | – | – |
| Cash, beginning of year | 300 | 300 |
| Cash, end of year | \$ 300 | \$ 300 |

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements

Year ended December 31, 2018

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)

Year ended December 31, 2018

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. Significant 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)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) Adoption of new accounting standards:

(i) Related party disclosures:

The Authority adopted PSAB Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Authority adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity transactions:

The Authority adopted PSAB Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice. All other transactions are measured at the carrying amount. The Authority adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Employee future benefits:

(a) Pension:

The Authority contributed \$1,897,392 (2017 - \$1,807,489) 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, 2015, it provided projected expense and liability disclosure information for the fiscal periods 2016, 2017 and 2018. The accrued benefit obligation calculated for these employees was \$351,510 (2017 - \$321,630).

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Employee future benefits (continued):

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

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

| | 2018 | 2017 |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Discount rate | 3.4% | 3.4% |
| Rate of compensation increase | 3.0% | 3.0% |
| Dental & other EHC cost increases | 4.0% | 4.0% |
| EHC cost increases | 5.63% for 2018 then reducing by 0.09% per year until 2036 when the ultimate rate of 4.0% is reached | 5.72% for 2017 then reducing by 0.09% per year until 2036 when the ultimate rate of 4.0% 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 \$1,154,696 (2017 - \$555,230).

The estimate of the future benefit costs for WSIB claims of \$5,713,681 (2017 - \$2,426,648) were provided by WSIB and were determined based on benefits currently in force with provision for benefits not yet awarded as follows:

| | |
|------------------------------------------------------------|--------|
| Accidents prior to 1990 and survivor pensions | 22.28% |
| Accidents from 1990 to 1997 and non-economic loss pensions | 35.87% |
| Accidents after 1997 | 16.42% |

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.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

| | |
|------------|---------------|
| 2019 | \$ 1,707,057 |
| 2020 | 1,806,949 |
| 2021 | 1,813,375 |
| 2022 | 1,779,486 |
| 2023 | 1,631,648 |
| Thereafter | 23,743,439 |
| | <hr/> |
| | \$ 32,481,954 |

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.