Consolidated Financial Statements

THE CORPORATION OF THE COUNTY OF MIDDLESEX

And independent Auditors' Report thereon

Year ended December 31, 2025

KPMG LLP
1400-140 Fullarton Street
London, ON N6A 5P2
Canada
Tel 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 December 31, 2025
- the consolidated statement of operations 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 December 31, 2025, 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.

- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

September 25, 2026

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash	$18,654,513	$28,535,554
Investments (note 5)	46,874,300	45,596,350
Accounts receivable	29,043,471	22,972,837
Loans receivable (note 4)	2,500,000	-
Mortgage receivable (note 17)	14,699,780	16,732,108
Accounts receivable – long term	94,821	94,821
	111,866,885	113,931,670
Financial liabilities:		
Accounts payable and accrued liabilities	32,161,995	24,718,780
Asset retirement obligations (note 16)	1,041,587	998,645
Employee future benefits (note 7)	17,539,400	14,608,500
Deferred revenue (note 8)	7,385,788	11,214,581
Term loan (note 9)	445,000	1,335,000
Total liabilities	58,573,770	52,875,506
Net financial assets	53,293,115	61,056,164
Non-financial assets:		
Tangible capital assets (note 15)	216,647,726	196,709,809
Prepaid expenses	3,921,316	4,782,557
Inventories held for consumption or use	57,445	63,882
	220,626,487	201,556,248
Contingencies and commitments (note 6)		
Accumulated surplus (note 14)	$273,919,602	$262,612,412

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Operations

Year ended December 31, 2025, with comparative information for 2024

	Budget 2025	2025	2024
Revenues:			
Requisition on local municipalities	$61,376,120	$59,585,062	$55,702,893
Government grants (note 10)	109,753,960	121,324,003	111,121,776
Lodge resident maintenance	4,528,827	4,700,571	4,621,579
Investment income	630,000	1,871,412	1,596,673
User charges	988,329	1,755,118	1,629,478
Other revenue (note 11)	28,100	119,519	107,044
Loss on disposal of tangible capital assets	–	(801,716)	(72,967)
	177,305,336	188,553,969	174,706,476
Expenditures:			
General government	11,462,584	11,935,476	10,074,213
Protection to persons and property	925,000	1,059,090	760,083
Transportation services	20,562,986	24,376,842	20,455,396
Environmental	25,000	8,309	20,672
Health services	72,537,694	75,567,952	69,577,994
Social and family services	46,310,549	47,925,927	43,652,318
Social housing	7,430,946	6,183,419	6,190,144
Recreation and cultural development	6,683,082	6,688,657	6,399,903
Planning and development	3,432,464	3,501,107	2,904,088
	169,370,305	177,246,779	160,034,811
Annual surplus:	7,935,031	11,307,190	14,671,665
Accumulated surplus, beginning of year	262,612,412	262,612,412	247,940,747
Accumulated surplus, end of year	$270,547,443	$273,919,602	$262,612,412

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, 2025, with comparative information for 2024

	Budget 2025	2025	2024
Annual surplus	$7,935,031	$11,307,190	$14,671,665
Amortization of tangible capital assets	14,535,847	14,383,147	13,507,292
Acquisition of tangible capital assets	(26,968,246)	(38,793,001)	(30,932,720)
Asset under construction	–	3,291,209	676,758
Loss on sale of tangible capital assets	–	801,716	72,967
Proceeds on sale of tangible capital assets	–	379,012	478,275
Change in inventories held for consumption or use	–	6,437	11,554
Change in prepaid expenses	–	861,241	(1,336,414)
Change in net financial assets	(4,497,368)	(7,763,049)	(2,850,623)
Net financial assets, beginning of year	61,056,164	61,056,164	63,906,787
Net financial assets, end of year	$56,558,796	$53,293,115	$61,056,164

