

Consolidated Financial Statements

**THE CORPORATION OF THE COUNTY OF MIDDLESEX**

And Independent Auditors' Report thereon

Year ended December 31, 2018



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4800  
Fax 519 672-5684

## INDEPENDENT AUDITORS' 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, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets
- 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, 2018, 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

---

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

July 16, 2019

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets:</b>		
Cash	\$7,978,800	\$7,837,061
Investments (note 4)	13,928,649	16,665,339
Accounts receivable	6,516,889	6,650,258
Loans receivable (note 5)	3,342,063	4,638,792
Accounts receivable – long term	156,821	–
	31,923,222	35,791,450
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	8,876,120	11,545,132
Employee future benefits (note 7)	9,127,681	5,254,971
Deferred revenue (note 8)	2,930,920	3,821,046
Term loan (note 9)	6,675,000	7,565,000
Total liabilities	27,609,721	28,186,149
Net financial assets	4,313,501	7,605,301
<b>Non-financial assets:</b>		
Tangible capital assets (note 15)	143,488,219	136,191,191
Prepaid expenses	1,628,710	1,364,065
Inventories held for consumption or use	36,145	35,596
	145,153,074	137,590,852
Contingencies and commitments (note 6)		
<b>Accumulated surplus</b> (note 14)	<b>\$149,466,575</b>	<b>\$145,196,153</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

## Consolidated Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
<b>Revenues:</b>			
Requisition on local municipalities	\$39,172,768	\$39,580,475	\$36,954,695
Government grants (note 10)	53,871,649	56,440,668	51,833,234
Lodge resident maintenance	4,016,928	4,044,923	3,934,495
User charge	1,269,672	2,210,823	1,901,260
Investment income	250,000	399,530	270,305
Other revenue (note 11)	124,773	63,145	106,193
Loss on disposal of tangible capital assets	–	(120,253)	(383,115)
	98,705,790	102,619,311	94,617,067
<b>Expenditures:</b>			
General government	6,627,077	6,758,596	5,743,479
Protection to persons and property	717,432	743,310	699,038
Transportation services	15,340,270	15,082,934	14,319,092
Environmental	25,000	44,313	47,144
Health services	36,327,274	40,919,279	35,450,215
Social and family services	23,783,779	24,431,578	21,936,333
Social housing	4,230,000	4,281,475	4,022,804
Recreation and cultural development	4,591,699	4,506,835	4,261,133
Planning and development	1,632,727	1,580,569	1,464,548
	93,275,258	98,348,889	87,943,786
<b>Annual surplus:</b>	5,430,532	4,270,422	6,673,281
Accumulated surplus, beginning of year	145,196,153	145,196,153	138,522,872
Accumulated surplus, end of year	\$150,626,685	\$149,466,575	\$145,196,153

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, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Annual surplus	\$5,430,532	\$4,270,422	\$6,673,281
Amortization of tangible capital assets	10,002,630	9,992,665	9,461,191
Acquisition of tangible capital assets	(14,743,344)	(15,021,113)	(26,480,698)
Asset under construction	-	(2,591,697)	1,713,649
Loss on sale of tangible capital assets	-	120,253	383,115
Proceeds on sale of tangible capital assets	-	202,864	141,295
Change in inventories held for consumption or use	-	(549)	(1,307)
Change in prepaid expenses	-	(264,645)	538,766
Change in net financial assets (debt)	689,818	(3,291,800)	(7,570,708)
Net financial assets, beginning of year	7,605,301	7,605,301	15,176,009
Net financial assets, end of year	\$8,295,119	\$4,313,501	\$7,605,301

