

Consolidated Financial Statements

**THE CORPORATION OF THE
COUNTY OF MIDDLESEX**

And independent Auditor's Report thereon

Year ended December 31, 2022



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

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of The Corporation of the County of Middlesex

Opinion

We have audited the consolidated financial statements of the Corporation of the County of Middlesex (the Entity), which comprise:

- the consolidated statement of financial position as at end of December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at end of December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

October 25, 2023

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 18,487,118	\$ 28,536,742
Investments (note 4)	48,093,211	43,293,844
Accounts receivable	18,477,723	9,243,018
Loans receivable (note 5)	–	341,746
Accounts receivable – long term	94,821	94,821
Mortgage receivable – long term (note 16)	16,322,100	16,007,950
	101,474,973	97,518,121
Financial liabilities:		
Accounts payable and accrued liabilities	12,163,701	12,353,585
Employee future benefits (note 7)	10,059,800	9,464,400
Deferred revenue (note 8)	9,353,557	11,108,609
Term loan (note 9)	3,115,000	4,005,000
Total liabilities	34,692,058	36,931,594
Net financial assets	66,782,915	60,586,527
Non-financial assets:		
Tangible capital assets (note 15)	161,786,596	154,425,506
Prepaid expenses	3,977,616	2,595,137
Inventories held for consumption or use	90,257	50,704
	165,854,469	157,071,347
Contingencies and commitments (note 6)		
Accumulated surplus (note 14)	\$232,637,384	\$217,657,874

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022	2022	2021
Revenues:			
Requisition on local municipalities	\$ 47,841,842	\$ 47,961,944	\$ 46,693,979
Government grants (note 10)	72,704,592	89,004,776	74,005,743
Lodge resident maintenance	4,254,906	4,157,791	4,083,060
User charges	845,925	1,811,533	2,395,981
Investment income	250,000	1,265,555	820,209
Other revenue (note 11)	50,182	149,267	90,487
Gain (loss) on disposal of tangible capital assets – (note 16)	–	(37,458)	4,652,523
	125,947,447	144,313,408	132,741,982
Expenditures:			
General government	8,623,765	8,973,667	7,297,828
Protection to persons and property	569,000	541,922	598,474
Transportation services	18,750,723	18,370,480	17,804,313
Environmental	25,000	22,656	23,606
Health services	51,793,808	56,721,489	51,017,131
Social and family services	27,222,478	31,732,730	27,266,546
Social housing	6,137,595	5,129,514	4,836,536
Recreation and cultural development	5,581,973	5,572,082	5,147,615
Planning and development	2,215,870	2,269,358	2,171,057
	120,920,212	129,333,898	116,163,106
Annual surplus:	5,027,235	14,979,510	16,578,876
Accumulated surplus, beginning of year	217,657,874	217,657,874	201,078,998
Accumulated surplus, end of year	\$222,685,109	\$232,637,384	\$217,657,874

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022	2022	2021
Annual surplus	\$ 5,027,235	\$14,979,510	\$16,578,876
Amortization of tangible capital assets	12,161,543	11,790,125	11,461,125
Acquisition of tangible capital assets	(20,030,504)	(11,876,061)	(12,875,238)
Asset under construction	–	(7,345,495)	(1,689,111)
(Gain) loss on sale of tangible capital assets (note 16)	–	37,458	(4,652,523)
Proceeds on sale of tangible capital assets (note 16)	–	32,883	6,020,562
Change in inventories held for consumption or use	–	(39,553)	(14,047)
Change in prepaid expenses	–	(1,382,479)	173,764
Change in net financial assets (debt)	(2,841,726)	6,196,388	15,003,408
Net financial assets, beginning of year	60,586,527	60,586,527	45,583,119
Net financial assets, end of year	\$57,744,801	\$66,782,915	\$60,586,527