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	$11,307,190	$14,671,665
Items not involving cash:		
Amortization	14,383,147	13,507,292
Loss on sale of tangible capital assets	801,716	72,967
Changes in non-cash operating working capital:		
Accounts receivable	(6,070,634)	4,613,205
Accounts payable and accrued liabilities	7,443,215	8,112,064
Asset retirement obligations	42,942	41,171
Employee future benefits	2,930,900	2,750,200
Deferred revenue	(3,828,793)	1,037,888
Prepaid expenses	861,241	(1,336,414)
Inventories held for consumption or use	6,437	11,554
	27,877,361	43,481,592
Investing activities:		
Investments	(1,277,950)	3,576,507
Loans receivable	(2,500,000)	-
Mortgage receivable (note 17)	2,032,328	(311,999)
Acquisition of tangible capital assets	(38,793,001)	(30,932,720)
Assets under construction	3,291,209	676,758
Proceeds on sale of tangible capital assets	379,012	478,275
	(36,868,402)	(26,513,179)
Financing activities:		
Term loan	(890,000)	(890,000)
Increase in cash	9,881,041	16,078,413
Cash, beginning of year	28,535,554	12,457,141
Cash, end of year	$18,654,513	$28,535,554

See accompanying notes to consolidated financial statements.

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-entity 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.

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. Development charges received are deferred and recognized in revenue when funds are approved for specific projects or expenses.

(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.

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 are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Land – not amortized	-
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.

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.

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.

(n) Asset retirement obligations:

An asset retirement obligation is recognized when as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that the future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include postretirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital assets. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset’s estimated useful life, excluding land. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital assets.

The County's asset retirement obligations relate to the remediation of two gravel pits associated with County-owned land. As the related asset is land, the capitalized asset retirement costs are not amortized. The liability is increased each year to reflect the passage of time, with the increase recognized as accretion expense.

(o) Future accounting pronouncements:

Standards applicable for fiscal years beginning on or after April 1, 2026 (effective for the County’s fiscal year beginning on January 1, 2027):

The Conceptual Framework for Financial Reporting in the Public Sector – The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied. It will replace the conceptual aspects of PS 1000 Financial Statements Concepts and PS 1100 Financial Statement Objectives.

1. Significant accounting policies (continued):

(o) Future accounting pronouncements (continued):

PS 1202 Financial Statement Presentation – The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. PS 1202 will replace current Section PS 1201 Financial Statement Presentation.

The impact of these standards on the Statements is not reasonably determinable at this time.

2. Contributions to unconsolidated joint boards:

Further to note 1(b), the County made contributions for the year ended December 31, 2025 in the amount of $1,490,415 (2024 - $1,447,005) to the Middlesex London Health Unit.

3. Trust funds:

Trust funds administered by the County for the year ended December 31, 2025 amounting to $81,673 (2024 - $83,782) have not been included in the consolidated financial statements.

4. Loans receivable:

Loans receivable consist of interest-free loans to lower-tier municipalities. At December 31, 2025, the amount outstanding was $2,500,000 (2024 – nil). The loans are repayable in instalments from 2026 to 2034.

5. Investments:

Total investments of $46,874,300 (2024 - $45,596,350) reported on the Consolidated Statement of Financial Position at cost, have a market value of $47,015,614 (2024 - $45,557,751). At the end of the year, these investments are comprised of:

	2025	2024
Cash and cash equivalents	$ 5,908,942	$ 83,655
Fixed income securities:		
Provincial governments – rates ranging from 1.35% to 3.55% with maturity dates ranging from 2027 to 2043	8,699,400	8,527,199
Canadian municipalities – rates ranging from 1.40% to 2.70% with maturity dates ranging from 2026 to 2030	747,839	1,531,674
Canadian banks – rates ranging from 0.85% to 5.10% with maturity dates ranging from 2026 to 2032	26,998,160	30,859,312
Credit unions and others – rates ranging from 1.50% to 5.37% with maturity dates ranging from 2026 to 2033	4,519,959	4,594,510
	$ 46,874,300	$ 45,596,350

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:

2026	$2,490,705
2027	2,481,906
2028	2,356,765
2029	2,252,804
2030	2,477,474
Thereafter	20,279,190
	$32,338,844

7. Employee future benefits:

(a) Pension:

The County contributed $5,823,252 (2024 - $5,478,608) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Consolidated Statement of Operations.

