

Financial Statements

**MIDDLESEX – LONDON EMERGENCY  
MEDICAL SERVICES AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4880  
Fax 519 672-5684

## 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, 2019
- 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, 2019, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a separator or underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

August 11, 2020

# MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets:</b>		
Cash	\$ 575	\$ 300
Accounts receivable	3,908,239	2,890,097
Accounts receivable from the County of Middlesex	-	65,141
	3,908,814	2,955,538
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities	3,274,272	2,999,463
Employee future benefits (note 2)	5,306,037	6,065,191
Payable to the County of Middlesex	678,019	-
Total liabilities	9,258,328	9,064,654
Net debt	(5,349,514)	(6,109,116)
<b>Non-financial assets:</b>		
Prepaid expenses	43,477	43,925
Commitments (note 4)		
Subsequent event (note 6)		
<b>Accumulated deficit</b>	<b>\$ (5,306,037)</b>	<b>\$ (6,065,191)</b>

See accompanying notes to financial statements.

# MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

## Statement of Operations

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

	Budget 2019	2019	2018
<b>Revenues:</b>			
Grants:			
Province of Ontario	\$ 18,184,835	\$ 18,500,582	\$ 17,597,752
City of London	16,443,000	16,442,979	14,728,089
County of Middlesex	2,781,519	3,199,579	2,891,976
	37,409,354	38,143,140	35,217,817
User charges:			
Fees and donations	–	124,508	172,340
Contributed from the County of Middlesex	500,000	500,000	1,478,526
	37,909,354	38,767,648	36,868,683
<b>Expenditures:</b>			
Salaries and benefits (note 5)	30,415,334	30,058,252	32,457,018
Facilities	2,443,275	2,387,171	2,324,333
Supplies	2,000,973	2,024,633	1,947,231
Contribution to the County of Middlesex	1,037,472	1,153,652	1,239,181
Vehicles and equipment	872,542	1,002,424	1,076,774
Contracted services	779,134	951,049	744,528
Insurance	393,187	431,313	396,531
	37,941,917	38,008,494	40,185,596
Annual surplus (deficit)	(32,563)	759,154	(3,316,913)
Accumulated deficit, beginning of year	(6,065,191)	(6,065,191)	(2,748,278)
<b>Accumulated deficit, end of year</b>	<b>\$ (6,097,754)</b>	<b>\$ (5,306,037)</b>	<b>\$ (6,065,191)</b>

See accompanying notes to financial statements.

## MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

### Statement of Changes in Net Debt

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

	Budget 2019	2019	2018
Annual surplus (deficit)	\$ (32,563)	\$ 759,154	\$ (3,316,913)
Prepaid expenses	–	448	1,941
Change in net debt	(32,563)	759,602	(3,314,972)
Net debt, beginning of year	(6,109,116)	(6,109,116)	(2,794,144)
Net debt, end of year	\$ (6,141,679)	\$ (5,349,514)	\$ (6,109,116)

See accompanying notes to financial statements.

# MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

## Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 759,154	\$ (3,316,913)
Changes in non-cash operating working capital:		
Accounts receivable	(1,018,142)	1,776,826
Prepaid expenses	448	1,941
Accounts payable and accrued liabilities	274,809	(412,348)
Employee future benefits	(759,154)	3,316,913
Payable to the County of Middlesex	743,160	(1,366,419)
Increase in cash	275	-
Cash, beginning of year	300	300
Cash, end of year	\$ 575	\$ 300

See accompanying notes to financial statements.

# MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

## Notes to Financial Statements

Year ended December 31, 2019

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### 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, 2019

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## 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, 2019

## 2. Employee future benefits:

### (a) Pension:

The Authority contributed \$1,947,360 (2018 - \$1,897,392) 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 \$837,700 (2018 - \$351,510).

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

	2019	2018
Discount rate	3.4%	3.4%
Rate of compensation increase	3.0%	3.0%
Dental & other Extended Health Care cost increases	4.0%	4.0%
Extended Health Care cost increases	5.85% for 2019 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.63% for 2018 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 \$1,095,231 (2018 - \$1,154,696).

The estimate of the future benefit costs for WSIB claims of \$4,468,337 (2018 - \$5,713,681) 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	13.23%
Accidents from 1990 to 1997 and non-economic loss pensions	31.64%
Accidents after 1997	16.08%

# MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

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### 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:

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2020	\$ 1,789,300
2021	1,795,845
2022	1,756,161
2023	1,634,445
2024	1,595,762
Thereafter	22,004,882
	<hr/> \$ 30,576,395 <hr/>

### 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. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Authority has experienced the following indicators of financial implications and undertaken the following activities in related to the COVID-19 pandemic:

- Mandatory working from home requirements for those able to do so
- Additional staff hiring
- Additional medical supplies, personal protective equipment and equipment

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.