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$14,979,510	\$16,578,876
Items not involving cash:		
Amortization	11,790,125	11,461,125
(Gain) loss on sale of tangible capital assets (note 16)	37,458	(4,652,523)
Changes in non-cash operating working capital:		
Accounts receivable	(9,234,705)	(1,276,918)
Accounts payable and accrued liabilities	(189,884)	(706,102)
Employee future benefits	595,400	595,800
Deferred revenue	(1,755,052)	4,335,368
Prepaid expenses	(1,382,479)	173,764
Inventories held for consumption or use	(39,553)	(14,047)
	14,800,820	26,495,343
Investing activities:		
Investments	(4,799,367)	(20,544,592)
Loans receivable	341,746	709,367
Long-term account receivable	-	-
Long-term mortgage receivable (note 16)	(314,150)	(314,150)
Acquisition of tangible capital assets	(11,876,061)	(12,875,238)
Assets under construction	(7,345,495)	(1,689,111)
Proceeds on sale of tangible capital assets (note 16)	32,883	6,020,562
	(23,960,444)	(28,693,162)
Financing activities:		
Term loan	(890,000)	(890,000)
Decrease in cash	(10,049,624)	(3,087,819)
Cash, beginning of year	28,536,742	31,624,561
Cash, end of year	\$18,487,118	\$28,536,742

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements

Year ended December 31, 2022, with comparative information for 2021

The Corporation of the County of Middlesex (the "County") is an upper tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of the County 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 County are as follows:

(a) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of all committees of Council, Middlesex-London Emergency Medical Services Authority and the Middlesex County Library Board. All inter-fund assets, liabilities, revenues and expenditures have been eliminated.

(b) Non-consolidated entities:

The Middlesex London Health Unit has not been consolidated in the County's consolidated financial statements.

(c) Trust funds:

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately.

(d) Basis of presentation:

Revenues and expenditures are recorded on the accrual basis of accounting. Revenues are recognized as they are earned 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.

(e) Investments:

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures and short-term instruments of various financial institutions.

Investment income earned on available funds is reported as revenue in the period earned.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

1. Significant accounting policies (continued):

(f) Deferred revenue:

The County receives certain amounts, from the federal and provincial governments and other municipalities, of which the proceeds may only be used in the conduct of certain programs or completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(g) Government transfers:

Government transfers received relate to transportation, health, social services and library programs. Transfers are recognized in the financial statements as revenues 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.

(h) Pension plan:

The County provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan that 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 County's books.

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

(i) Employee future benefits:

The cost of termination benefits and compensated absences are recognized when the event that obligates the County 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 County's cost of long-term borrowing. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

1. Significant accounting policies (continued):

(j) 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.

(k) 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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets, excluding land and land improvements are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings	10 – 75 years
Machinery and equipment	3 – 20 years
Vehicles	3 – 18 years
Road network and bridges	10 – 100 years
Library collections	5 – 15 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(iii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(v) Interest capitalization:

The County does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(l) 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 mortgage receivable, prepaid rent, accrued liabilities and in performing actuarial valuations of employee future benefits.

In addition, the County's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

1. Significant accounting policies (continued):

(m) Liabilities for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceed an environmental standard.

The County recognizes a liability for remediation of a contaminated site when the site is no longer in productive use or an unexpected event resulting in contamination has occurred and the following criteria are satisfied: contamination exceeds an environmental standard, the County is either directly responsible or has accepted responsibility for remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. Future economic benefits are expected to be given up if the County has an external obligation to remediate a site or has commenced remediation on its own accord.

2. Contributions to unconsolidated joint boards:

Further to note 1(b), the County made contributions for the year ended December 31, 2022 in the amount of \$1,404,859 (2021 - \$1,160,961) to the Middlesex London Health Unit.

3. Trust funds:

Trust funds administered by the County for the year ended December 31, 2022 amounting to \$68,764 (2021 - \$76,622) have not been included in the consolidated financial statements.

4. Investments:

Total investments of \$48,093,211 (2021 - \$43,293,844) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$47,183,872 (2021 - \$44,033,499). At the end of the year, these investments are comprised of:

	2022	2021
Cash and cash equivalents	\$ 8,457	\$ 1,220
Fixed income securities	48,084,754	43,292,624
	\$ 48,093,211	\$ 43,293,844

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

5. Loans receivable:

Loans receivable consist of interest free loans to lower tier municipalities. At December 31, 2022 the amount outstanding was \$nil (2021 - \$341,746).

6. Contingencies and commitments:

(a) Contingencies:

Certain actions and legal proceedings arising in the normal course of business, in addition to those otherwise provided for in the consolidated financial statements, are pending against the County of Middlesex. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are indeterminable.