7. Employee future benefits (continued):

(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, 2023, and it provided projected expense and liability disclosure information for the fiscal periods 2025. The benefit obligation continuity is as follows:

	2025	2024
Accrued benefit obligation, January 1	$4,286,200	$3,934,700
Current period benefit cost	443,300	425,000
Post-employment benefit interest expenditure	185,200	169,700
Plan amendments	-	-
Benefits paid	(264,900)	(243,200)
Accrued benefit obligation, December 31	4,649,800	4,286,200
Unamortized actuarial loss	(185,500)	(207,000)
Liability for benefits	$4,464,300	$4,079,200

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	$443,300	$425,000
Amortization of actuarial losses	21,500	21,500
Plan amendments	-	-
Post-employment benefit interest expenditure	185,200	169,700
	$650,000	$616,200

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

	2025	2024
Discount rate	4.3%	4.3%
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	6.92% for 2025 then reducing by 0.17% per year until 2044 when the ultimate rate of 3.83% is reached	7.09% for 2024 then reducing by 0.17% per year until 2044 when the ultimate rate of 3.83% is reached

7. Employee future benefits (continued):

(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 $3,536,655 (2024 - $2,507,474).

An actuarial valuation was undertaken as at December 31, 2025 it provided projected expense and liability disclosure information for the fiscal period 2025. The estimate of the future benefit cost for WSIB claims was $13,075,100 (2024 - $10,529,300).

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

	2025	2024
Discount rate	4.3%	4.3%
Inflation rate	3.0%	4.4%
Future benefit indexing rate:		
Loss of earning benefits	3.0%	4.4%
Other income benefits	3.0%	4.4%
Health benefits	4.0%	4.0%

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

	2025	2024
Health, dental and life insurance benefit obligations	$4,464,300	$4,079,200
WSIB benefit obligations	13,075,100	10,529,300
	$17,539,400	$14,608,500

8. Deferred revenue:

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

	2025	2024
Canada Community-Building Fund	$3,821,584	$4,514,804
Subsidy advances from provincial ministries	3,059,678	5,958,545
Subsidy advance from The City of London	-	238,732
Subsidy advance from other	504,526	502,500
	$7,385,788	$11,214,581

9. Term loan:

	2025	2024
Term loan payable, bearing interest at 4.64%, repayable in semi-annual installments of $445,000 of principal plus interest, due on January 3, 2026	$445,000	$1,335,000

Interest paid on this loan during 2025 was $31,113 (2024 - $72,636).

Principal repayments of $445,000 and interest payments of $10,409 were due within one year. These amounts were paid in full subsequent to year-end.

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.

10. Government Grants - Compensation for annexed lands:

The City of London, under section 474.18 of the Municipal 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 $1,468,468 (2024 - $1,368,923) and are included in government grants in the Consolidated Statement of Operations.

11. Other revenue:

Other revenue from operations is comprised of:

	2025	2024
Sale of equipment, timber, maps and books	$69,669	$67,531
Donations	37,873	28,297
Fines and lost books	11,438	10,539
Transfer from trust	539	677
	$119,519	$107,044

12. Land ambulance:

The County has estimated its liability for cross border ambulance services for 2001 – 2025. 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 and risk management:

The County's financial instruments consist of cash, investments, financial receivables, mortgage receivable, loan receivable, accounts payable and accrued liabilities, and the current portion of term loans. The carrying values of the County's financial instruments approximate their fair values due to their nature or expected maturity, except for the loan receivable, for which fair value is not readily determinable due to its related-party nature.

The County is exposed to risks arising from its financial instruments. Management manages these risks through approved policies, internal controls, financial planning and ongoing monitoring. The following summarizes the County's exposure to credit risk and liquidity risk as at December 31, 2025.

(a) Credit risk

Credit risk is the risk of financial loss to the County if a counterparty to a financial instrument fails to meet its contractual obligations. The County is exposed to credit risk through its cash, investments, mortgage receivable, loan receivable and other financial receivables.

Cash is held with Canadian chartered financial institutions and investment credit risk is managed in accordance with the County's approved Investment Policy and the investment requirements of the *Municipal Act, 2001*. The Investment Policy establishes requirements relating to eligible investments, credit quality, diversification, maturity and liquidity.

The County also manages credit risk through regular monitoring of outstanding receivables. A significant portion of the County's financial receivables is due from local municipalities and other public-sector organizations, while the vendor take-back mortgage is secured by the mortgaged property. The carrying amounts of financial assets represent the County's maximum exposure to credit risk as at December 31, 2025. Management considers the County's overall exposure to credit risk to be low.

