



Committee of the Whole

Meeting Date: July 19, 2022

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

SUBJECT: 2021 MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY FINANCIAL STATEMENTS

BACKGROUND:

In the agenda package is the 2021 Financial Statements for Middlesex-London Emergency Medical Services Authority.

ANALYSIS:

The 2021 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, 2019 and the estimate of the future benefit cost for WSIB claims increased (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 for 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.

Actual insurance expenditures were higher than previous years and budget. This increase in insurance rates is consistent across the industry.

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.

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 2021 Middlesex-London Emergency Medical Services Authority Financial Statements be accepted; and

THAT Financial Statements and Independent Auditor's Report will be included in 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, 2021

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets:		
Cash	\$ 575	\$ 575
Accounts receivable	6,127,151	5,529,139
Receivable from the County of Middlesex	925,101	–
	7,052,827	5,529,714
Financial Liabilities:		
Accounts payable and accrued liabilities	7,150,942	4,291,740
Employee future benefits (note 2)	6,451,100	5,873,700
Payable to the County of Middlesex	–	1,277,265
Total liabilities	13,602,042	11,442,705
Net debt	(6,549,215)	(5,912,991)
Non-financial assets:		
Prepaid expenses	98,115	39,290
Commitments (note 4)		
Effects of COVID-19 (note 6)		
Accumulated deficit	\$ (6,451,100)	\$ (5,873,701)

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	2021	2020
Revenues:			
Grants:			
Province of Ontario	\$ 21,540,778	\$ 24,581,336	\$ 22,024,307
City of London	21,397,479	21,397,479	18,956,645
County of Middlesex	4,235,871	4,154,464	3,740,883
	47,174,128	50,133,279	44,721,835
User charges:			
Fees and donations	–	1,567,385	602,874
Contributed from the County of Middlesex	–	–	1,500,000
	47,174,128	51,700,664	46,824,709
Expenditures:			
Salaries and benefits (note 5)	37,591,529	40,760,198	36,541,324
Supplies	2,128,985	2,530,889	3,155,616
Contribution to the County of Middlesex	2,383,191	2,868,776	2,618,666
Facilities	2,728,891	2,497,098	2,531,241
Vehicles and equipment	1,164,687	1,627,463	1,117,313
Contracted services	1,202,489	1,255,849	929,716
Insurance	551,755	737,790	498,497
	47,751,527	52,278,063	47,392,373
Annual surplus (deficit)	(577,399)	(577,399)	(567,664)
Accumulated deficit, beginning of year	(5,873,701)	(5,873,701)	(5,306,037)
Accumulated deficit, end of year	\$ (6,451,100)	\$ (6,451,100)	\$ (5,873,701)

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Changes in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	2021	2020
Annual surplus (deficit)	\$ (577,399)	\$ (577,399)	\$ (567,664)
Prepaid expenses	–	(58,825)	4,187
Change in net debt	(577,399)	(636,224)	(563,477)
Net debt, beginning of year	(5,912,991)	(5,912,991)	(5,349,514)
Net debt, end of year	\$ (6,490,390)	\$ (6,549,215)	\$ (5,912,991)

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (577,399)	\$ (567,664)
Changes in non-cash operating working capital:		
Accounts receivable	(598,012)	(1,620,900)
Receivable from the County of Middlesex	(925,101)	-
Prepaid expenses	(58,825)	4,187
Accounts payable and accrued liabilities	2,859,202	1,017,468
Employee future benefits	577,400	567,663
Payable to the County of Middlesex	(1,277,265)	599,246
Increase in cash	-	-
Cash, beginning of year	575	575
Cash, end of year	\$ 575	\$ 575

See accompanying notes to financial statements.

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements

December 31, 2021, with comparative information for 2020

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, 2021, with comparative information for 2020

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, 2021, with comparative information for 2020

2. Employee future benefits:

(a) Pension:

The Authority contributed \$2,381,666 (2020 - \$2,190,801) 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 \$1,164,100 (2020 - \$999,800).

The benefit obligation continuity is as follows:

	2021	2020
Accrued benefit obligation, January 1	\$ 1,048,900	\$ 891,700
Current period benefit cost	166,900	162,200
Post-employment benefit interest expenditure	34,600	30,000
Benefits paid	(42,100)	(35,000)
Accrued benefit obligation, December 31	1,208,300	1,048,900
Unamortized actuarial loss	(44,200)	(49,100)
Liability for benefits	\$ 1,164,100	\$ 999,800

Post retirement and sick leave benefits expenses are follows:

Current period benefit cost	\$ 166,900	\$ 162,200
Amortization of actuarial loss (gain)	4,900	4,900
Post-employment benefit interest expenditure	34,600	30,000
	\$ 206,400	\$ 197,100

MIDDLESEX – LONDON EMERGENCY MEDICAL SERVICES AUTHORITY

Notes to Financial Statements (continued)

December 31, 2021, with comparative information for 2020

2. Employee future benefits (continued):

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

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

	2021	2020
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	5.59% for 2021 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.72% for 2020 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 \$986,491 (2020 - \$1,220,602).

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 \$5,287,000 (2020 - \$4,873,900).

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

	2021	2020
Discount rate	2.0%	2.0%
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, 2021, with comparative information for 2020

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:

2022	\$ 1,770,146
2023	1,606,763
2024	1,552,974
2025	1,667,814
2026	1,672,266
Thereafter	18,540,439
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	\$ 26,810,402

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 World Health Organization declared the COVID-19 outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Corporation's operations and financial position is not known at this time.

These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surpluses to sustain operations. An estimate of the financial effect of the pandemic on the Corporation is not practicable at this time.