(b) Commitments:

The County has entered into commitments for rent and leases expiring at various dates prior to 2050. The future minimum annual payments are estimated to be as follows:

2023	\$ 1,920,408
2024	1,814,784
2025	1,912,035
2026	1,870,704
2027	1,902,144
Thereafter	18,507,240
	<u>\$ 27,927,315</u>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

7. Employee future benefits:

(a) Pension:

The County contributed \$4,322,323 (2021 - \$4,099,461) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Consolidated Statement of Operations.

(b) Health, dental and life insurance:

The County 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. The most recent actuarial valuation was undertaken as at December 31, 2019, and it provided projected expense and liability disclosure information for the fiscal periods 2020, 2021 and 2022. The benefit obligation continuity is as follows:

	2022	2021
Accrued benefit obligation, January 1	\$3,379,300	\$3,193,000
Current period benefit cost	366,100	355,800
Post-employment benefit interest expenditure	104,800	99,000
Benefits paid	(265,400)	(268,500)
Accrued benefit obligation, December 31	3,584,800	3,379,300
Unamortized actuarial loss	(304,900)	(384,600)
Liability for benefits	\$3,279,900	\$2,994,700

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$366,100	\$355,800
Amortization of actuarial losses	79,700	79,700
Post-employment benefit interest expenditure	104,800	99,000
	\$550,600	\$534,500

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

7. Employee future benefits (continued):

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

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

	2022	2021
Discount rate	2.9%	2.9%
Rate of compensation increases	3.0%	3.0%
Dental and other Extended Health Care costs increase	4.0%	4.0%
Extended Health Care cost increases	5.46% for 2022 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.59% for 2021 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 County has undertaken the risk which would normally be covered by the Workplace Safety and Insurance Board ("WSIB"). The County 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 \$1,451,248 (2021 - \$1,273,545).

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 \$6,779,900 (2021 - \$6,469,700).

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

	2022	2021
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%

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

7. Employee future benefits (continued):

(d) Employee future benefits liability consists of the following:

	2022	2021
Health, dental and life insurance benefit obligations	\$ 3,279,900	\$2,994,700
WSIB benefit obligations	6,779,900	6,469,700
	<u>\$10,059,800</u>	<u>\$9,464,400</u>

8. Deferred revenue:

Deferred revenue on the Consolidated Statement of Financial Position is comprised of:

	2022	2021
Federal gas tax	\$5,646,341	\$ 6,534,397
Subsidy advances from provincial ministries	3,340,594	4,131,836
Subsidy advance from The City of London	238,732	232,434
Subsidy advance from other	127,890	209,942
	<u>\$9,353,557</u>	<u>\$11,108,609</u>

9. Term loan:

	2022	2021
Term loan payable, bearing interest at 4.64%, repayable in semi-annual installments of \$445,000 of principal plus interest	\$3,115,000	\$4,005,000

Interest paid on this loan during 2022 was \$155,001 (2021 - \$196,297).

Principal and interest payments to be made in the next four years and thereafter are:

	Principal	Interest
2023	\$ 890,000	\$113,479
2024	890,000	72,409
2025	890,000	30,887
2026	445,000	-
	<u>\$3,115,000</u>	<u>\$216,775</u>

The term loan liabilities issued in the name of the County have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

10. Compensation for annexed lands:

The City of London, under section 474.18 of the Middlesex Act, 2001, will pay the County of Middlesex, as compensation for the reduction in income due to the dissolution of the London - Middlesex Suburban Roads Commission. Proceeds received in accordance with the prescribed formula within Section 474.18 were \$1,190,745 (2021 - \$1,190,745) and are included in government grants in the Consolidated Statement of Operations.

11. Other revenue:

Other revenue from operations is comprised of:

	2022	2021
Sale of timber, maps and books	\$ 82,033	\$88,349
Donations	58,932	1,162
Fines and lost books	7,763	745
Transfer from trust	539	231
	\$149,267	\$90,487

12. Land ambulance:

The County has estimated its liability for cross border ambulance services for 2001 – 2022. Based on the estimated liability a reserve has been established with funding at an amount deemed adequate to cover the estimated liability. However, the Province of Ontario and other ambulance providers have not finalized this calculation and the actual liability may differ from the estimates provided for in these consolidated financial statements.