Financial Receivables	2025	2024
Local municipalities receivable	$21,045,427	$19,393,399
Mortgage receivable	14,699,780	16,732,108
Other financial receivables	3,943,480	2,048,367
Provincial government receivable	2,821,789	314,591
Total	$42,510,476	$38,488,465

13. Financial instruments and risk management (continued):

(a) Credit risk (continued):

Loan Receivable – long-term	2025	2024
Loan receivable	2,500,000	-
Total	$2,500,000	$-

The loan receivable relates to an interest-free loan advanced to the lower-tier municipality. The loan is repayable in accordance with the terms of the agreement. Management has assessed the loan receivable and has not identified any indicators of impairment as at December 31, 2025.

The financial receivables disclosed above differ from the accounts receivable balance reported on the Consolidated Statement of Financial Position as certain receivables are outside the scope of PS 3450, *Financial Instruments*.

(b) Liquidity risk

Liquidity risk is the risk that the County will encounter difficulty in meeting its financial obligations as they become due. The County is exposed to liquidity risk primarily through its accounts payable and accrued liabilities. The County has no outstanding long-term debt as at December 31, 2025.

The County manages liquidity risk through its annual budget and long-term financial planning processes, regular monitoring of cash balances and forecasted cash flows, and the maintenance of sufficient cash and investments to meet its financial obligations as they become due. The County also maintains a $607,281 letter of credit in connection with the Governance and Administration Centre construction project.

Management considers the County to have sufficient liquidity to meet its financial obligations as they become due. There were no significant changes in the County's exposure to liquidity risk from the prior year.

14. Accumulated surplus:

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

	2025	2024
Reserves:		
Working capital	$1,238,947	$947,580
Insurance	1,353,514	1,283,402
Winter control	3,049,892	4,315,590
Ambulance services	11,826,389	8,568,050
Tax rate stabilization	11,041,603	10,891,857
Woodlands and Tree bank	180,913	194,378
Total reserves	28,691,258	26,200,857
Reserve funds set aside for specific purposes by legislation, regulation or agreement:		
Future road construction	12,078,911	16,116,796
Wind farm decommission – fees	267,160	144,767
Capital works	17,604,016	17,309,482
Development charges – service & growth study	(2,030,537)	-
County revenue replacement investment	6,002,453	6,494,057
Strathmere Lodge equipment	460,637	429,623
Gifts and donations (Strathmere Lodge)	44,640	48,820
Chapel fund (Strathmere Lodge)	2,069	2,051
IT equipment	511,170	242,229
Library technology replacement	406,858	6,458
Strathroy Library	168,707	72,584
Murray Elliott	75,123	73,831
Friends of Strathroy Library	36,737	36,105
Library vehicle replacement	20,175	-
Total reserve funds	35,648,119	40,976,803
Surplus:		
Invested in tangible capital assets	216,647,726	196,709,809
Term loan	(445,000)	(1,335,000)
Financed capital	10,256,946	14,058,180
Net investment in tangible capital assets	226,459,672	209,432,989
General Revenue Fund	2,297,635	2,431,614
Unfunded:		
Future benefit cost liability	(17,539,400)	(14,608,500)
Asset retirement obligations	(1,041,587)	(998,645)
Accrued interest on long-term liabilities	(10,296)	(30,887)
Vacation payable	(585,799)	(791,819)
Total surplus	209,580,225	195,434,752
Accumulated surplus	$273,919,602	$262,612,412

15. Tangible capital assets:

(a) 2025 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	$5,973,381	$1,045,974	$ -	$7,019,355
Buildings	46,380,785	322,498	(680,800)	46,022,483
Machinery and equipment	17,392,329	5,199,705	(1,747,844)	20,844,190
Vehicles	23,476,225	2,840,861	(2,159,261)	24,157,825
Road network and bridges	217,785,674	29,108,816	(4,654,710)	242,239,780
Library collections	3,330,786	275,146	(278,853)	3,327,079
Assets under construction	11,203,729	4,168,335	(7,459,544)	7,912,520
Total	$325,542,909	$42,961,335	$(16,981,012)	$351,523,232

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	$16,543,387	$1,327,516	$(663,780)	$17,207,123
Machinery and equipment	12,076,774	1,652,731	(1,732,128)	11,997,377
Vehicles	13,036,267	2,479,459	(2,005,358)	13,510,368
Road network and bridges	85,516,980	8,610,334	(3,660,622)	90,466,692
Library collections	1,659,692	313,107	(278,853)	1,693,946
Total	$128,833,100	$14,383,147	$(8,340,741)	$134,875,506