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

## Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$4,270,422	\$6,673,281
Items not involving cash:		
Amortization	9,992,665	9,461,191
Loss on sale of tangible capital assets	120,253	383,115
Changes in non-cash operating working capital:		
Accounts receivable	133,369	(1,009,068)
Accounts payable and accrued liabilities	(2,669,012)	2,442,450
Employee future benefits	3,872,710	1,419,568
Deferred revenue	(890,126)	(139,694)
Prepaid expenses	(264,645)	538,766
Inventories held for consumption or use	(549)	(1,307)
	14,565,087	19,768,302
Investing activities:		
Investments	2,736,690	(188,993)
Loans receivable	1,296,729	1,483,844
Long-term account receivable	(156,821)	-
Acquisition of tangible capital assets	(15,021,113)	(26,480,698)
Assets under construction	(2,591,697)	1,713,649
Proceeds on sale of tangible capital assets	202,864	141,295
	(13,533,348)	(23,330,903)
Financing activities:		
Term loan	(890,000)	(890,000)
Increase (decrease) in cash	141,739	(4,452,601)
Cash, beginning of year	7,837,061	12,289,662
Cash, end of year	\$7,978,800	\$7,837,061

See accompanying notes to consolidated financial statements.



# THE CORPORATION OF THE COUNTY OF MIDDLESEX

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

---

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 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, 2018

---

## 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, 2018

---

## 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, 2018

---

## 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. Significant estimates include assumptions used in estimating provisions for 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, 2018

---

## 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) Adoption of new accounting standards:

#### (i) Related party disclosures:

The County adopted PSAB Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The County adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

#### (ii) Inter-entity transactions:

The County adopted PSAB Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

---

## 1. Significant accounting policies (continued):

(n) Adoption of new accounting standards (continued):

(ii) Inter-entity transactions (continued):

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice. All other transactions are measured at the carrying amount. The County adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

## 2. Contributions to unconsolidated joint boards:

Further to note 1(b), the County made contributions for the year ended December 31, 2018 in the amount of \$1,175,397 (2017 - \$1,020,912) to the Middlesex London Health Unit.

## 3. Trust funds:

Trust funds administered by the County for the year ended December 31, 2018 amounting to \$68,233 (2017 - \$71,976) have not been included in the consolidated financial statements.

## 4. Investments:

Total investments of \$13,928,649 (2017 - \$16,665,339) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$14,325,551 (2017 - \$17,124,814). At the end of the year, these investments are comprised of:

	2018	2017
Cash and cash equivalent	\$354,290	\$3,500
Fixed income securities	13,574,359	16,661,839
	<u>\$13,928,649</u>	<u>\$16,665,339</u>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

---

## 5. Loans receivable:

Loans receivable consist of interest free loans to lower tier municipalities. At December 31, 2018 the amount outstanding was \$3,342,063 (2017 - \$4,638,792). The amounts to be received in the next five years and thereafter are as follows:

2019	\$1,450,333
2020	840,617
2021	709,367
2022	341,746
	<hr/>
	\$3,342,063

## 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. The County is also a defendant in a legal claim involving additional costs in a construction matter. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are indeterminable. Liabilities for non-insured claims are recorded in the year in which they are settled.

### (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:

2019	\$1,871,302
2020	1,974,479
2021	1,984,255
2022	1,953,784
2023	1,809,432
Thereafter	26,057,424
	<hr/>
	\$35,650,676

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 7. Employee future benefits:

### (a) Pension:

The County contributed \$3,408,382 (2017 - \$3,248,811) 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, 2015, and it provided projected expense and liability disclosure information for the fiscal periods 2016, 2017 and 2018. The benefit obligation continuity is as follows:

	2018	2017
Accrued benefit obligation, January 1	\$2,216,000	\$2,107,100
Current period benefit cost	198,700	191,800
Post-employment benefit interest expenditure	79,500	75,400
Benefits paid	(153,100)	(158,300)
Accrued benefit obligation, December 31	2,341,100	2,216,000
Unamortized actuarial loss	(244,600)	(291,000)
Liability for benefits	\$2,096,500	\$1,925,000

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$198,700	\$191,800
Amortization of actuarial losses	46,400	46,400
Post-employment benefit interest expenditure	79,500	75,400
	\$324,600	\$313,600



# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 7. Employee future benefits (continued):

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

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

	2018	2017
Discount rate	3.4%	3.4%
Rate of compensation increases	3.0%	3.0%
Dental and other EHC costs increase	4.0%	4.0%
Healthcare cost increases	5.63% for 2018 then reducing by 0.09% per year until 2036 when the ultimate rate of 4.0% is reached	5.72% for 2017 then reducing by 0.09% per year until 2036 when the ultimate rate of 4.0% is reached

### (c) Workplace Safety and Insurance Board:

The 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 \$1,749,347 (2017 - \$891,167).