13. Financial instruments:

The County's financial instruments include cash, investments, accounts receivable, loans receivable, mortgage receivable, accounts payable and accrued liabilities and term loans.

With the exception of the mortgage receivable & term loan, the fair values of these financial instruments approximate their carrying value due to the expected short-term maturity of these instruments.

The mortgage receivable & term loan approximate their fair values as interest rates are equivalent to market rates available to the County.

The fair value of the loan receivable is not readily determinable due to the related party nature of the instrument.

Unless otherwise noted, it is management's opinion that the County is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

14. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2022	2021
Reserves:		
Working capital	\$ 730,607	\$ 730,607
Insurance	1,238,187	1,056,109
Winter control	1,671,111	1,663,869
Ambulance services	3,960,157	2,841,794
Tax rate stabilization	9,171,130	9,185,612
Woodlands	224,180	172,031
Tree bank	11,498	36,498
Total reserves	17,006,870	15,686,520
Reserve funds set aside for specific purposes by legislation, regulation or agreement:		
Future road construction	18,526,344	17,383,828
Wind farm decommission – fees	799,488	703,808
Capital works	16,589,401	16,329,480
County revenue replacement investment	7,381,392	7,651,000
Strathmere Lodge equipment	324,087	351,822
Gifts and donations (Strathmere Lodge)	37,443	42,156
Chapel fund (Strathmere Lodge)	2,403	2,945
IT equipment	147,429	354,540
Library technology replacement	153,198	150,563
Strathroy Library	69,629	68,431
Murray Elliott	70,825	69,607
Friends of Strathroy Library	34,358	-
Total reserve funds	44,135,997	43,108,180
Surplus:		
Invested in tangible capital assets	161,786,596	154,425,506
Term loan	(3,115,000)	(4,005,000)
Financed capital	20,808,584	14,399,466
Net investment in tangible capital assets	179,480,180	164,819,972
General Revenue Fund	2,571,547	3,962,598
Unfunded:		
Future benefit cost liability	(10,059,800)	(9,464,400)
Accrued interest on long-term liabilities	(72,070)	(92,661)
Vacation payable	(425,340)	(362,335)
Total surplus	171,494,517	158,863,174
Accumulated surplus	\$232,637,384	\$217,657,874

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

15. Tangible capital assets:

(a) 2022 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	\$ 5,020,894	\$ 52,487	\$ -	\$ 5,073,381
Buildings	38,106,639	2,922,973	-	41,029,612
Machinery and equipment	15,278,058	2,850,361	(383,324)	17,745,095
Vehicles	16,021,875	2,898,449	(277,718)	18,642,606
Road network and bridges	178,588,199	2,826,584	(454,531)	180,960,252
Library collections	3,405,439	325,207	(367,739)	3,362,907
Assets under construction	7,487,567	12,878,425	(5,532,930)	14,833,062
Total	\$263,908,671	\$24,754,486	\$(7,016,242)	\$281,646,915

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	\$ 12,602,901	\$ 1,225,569	\$ -	\$ 13,828,470
Machinery and equipment	10,067,840	1,553,466	(351,610)	11,269,696
Vehicles	10,074,295	1,628,529	(239,091)	11,463,733
Road network and bridges	75,028,531	7,039,952	(454,531)	81,613,952
Library collections	1,709,598	342,609	(367,739)	1,684,468
Total	\$109,483,165	\$11,790,125	\$(1,412,971)	\$119,860,319

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

15. Tangible capital assets (continued):

(a) 2022 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Net Book Value		
Category	Net Book Value December 31, 2021	Net Book Value December 31, 2022
Land	\$ 5,020,894	\$ 5,073,381
Buildings	25,503,738	27,201,142
Machinery and equipment	5,210,218	6,475,399
Vehicles	5,947,580	7,178,873
Road network and bridges	103,559,668	99,346,300
Library collections	1,695,841	1,678,439
Assets under construction	7,487,567	14,833,062
Total	\$154,425,506	\$161,786,596

