



## Committee of the Whole

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**Meeting Date:** September 14, 2021

**Submitted by:** Cindy Howard, General Manager Finance and Community Services/Treasurer

**SUBJECT:** 2020 MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY FINANCIAL STATEMENTS

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### **BACKGROUND:**

In the agenda package is the 2020 Financial Statements for Middlesex-London Emergency Medical Services Authority.

### **ANALYSIS:**

The 2020 Middlesex-London Emergency Medical Services Authority Financial Statements consist of four statements and the notes as follows:

- Statement of Financial Position
- Statement of Operations
- Statement of Change in Net Debt
- Statement of Cash Flows

Note 2, Employee Future Benefits, includes an actuarial valuation that was undertaken as at December 31, 2020 and the estimate of the future benefit cost for WSIB claim increases (Workplace Safety and Insurance Board 2(c)).

Note 5, Economic Dependence was added in 2018 and shows the County of Middlesex retains the power to finance the capital and operating costs of providing the service.

Middlesex-London Emergency Medical Services was able to fund the pressures from COVID-19 predominantly from provincial funding sources, fees and cost containment strategies.

Note 6, Effects of COVID-19 was added in 2020. 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. The County has taken the following activities in relation to the COVID-19 pandemic:

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

However, there remains uncertainty over future cash flows and this could cause significant changes to the assets or liabilities and may have significant impact on future operations. An estimate of the financial effect is not practicable at this time.

**RECOMMENDATION:**

That the 2020 Middlesex-London Emergency Medical Services Authority Financial Statements be approved.

The Financial Statements and Independent Auditor's Report will be included on the next Middlesex-London Emergency Medical Services Authority Board agenda.

Attachments

Financial Statements

**MIDDLESEX – LONDON EMERGENCY  
MEDICAL SERVICES AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2020

## MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

### Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial Assets:</b>		
Cash	\$ 575	\$ 575
Accounts receivable	5,529,139	3,908,239
	5,529,714	3,908,814
<b>Financial Liabilities:</b>		
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)
<b>Non-financial assets:</b>		
Prepaid expenses	39,290	43,477
Commitments (note 4)		
Effects of COVID-19 (note 6)		
<b>Accumulated deficit</b>	<b>\$ (5,873,701)</b>	<b>\$ (5,306,037)</b>

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
<b>Revenues:</b>			
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
<b>Expenditures:</b>			
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)
<b>Accumulated deficit, end of year</b>	<b>\$ (5,468,137)</b>	<b>\$ (5,873,701)</b>	<b>\$ (5,306,037)</b>

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

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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)

December 31, 2020, with comparative information for 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. 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

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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:

2021	\$ 1,808,651
2022	1,759,120
2023	1,604,488
2024	1,548,747
2025	1,706,306
Thereafter	20,242,562
	<hr/> \$ 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

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### 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.