The estimate of the future benefit costs for WSIB claims of \$7,031,181 (2017 - \$3,329,971) were provided by WSIB and were determined based on benefits currently in force with provision for benefits not yet awarded as follows:

Accidents prior to 1990 and survivor pensions	22.28%
Accidents from 1990 to 1997 and non-economic loss pensions	35.87%
Accidents after 1997	16.42%

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

	2018	2017
Health, dental and life insurance benefit obligations	\$2,096,500	\$1,925,000
WSIB benefit obligations	7,031,181	3,329,971
	\$9,127,681	\$5,254,971

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 8. Deferred revenue:

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

	2018	2017
Federal gas tax	\$2,636,260	\$3,368,820
Subsidy advances from provincial ministries	103,544	235,660
Subsidy advance from The City of London	191,116	216,566
	<u>\$2,930,920</u>	<u>\$3,821,046</u>

## 9. Term loan:

	2018	2017
Term loan payable, bearing interest at 4.64%, repayable in semi-annual installments of \$445,000 of principal plus interest	\$6,675,000	\$7,565,000

Interest paid on this loan during 2018 was \$320,185 (2017 - \$361,482).

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

	Principal	Interest
2019	\$ 890,000	\$ 278,663
2020	890,000	238,046
2021	890,000	196,071
2022	890,000	154,775
2023	890,000	113,479
Thereafter	2,225,000	103,297
	<u>\$6,675,000</u>	<u>\$1,084,331</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 County also has available a line of credit of \$662,000 (2017 – \$662,000), of which nil was drawn at year-end.

## 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 \$1,138,245 (2017 - \$1,138,847) and are included in government grants in the Consolidated Statement of Operations.

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

---

## 11. Other revenue:

Other revenue from operations is comprised of:

	2018	2017
Sale of timber, maps and books	\$23,935	\$71,881
Donations	21,258	11,442
Fines and lost books	17,660	22,578
Transfer from trust	292	292
	<u>\$63,145</u>	<u>\$106,193</u>

## 12. Land ambulance:

The County has estimated its liability for cross border ambulance services for 2001 – 2018. 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, accounts payable and accrued liabilities.

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

The term loan approximates its fair value 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, 2018

## 14. Accumulated surplus:

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

	2018	Transfers to (from) reserves	2017
<b>Reserves:</b>			
Working capital	\$339,623	\$ -	\$339,623
Insurance	815,325	348,241	467,084
Winter control	(795,069)	(435,917)	(359,152)
Ambulance services	4,489,289	(1,335,593)	5,824,882
Tax rate stabilization	2,442,646	1,370,410	1,072,236
Woodlands	221,273	(20,161)	241,434
Tree bank	110,248	33,500	76,748
<b>Total reserves</b>	<b>7,623,335</b>	<b>(39,520)</b>	<b>7,662,855</b>
<b>Reserve funds set aside for specific purposes by legislation, regulation or agreement:</b>			
Future road construction	12,388,479	1,528,237	10,860,242
Wind farm decommission – fees	439,393	86,589	352,804
Senior services	-	(637,101)	637,101
Capital works	10,121,050	33,040	10,088,010
Strathmere Lodge equipment	494,694	(14,880)	509,574
Gifts and donations (Strathmere Lodge)	23,066	(11,451)	34,517
Chapel fund (Strathmere Lodge)	2,876	550	2,326
IT equipment	290,511	91,701	198,810
Strathroy Library	66,449	627	65,822
Murray Elliott	67,591	(20,214)	87,805
<b>Total reserve funds</b>	<b>23,894,109</b>	<b>1,057,098</b>	<b>22,837,011</b>
<b>Surplus:</b>			
Invested in tangible capital assets	143,488,219		136,191,191
Term loan	(6,675,000)		(7,565,000)
Financed (unfinanced) capital	(10,317,091)		(9,168,006)
<b>Net investment in tangible capital assets</b>	<b>126,496,128</b>		<b>119,458,185</b>
<b>General Revenue Fund</b>	<b>916,108</b>		<b>905,136</b>
<b>Unfunded:</b>			
Future benefit cost liability	(9,127,681)		(5,254,971)
Accrued interest on long-term liabilities	(154,436)		(175,027)
Vacation payable	(180,988)		(237,036)
<b>Total surplus</b>	<b>117,949,131</b>		<b>114,696,287</b>
<b>Accumulated surplus</b>	<b>\$149,466,575</b>		<b>\$145,196,153</b>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 15. Tangible capital assets:

(a) 2018 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	\$4,713,892	\$185,590	\$ -	\$4,899,482
Buildings	39,084,886	4,485,054	-	43,569,940
Machinery and equipment	12,340,423	1,550,915	(249,449)	13,641,889
Vehicles	11,690,425	1,737,908	(726,153)	12,702,180
Road network and bridges	149,638,438	6,568,632	(2,638,662)	153,568,408
Library collections	3,449,800	493,014	(318,360)	3,624,454
Assets under construction	3,741,295	4,817,404	(2,225,707)	6,332,992
<b>Total</b>	<b>\$224,659,159</b>	<b>\$19,838,517</b>	<b>\$(6,158,331)</b>	<b>\$238,339,345</b>

  

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	\$11,893,127	\$1,213,258	\$ -	\$13,106,385
Machinery and equipment	7,160,741	1,269,097	(227,600)	8,202,238
Vehicles	5,859,211	1,428,107	(545,438)	6,741,880
Road network and bridges	61,996,105	5,690,905	(2,518,109)	65,168,901
Library collections	1,558,784	391,298	(318,360)	1,631,722
<b>Total</b>	<b>\$88,467,968</b>	<b>\$9,992,665</b>	<b>\$(3,609,507)</b>	<b>\$94,851,126</b>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 15. Tangible capital assets (continued):

(a) 2018 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Net Book Value		
Category	Net Book Value December 31, 2017	Net Book Value December 31, 2018
Land	\$4,713,892	\$4,899,482
Buildings	27,191,759	30,463,555
Machinery and equipment	5,179,682	5,439,651
Vehicles	5,831,214	5,960,300
Road network and bridges	87,642,333	88,399,507
Library collections	1,891,016	1,992,732
Assets under construction	3,741,295	6,332,992
<b>Total</b>	<b>\$136,191,191</b>	<b>\$143,488,219</b>

(b) 2017 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	\$4,490,880	\$223,012	\$ -	\$4,713,892
Buildings	26,191,430	12,893,456	-	39,084,886
Machinery and equipment	11,665,872	995,859	(321,308)	12,340,423
Vehicles	11,032,957	1,736,107	(1,078,639)	11,690,425
Road network and bridges	143,023,357	10,243,043	(3,627,962)	149,638,438
Library collections	3,416,753	389,221	(356,174)	3,449,800
Assets under construction	5,454,944	2,309,125	(4,022,774)	3,741,295
<b>Total</b>	<b>\$205,276,193</b>	<b>\$28,789,823</b>	<b>\$(9,406,857)</b>	<b>\$224,659,159</b>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 15. Tangible capital assets (continued):

(b) 2017 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Accumulated amortization				
Buildings	\$10,970,983	\$922,144	\$ -	\$11,893,127
Machinery and equipment	6,209,147	1,266,233	(314,639)	7,160,741
Vehicles	5,474,406	1,366,203	(981,398)	5,859,211
Road network and bridges	59,671,173	5,532,394	(3,207,462)	61,996,105
Library collections	1,540,741	374,217	(356,174)	1,558,784
<b>Total</b>	<b>\$83,866,450</b>	<b>\$9,461,191</b>	<b>\$(4,859,673)</b>	<b>\$88,467,968</b>

Net Book Value			
Category	Net Book Value December 31,		Net Book Value December 31,
	2016		2017
Land	\$4,490,880		\$4,713,892
Buildings	15,220,447		27,191,759
Machinery and equipment	5,456,725		5,179,682
Vehicles	5,558,551		5,831,214
Road network and bridges	83,352,184		87,642,333
Library collections	1,876,012		1,891,016
Assets under construction	5,454,944		3,741,295
<b>Total</b>	<b>\$121,409,743</b>		<b>\$136,191,191</b>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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.