(b) 2021 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	\$ 5,025,929	\$ -	\$ (5,035)	\$ 5,020,894
Buildings	38,131,639	-	(25,000)	38,106,639
Machinery and equipment	14,105,389	1,489,477	(316,808)	15,278,058
Vehicles	15,419,636	772,037	(169,798)	16,021,875
Road network and bridges	172,680,663	10,286,637	(4,379,101)	178,588,199
Library collections	3,438,080	327,085	(359,726)	3,405,439
Assets under construction	5,798,456	5,343,683	(3,654,572)	7,487,567
Total	\$254,599,792	\$18,218,919	\$(8,910,040)	\$263,908,671

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

15. Tangible capital assets (continued):

(b) 2021 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	\$ 11,414,891	\$ 1,188,010	\$ -	\$ 12,602,901
Machinery and equipment	9,028,644	1,313,803	(274,607)	10,067,840
Vehicles	8,659,069	1,575,024	(159,798)	10,074,295
Road network and bridges	71,096,385	7,025,446	(3,093,300)	75,028,531
Library collections	1,710,482	358,842	(359,726)	1,709,598
Total	\$101,909,471	\$11,461,125	\$(3,887,431)	\$109,483,165

Net Book Value		
Category	Net Book Value December 31, 2020	Net Book Value December 31, 2021
Land	\$ 5,025,929	\$ 5,020,894
Buildings	26,716,748	25,503,738
Machinery and equipment	5,076,745	5,210,218
Vehicles	6,760,567	5,947,580
Road network and bridges	101,584,278	103,559,668
Library collections	1,727,598	1,695,841
Assets under construction	5,798,456	7,487,567
Total	\$152,690,321	\$154,425,506

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

16. Sale of building and land:

In November 2020, the County entered into an agreement of purchase and sale for the property located at 399 Ridout Street and 50 King Street at a price of \$30,000,000. Upon sale, the County recognized a gain of \$28,351,659 which was included in the statement of operations. The sale of these properties was completed on December 18, 2020 and the terms included the County receiving \$13,012,500 cash and a four-year vendor take-back mortgage in amount of \$16,987,500. The mortgage is non-interest bearing and is due in December 2024. The County also entered into a four-year lease for 399 Ridout Street. There are no rental payments contained in the lease. The financial statements include the present value of the mortgage receivable \$16,322,100 (2021 - \$16,007,950) and the prepaid rent of \$628,300 (2021 - \$942,450).

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information:

In January 2006, PSAB approved Section PS 2700, *Segmented Disclosures*, which is applicable to all governments. The Section is based on the premise that the activities of a government are so broad and encompass so wide a range of different activities that it is valuable to disclose selected disaggregated financial information about particular segment of a government.

The County of Middlesex is an upper tier municipality. County services are provided by departments, and the departments have been separately disclosed in the segment information, along with the services they provide, as follows:

The Council is comprised of the Mayors from the lower-tier municipalities, as well as some Deputy Mayors. Administration is comprised of the Chief Administrative Officer, Clerk, Treasury, Human Resources, legal providing services to Council and the other departments.

Segment Reporting	Council & Administration		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$3,586,828	\$4,871,546	\$ 4,880,893
Ontario conditional grants	371,250	1,831,509	1,537,833
Canada Conditional grants	-	34,713	-
Other municipalities	20,590	351,975	310,786
Fees and service charges	561,464	158,586	70,937
Other revenue/gain (loss) sale of assets	250,000	1,255,817	6,810,701
<i>Total revenues</i>	<i>\$4,790,132</i>	<i>\$8,504,146</i>	<i>\$13,611,150</i>
Expenditures			
Salary, wages and benefits	\$3,135,661	\$2,895,472	\$2,481,434
Goods and services	1,156,060	836,344	529,823
External transfers	1,815,274	2,717,538	2,018,976
Amortization expense	613,213	533,794	533,794
<i>Total expenditures</i>	<i>\$6,720,208</i>	<i>\$6,983,148</i>	<i>\$5,564,027</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The County Engineer's Office oversees the maintenance and capital works operations of the Highways Department and manages the County of Middlesex's Environmental Services functions. The Highways Department is responsible for the maintenance of roads and bridges throughout the County in accordance with minimum maintenance standards including winter and summer operations. This department also completes detailed design and project management for road rehabilitation and capital work, with the capacity to complete much of these operations using County staff and equipment. This department is also responsible for emergency planning and preparedness, fire safety and fire investigation, fire communication system, and for administering agreements for 911 communication and fire dispatch in Middlesex County. Environmental Services is limited to managing inter-municipal waste disposal agreements.