15. Tangible capital assets (continued):

(a) 2025 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Net Book Value		
Category	Net Book Value December 31, 2025	Net Book Value December 31, 2024
Land	$7,019,355	$5,973,381
Buildings	28,815,360	29,837,398
Machinery and equipment	8,846,813	5,315,555
Vehicles	10,647,457	10,439,958
Road network and bridges	151,773,088	132,268,694
Library collections	1,633,133	1,671,094
Assets under construction	7,912,520	11,203,729
Total	$216,647,726	$196,709,809

(b) 2024 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	$5,973,381	$ -	$ -	$5,973,381
Buildings	43,010,430	3,370,355	-	46,380,785
Machinery and equipment	17,816,095	1,128,753	(1,552,519)	17,392,329
Vehicles	19,926,126	4,284,331	(734,232)	23,476,225
Road network and bridges	201,056,425	21,909,129	(5,179,880)	217,785,674
Library collections	3,401,547	240,152	(310,913)	3,330,786
Assets under construction	11,880,487	6,877,237	(7,553,995)	11,203,729
Total	$303,064,491	$37,809,957	$(15,331,539)	$325,542,909

15. Tangible capital assets (continued):

(b) 2024 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	$15,120,102	$1,423,285	$-	$16,543,387
Machinery and equipment	11,762,407	1,509,465	(1,195,098)	12,076,774
Vehicles	11,581,989	2,169,597	(715,319)	13,036,267
Road network and bridges	82,439,193	8,082,759	(5,004,972)	85,516,980
Library collections	1,648,419	322,186	(310,913)	1,659,692
Total	$122,552,110	$13,507,292	$(7,226,302)	$128,833,100

Net Book Value		
Category	Net Book Value December 31, 2024	Net Book Value December 31, 2023
Land	$5,973,381	$5,973,381
Buildings	29,837,398	27,890,328
Machinery and equipment	5,315,555	6,053,688
Vehicles	10,439,958	8,344,137
Road network and bridges	132,268,694	118,617,232
Library collections	1,671,094	1,753,128
Assets under construction	11,203,729	11,880,487
Total	$196,709,809	$180,512,381

16. Asset retirement obligations:

On January 1, 2023, the County adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations (ARO).

As a result of applying this accounting standard, an asset retirement obligation of $1,041,587 (2024 – $998,645) was recognized as a liability on the Consolidated Statement of Financial Position.

17. 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 Consolidated 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 and seven-month vendor take-back mortgage in amount of $16,987,500. During 2025, the County received a partial repayment of the vendor take-back mortgage in the amount of $2,000,000, reducing the outstanding principal balance to $14,987,500. The vendor take-back mortgage was subsequently amended to extend the term to six years. The mortgage is non-interest bearing and is due in December 2026.

The County also entered into a four-year and seven-month lease for 399 Ridout Street. The lease agreement was subsequently amended to extend the term to six years. There are no rental payments contained in the lease. The financial statements include the present value of the mortgage receivable $14,699,780 (2024 - $16,732,108) and the prepaid rent of $244,399 (2024 - $212,071).

18. Segmented information:

The County of Middlesex is an upper-tier municipality that provides a range of municipal services. For management reporting purposes, the County's operations and activities are organized and reported by department. These departments have been identified as the County's reportable segments for financial reporting purposes.

Segment disclosure has been prepared in accordance with Public Sector Accounting Standard PS 2700, *Segment Disclosures*. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

The County's operations are reported within the following segments: Council and Administration, Transportation Services, Emergency Services, Human Services, Long-Term Care, Information Technology, Library Services, Planning and Development, Economic Development and Other Services.

Segment Reporting	**Council & Administration**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$4,560,721	$3,909,933	$3,626,657
Ontario conditional grants	765,000	713,973	635,192
Other municipalities	200,871	324,297	216,346
Fees and service charges	690,000	302,634	425,825
Other revenue/gain (loss) sale of assets	630,000	1,864,592	1,596,309
Total revenues	$6,846,592	$7,115,429	$6,500,329
Expenditures			
Salary, wages and benefits	$4,520,418	$5,778,680	$3,845,922
Goods and services	1,415,344	722,705	832,864
External transfers	2,264,273	2,617,742	2,454,942
Amortization expense	685,058	538,412	587,066
Total expenditures	$8,885,093	$9,657,539	$7,720,794

18. Segmented information (continued):

The Transportation Services segment is responsible for the maintenance, rehabilitation, and construction of the County's road and bridge network, including winter and summer maintenance operations in accordance with provincial minimum maintenance standards. The department also provides engineering, project management, and contract administration services for capital infrastructure projects.