<i>Segment Reporting</i>	<b>Council &amp; Administration</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$2,987,567	\$3,943,234	\$2,743,314
Ontario conditional grants	-	-	4,641
Other municipalities	185,833	144,264	279,639
Fees and service charges	1,085,028	1,515,394	1,091,278
Other revenue/gain (loss) sale of assets	250,000	381,020	262,301
<i>Total revenues</i>	\$4,508,428	\$5,983,912	\$4,381,173
<b>Expenditures</b>			
Salary, wages and benefits	\$2,101,758	\$2,055,303	\$1,959,699
Goods and services	1,220,341	1,247,258	1,046,887
External transfers	1,229,282	1,425,615	1,199,411
Amortization expense	584,725	677,499	354,258
<i>Total expenditures</i>	\$5,136,106	\$5,405,675	\$4,560,255



# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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. Environmental Services is limited to managing inter-municipal waste disposal agreements.

<i>Segment Reporting</i>	<b>Transportation Services</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$18,367,794	\$17,782,789	\$17,464,180
Ontario conditional grants	391,772	415,784	276,701
Canada conditional grants	2,254,920	3,055,335	2,332,685
Other municipalities	1,250,000	1,138,245	1,295,240
Fees and service charges	50,000	294,414	367,064
Other revenue/gain (loss) sale of assets	-	(66,168)	(342,362)
<i>Total revenues</i>	\$22,314,486	\$22,620,399	\$21,393,508
<b>Expenditures</b>			
Salary, wages and benefits	\$4,497,141	\$4,032,201	\$4,257,689
Goods and services	4,653,647	5,048,094	4,220,598
External transfers	371,432	319,555	293,598
Debt servicing	-	26,303	27,144
Amortization expense	6,560,482	6,444,404	6,266,243
<i>Total expenditures</i>	\$16,082,702	\$15,870,557	\$15,065,272

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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, for emergency planning and preparedness in Middlesex County, for fire safety and fire investigation in Middlesex County, for the fire communication system in Middlesex County, and for administering agreements for 911 communication and fire dispatch in Middlesex County.

<b>Segment Reporting</b>	<b>Emergency Services</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$2,709,574	\$2,891,976	\$2,782,935
Ontario conditional grants	17,517,146	18,382,687	17,046,455
Other municipalities	14,728,089	14,728,089	14,407,918
Fees and service charges	-	191,151	141,245
Other revenue/gain (loss) sale of assets	-	(28,495)	(18,944)
<i>Total revenues</i>	\$34,954,809	\$36,165,408	\$34,359,609
<b>Expenditures</b>			
Salary, wages and benefits	\$28,838,495	\$32,457,015	\$27,940,985
Goods and services	3,567,860	3,814,414	3,285,275
External transfers	1,355,374	2,038,895	1,778,684
Amortization expense	1,404,584	1,433,557	1,424,359
<i>Total expenditures</i>	\$35,166,313	\$39,743,881	\$34,429,303

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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.

<b>Segment Reporting</b>	<b>Social Services</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$5,375,102	\$5,142,729	\$5,018,574
Ontario conditional grants	7,897,765	8,405,433	6,751,330
Fees and service charges	-	105	189
<i>Total revenues</i>	<i>\$13,272,867</i>	<i>\$13,548,267</i>	<i>\$11,770,093</i>
<b>Expenditures</b>			
Salary, wages and benefits	\$1,552,863	\$1,474,520	\$1,404,567
Goods and services	159,894	108,925	35,372
External transfers	11,475,006	11,895,683	10,253,286
<i>Total expenditures</i>	<i>\$13,187,763</i>	<i>\$13,479,128</i>	<i>\$11,693,225</i>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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.