Segment Reporting	Transportation Services		
	2022 Budget	2022 Actual	2021 Actual
Revenues			
Tax revenue	\$19,392,325	\$20,365,603	\$22,175,635
Ontario conditional grants	1,309,221	1,493,940	696,157
Canada conditional grants	2,269,251	3,312,965	1,275,438
Other municipalities	1,250,000	1,767,532	1,190,745
Fees and service charges	50,000	373,869	372,730
Other revenue/gain (loss) sale of assets	-	(2,553)	(1,278,284)
<i>Total revenues</i>	\$24,270,797	\$27,311,356	\$24,432,421
Expenditures			
Salary, wages and benefits	\$5,400,566	\$4,917,497	\$4,915,832
Goods and services	5,427,095	5,805,400	5,276,907
External transfers	349,000	312,039	356,959
Debt servicing	25,000	22,656	23,606
Amortization expense	8,143,062	7,877,466	7,853,089
<i>Total expenditures</i>	\$19,344,723	\$18,935,058	\$18,426,393

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The Emergency Services Department is responsible for the proper provision of land ambulance services for the County of Middlesex and the City of London.

Segment Reporting	Emergency Services		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$4,690,537	\$4,738,033	\$4,154,464
Ontario conditional grants	23,392,964	28,847,173	25,223,912
Other municipalities	24,004,194	23,996,368	21,425,827
Fees and service charges	-	776,949	1,573,325
Other revenue/gain (loss) sale of assets	-	9,047	10,644
<i>Total revenues</i>	\$52,087,695	\$58,367,570	\$52,388,172
Expenditures			
Salary, wages and benefits	\$41,849,110	\$44,077,858	\$40,760,203
Goods and services	4,765,664	6,645,942	5,059,825
External transfers	1,787,179	2,761,243	2,449,547
Amortization expense	1,980,855	1,831,587	1,586,595
<i>Total expenditures</i>	\$50,382,808	\$55,316,630	\$49,856,170

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The Social Services department provides various financial and employment supports to eligible County residents. The majority of these would be through the Ontario Works Act, where the mandate is to assist clients to obtain sustainable self-reliance. Employment supports are also offered to eligible dependents of ODSP clients. Further supports are provided to non-social assistance recipients, under our many municipal initiatives to aid residents in need, from help with unaffordable utility costs, and the payment of overdue rent to prevent homelessness, to the cost of the burial of a person where no financial alternative is available. Middlesex Supports assists with programs designed to help alleviate the depth of child poverty. Our goal in all efforts is to enhance the lives of all of our citizens.

Segment Reporting	Social Services		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$7,224,894	\$5,424,399	\$5,381,263
Ontario conditional grants	8,594,620	12,721,645	10,246,827
<i>Total revenues</i>	\$15,819,514	\$18,146,044	\$15,628,090
Expenditures			
Salary, wages and benefits	\$1,458,532	\$1,183,556	\$1,412,180
Goods and services	95,702	7,539	15,614
External transfers	14,165,448	16,874,917	14,093,309
<i>Total expenditures</i>	\$15,719,682	\$18,066,012	\$15,521,103

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

Strathmere Lodge is the county owned and operated home providing long term care to 160 residents. It operates under provincial legislation and oversight of the Ministry of Health and Long Term Care. Continuing the tradition since 1872 of serving the county's seniors, the home now occupies a newly constructed facility in Strathroy.

Segment Reporting	Strathmere Lodge		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$4,494,563	\$3,737,334	\$2,997,239
Ontario conditional grants	9,792,576	13,346,815	10,171,433
Fees and service charges	4,294,625	4,273,202	4,261,576
Other revenue/gain (loss) sale of assets	-	(22,233)	(5,580)
<i>Total revenues</i>	\$18,581,764	\$21,335,118	\$17,424,668
Expenditures			
Salary, wages and benefits	\$14,207,900	\$14,985,669	\$13,061,744
Goods and services	1,821,538	1,852,291	1,647,599
External transfers	703,228	1,060,270	946,274
Debt servicing	155,001	155,002	196,298
Amortization expense	752,724	743,000	730,064
<i>Total expenditures</i>	\$17,640,391	\$18,796,232	\$16,581,979

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The Information Technology department provides Wide Area Network for county building, libraries, garages, Ambulance Stations, Strathmere Lodge: County and Library websites; network, IT training and desktop support for all county departments.