Transportation Services is also responsible for emergency management and preparedness, fire safety and fire investigation, the County's fire communications system, and the administration of agreements for 911 communications and fire dispatch services within Middlesex County. Environmental Services activities are limited to the administration of inter-municipal waste disposal agreements.

Segment Reporting	**Transportation Services**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$25,031,604	$26,197,261	$23,041,758
Ontario conditional grants	1,243,103	1,243,103	1,213,847
Canada conditional grants	2,558,112	3,323,643	3,183,753
Other municipalities	1,360,000	2,612,967	1,420,950
Fees and service charges	115,000	425,714	339,822
Other revenue/gain (loss) sale of assets	-	(975,411)	(122,599)
Total revenues	$30,307,819	$32,827,277	$29,077,531
Expenditures			
Salary, wages and benefits	$5,331,433	$6,330,406	$5,390,540
Goods and services	5,850,684	8,669,075	6,243,927
External transfers	675,000	831,202	529,114
Debt servicing	25,000	8,309	20,673
Amortization expense	9,630,869	9,605,249	9,051,897
Total expenditures	$21,512,986	$25,444,241	$21,236,151

18. Segmented information (continued):

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

Segment Reporting	**Emergency Medical Services**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$6,471,000	$6,552,618	$6,020,799
Ontario conditional grants	33,519,726	39,836,477	37,860,674
Other municipalities	32,561,592	32,550,997	29,877,051
Fees and service charges	-	209,139	403,426
Other revenue/gain (loss) sale of assets	-	251,784	101,386
Total revenues	$72,552,318	$79,401,015	$74,263,336
Expenditures			
Salary, wages and benefits	$57,699,913	$59,862,945	$55,051,880
Goods and services	6,426,694	8,243,447	7,758,533
External transfers	4,337,501	3,397,136	3,153,697
Amortization expense	2,583,171	2,574,009	2,166,879
Total expenditures	$71,047,279	$74,077,537	$68,130,989

18. Segmented information (continued):

The Human Services segment provides a range of programs and services to assist residents with financial, employment, housing, and child care needs. The department administers Ontario Works, Child Care and Early Years programs, Housing Services, and the Homelessness Prevention Program in accordance with applicable provincial legislation and funding agreements.

In addition to these core programs, the department administers a variety of community support initiatives, including Middlesex Supports, Homemakers and Nurses services, Funeral and Burial Assistance, and Newcomer and Immigration Supports. Through these programs, the County works with community partners to promote housing stability, financial independence, and the well-being of individuals and families across Middlesex County.

Segment Reporting	**Human Services**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$8,712,587	$7,278,363	$8,336,313
Ontario conditional grants	22,841,618	24,026,903	20,864,535
Fees and service charges	-	310,042	24,538
Total revenues	$31,554,205	$31,615,308	$29,225,386
Expenditures			
Salary, wages and benefits	$1,728,339	$1,611,157	$1,484,953
Goods and services	107,709	9,168	6,907
External transfers	29,615,892	29,594,792	26,662,942
Total expenditures	$31,451,940	$31,215,117	$28,154,802

18. Segmented information (continued):

Strathmere Lodge is a County-owned and operated long-term care home providing accommodation and care for 160 residents. The home operates under the applicable provincial legislation and regulations governing long-term care homes and is funded in part by the Province of Ontario. Continuing a tradition of serving the County's seniors since 1872, Strathmere Lodge operates from its current facility in Strathroy.