<b>Segment Reporting</b>	<b>Strathmere Lodge</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$2,805,530	\$2,904,569	\$2,560,832
Ontario conditional grants	8,518,421	8,322,098	8,139,725
Fees and service charges	4,053,572	4,116,605	3,993,904
Other revenue/gain (loss) sale of assets	-	(3,936)	-
<i>Total revenues</i>	<b>\$15,377,523</b>	<b>\$15,339,336</b>	<b>\$14,694,461</b>
<b>Expenditures</b>			
Salary, wages and benefits	\$11,614,105	\$12,013,193	\$11,127,494
Goods and services	1,567,041	1,443,631	1,373,078
External transfers	592,251	728,440	690,934
Debt servicing	320,185	320,186	361,482
Amortization expense	732,434	728,475	712,925
<i>Total expenditures</i>	<b>\$14,826,016</b>	<b>\$15,233,925</b>	<b>\$14,265,913</b>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. Segmented information (continued):

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

<b>Segment Reporting</b>	<b>IT</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$995,151	\$869,086	\$835,115
Other municipalities	122,000	122,000	90,659
Fees and service charges	8,000	8,431	8,452
<i>Total revenues</i>	<i>\$1,125,151</i>	<i>\$999,517</i>	<i>\$934,226</i>
<b>Expenditures</b>			
Salary, wages and benefits	\$961,074	\$872,546	\$649,871
Goods and services	341,610	302,402	346,989
Amortization expense	188,287	177,974	186,364
<i>Total expenditures</i>	<i>\$1,490,971</i>	<i>\$1,352,922</i>	<i>\$1,183,224</i>

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. Segmented information (continued):

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

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

<i>Segment Reporting</i>	<b>Library</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$4,038,264	\$4,038,264	\$4,038,264
Ontario conditional grants	290,740	993,262	340,342
Canada conditional grants	11,163	3,360	4,788
Other municipalities	-	20,000	-
Fees and service charges	40,000	55,496	136,927
Other revenue/gain (loss) sale of assets	64,773	44,840	49,566
<i>Total revenues</i>	\$4,444,940	\$5,155,222	\$4,569,887
<b>Expenditures</b>			
Salary, wages and benefits	\$2,806,812	\$2,722,072	\$2,568,671
Goods and services	486,575	598,549	548,733
External transfers	779,498	668,764	647,115
Amortization expense	518,814	517,450	496,614
<i>Total expenditures</i>	\$4,591,699	\$4,506,835	\$4,261,133

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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>	<b>Planning</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$1,057,658	\$1,079,759	\$912,213
Ontario conditional grants	-	-	18,478
Other municipalities	-	6,310	16,633
Fees and service charges	50,000	74,150	84,053
Other revenue/gain (loss) sale of assets	60,000	5,381	42,821
<i>Total revenues</i>	\$1,167,658	\$1,165,600	\$1,074,198
<b>Expenditures</b>			
Salary, wages and benefits	\$973,684	\$960,602	\$837,272
Goods and services	132,863	119,455	140,065
External transfers	25,000	54,117	56,586
<i>Total expenditures</i>	\$1,131,547	\$1,134,174	\$1,033,923

# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 16. 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.

<b>Segment Reporting</b>	<b>Economic Development</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$487,508	\$456,472	\$406,356
Fees and service charges	-	-	12,643
Other revenue/gain (loss) sale of assets	-	9,780	-
<i>Total revenues</i>	\$487,508	\$466,252	\$418,999
<b>Expenditures</b>			
Salary, wages and benefits	\$216,201	\$213,658	\$188,971
Goods and services	58,840	117,903	128,620
External transfers	212,835	101,530	92,607
Amortization expense	13,304	13,304	20,427
<i>Total expenditures</i>	\$501,180	\$446,395	\$430,625



# THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

---

## 16. 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>	<b>Non Departmental</b>		
	<i>2018 Budget</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
<b>Revenues</b>			
Tax revenue	\$348,620	\$471,597	\$192,912
Ontario conditional grants	703,800	703,800	828,000
<i>Total revenues</i>	\$1,052,420	\$1,175,397	\$1,020,912
<b>Expenditures</b>			
External transfers	1,160,961	1,175,397	1,020,912
<i>Total expenditures</i>	\$1,160,961	\$1,175,397	\$1,020,912