Segment Reporting	IT		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$1,287,426	\$1,578,156	\$1,378,191
Ontario conditional grants	-	17,037	18,328
Other municipalities	155,279	166,139	167,633
Fees and service charges	5,865	26,239	4,014
<i>Total revenues</i>	\$1,448,570	\$1,787,571	\$1,568,166
Expenditures			
Salary, wages and benefits	\$1,285,356	\$1,301,648	\$1,152,055
Goods and services	411,975	344,326	299,023
Amortization expense	206,226	344,545	282,723
<i>Total expenditures</i>	\$1,903,557	\$1,990,519	\$1,733,801

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The areas of responsibility for the Middlesex County Library Board are:

- Library and Information Services
- Comprehensive Libraries: Strathroy, Parkhill, Lucan, Glencoe and Dorchester

Segment Reporting	Library		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$4,503,635	\$4,223,298	\$3,121,191
Ontario conditional grants	484,047	581,421	1,204,059
Canada conditional grants	-	16,303	-
Fees and service charges	123,877	275,379	102,259
Other revenue/gain (loss) sale of assets	24,000	33,482	7,966
<i>Total revenues</i>	<i>\$5,135,559</i>	<i>\$5,129,883</i>	<i>\$4,435,475</i>
Expenditures			
Salary, wages and benefits	\$3,370,218	\$3,610,705	\$2,907,085
Goods and services	684,091	710,630	954,396
External transfers	1,064,990	793,803	814,063
Amortization expense	462,674	456,944	472,071
<i>Total expenditures</i>	<i>\$5,581,973</i>	<i>\$5,572,082</i>	<i>\$5,147,615</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The Planning Department provides upper tier approval authority administration and advice to County Council on plans of subdivision, official plans and amendments and other land use planning authorities under the Ontario Planning Act. The department monitors growth and development within constituent municipalities and maintains the County Official Plan with respect to changes in legislation and County policies.

<i>Segment Reporting</i>	Planning		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$1,360,190	\$1,307,626	\$1,249,150
Ontario conditional grants	-	1,467	2,060
Canada conditional grants	-	-	1,296
Fees and service charges	65,000	85,100	94,200
Other revenue/gain (loss) sale of assets	1,000	71,572	20,163
<i>Total revenues</i>	\$1,426,190	\$1,465,765	\$1,366,869
Expenditures			
Salary, wages and benefits	\$1,230,797	\$1,201,470	\$1,183,659
Goods and services	144,821	147,542	136,981
External transfers	40,000	90,701	114,166
<i>Total expenditures</i>	\$1,415,618	\$1,439,713	\$1,434,806

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The Economic Development Department provides advice to County Council on all economic development matters occurring within Middlesex County and provides a web-based regional database, which can be accessed by potential investors and the public.

Segment Reporting	Economic Development		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$777,185	\$678,689	\$627,392
Ontario conditional grants	-	26,048	55,397
Canada conditional grants	-	124,127	45,612
Other revenue/gain (loss) sale of assets	25,182	32,232	(2,391)
<i>Total revenues</i>	\$802,367	\$861,096	\$726,010
Expenditures			
Salary, wages and benefits	\$397,571	\$367,872	\$312,170
Goods and services	46,312	117,578	142,048
External transfers	353,580	341,406	279,244
Amortization expense	2,789	2,789	2,789
<i>Total expenditures</i>	\$800,252	\$829,645	\$736,251

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2022, with comparative information for 2021

17. Segmented information (continued):

The Other Amounts is made up of Ontario Municipal Partnership Fund and funding to the Middlesex London Health Unit.

<i>Segment Reporting</i>	Non Departmental		
	<i>2022 Budget</i>	<i>2022 Actual</i>	<i>2021 Actual</i>
Revenues			
Tax revenue	\$524,259	\$1,037,259	\$728,561
Ontario conditional grants	880,600	367,600	432,400
<i>Total revenues</i>	\$1,404,859	\$1,404,859	\$1,160,961
Expenditures			
External transfers	1,411,000	1,404,859	1,160,961
<i>Total expenditures</i>	\$1,411,000	\$1,404,859	\$1,160,961