Segment Reporting	**Long-term Care**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$4,565,333	$3,361,147	$3,570,618
Ontario conditional grants	13,342,409	15,371,664	14,567,781
Fees and service charges	4,569,530	4,812,191	4,820,109
Other revenue/gain (loss) sale of assets	-	(19,139)	(196)
Total revenues	$22,477,272	$23,525,863	$22,958,312
Expenditures			
Salary, wages and benefits	$18,273,736	$18,536,218	$17,784,918
Goods and services	2,304,551	2,506,294	2,007,741
External transfers	734,751	856,873	896,565
Debt servicing	31,113	31,114	72,636
Amortization expense	945,404	963,730	925,800
Total expenditures	$22,289,555	$22,894,229	$21,687,660

18. Segmented information (continued):

The Information Technology Services segment provides technology infrastructure, systems, and support services across the County's operations. Services include the management and support of the County's network infrastructure, corporate website support, cybersecurity, information systems, IT training, IT policy development and end-user technology support. The department supports County facilities and service areas, including the County Governance & Administration building, Middlesex-London paramedic stations, Strathmere Lodge, and other County operations.

Segment Reporting	**Information Technology Services**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$1,531,482	$1,824,310	$1,790,215
Other municipalities	301,323	288,323	281,425
Fees and service charges	6,126	6,205	5,864
Total revenues	$1,838,931	$2,118,838	$2,077,504
Expenditures			
Salary, wages and benefits	$1,564,735	$1,648,663	$1,505,766
Goods and services	588,250	363,059	504,991
Amortization expense	264,506	266,215	342,659
Total expenditures	$2,417,491	$2,277,937	$2,353,416

18. Segmented information (continued):

The Library Services segment provides free access to library collections, digital resources, technology, programs, and information services through a network of library branches serving residents across Middlesex County. The department supports lifelong learning, literacy, community engagement, and equitable access to information and resources for all residents.

Segment Reporting	**Library**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$5,888,979	$5,888,979	$5,432,328
Ontario conditional grants	633,723	719,584	634,344
Canada conditional grants	-	8,997	7,163
Fees and service charges	46,500	307,628	172,824
Other revenue/gain (loss) sale of assets	28,000	46,451	30,300
Total revenues	$6,597,202	$6,971,639	$6,276,959
Expenditures			
Salary, wages and benefits	$4,216,775	$4,543,281	$4,323,152
Goods and services	759,442	827,330	799,364
External transfers	1,286,565	885,305	847,187
Amortization expense	420,300	432,741	430,200
Total expenditures	$6,683,082	$6,688,657	$6,399,903

18. Segmented information (continued):

The Planning and Development segment 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.

Segment Reporting	**Planning and Development**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$1,988,516	$2,357,183	$1,788,280
Canada Conditional Grants	-	7,850	-
Fees and service charges	90,000	82,136	58,650
Other revenue/gain (loss) sale of assets	100	221	5,550
Total revenues	$2,078,616	$2,447,390	$1,852,480
Expenditures			
Salary, wages and benefits	$1,686,911	$1,915,307	$1,528,097
Goods and services	392,620	244,945	236,750
External transfers	35,000	296,424	105,000
Total expenditures	$2,114,531	$2,456,676	$1,869,847

18. Segmented information (continued):

The Economic Development segment supports economic growth and prosperity across Middlesex County through business development and retention, investment attraction, tourism development, workforce initiatives, and regional marketing and promotion. The department works collaboratively with local municipalities, businesses, community organizations, and other partners to identify economic opportunities, support entrepreneurship and business growth, attract investment, and promote Middlesex County as a place to live, work, visit, and invest.

Segment Reporting	**Economic Development**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$1,201,383	$950,753	$914,620
Ontario conditional grants	66,333	32,670	73,515
Canada conditional grants	134,250	36,656	19,500
Other revenue/gain (loss) sale of assets	-	20,716	20,000
Total revenues	$1,401,966	$1,040,795	$1,027,635
Expenditures			
Salary, wages and benefits	$547,569	$489,292	$484,439
Goods and services	79,186	213,859	154,529
External transfers	684,639	338,491	392,484
Amortization expense	6,539	2,789	2,789
Total expenditures	$1,317,933	$1,044,431	$1,034,241

18. Segmented information (continued):

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

Segment Reporting	**Other**		
	2025 Budget	*2025 Actual*	*2024 Actual*
Revenues			
Tax revenue	$1,424,515	$1,264,515	$1,181,305
Ontario conditional grants	225,900	225,900	265,700
Total revenues	$1,650,415	$1,490,415	$1,447,005
Expenditures			
External transfers	1,650,415	1,490,415	1,447,005
Total expenditures	$1,650,415	$1,490,415	$1,447,005