

Consolidated Financial Statements

THE CORPORATION OF THE COUNTY OF MIDDLESEX

And independent Auditors' Report thereon

Year ended December 31, 2019



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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, 2019
- 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, 2019, 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

August 11, 2020

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$16,333,608	\$7,978,800
Investments (note 4)	19,274,512	13,928,649
Accounts receivable	7,390,240	6,516,889
Loans receivable (note 5)	1,891,730	3,342,063
Accounts receivable – long term	148,821	156,821
	45,038,911	31,923,222
Financial liabilities:		
Accounts payable and accrued liabilities	11,577,330	8,876,120
Employee future benefits (note 7)	8,250,145	9,127,681
Deferred revenue (note 8)	6,225,588	2,930,920
Term loan (note 9)	5,785,000	6,675,000
Total liabilities	31,838,063	27,609,721
Net financial assets	13,200,848	4,313,501
Non-financial assets:		
Tangible capital assets (note 15)	144,721,294	143,488,219
Prepaid expenses	1,644,690	1,628,710
Inventories held for consumption or use	44,937	36,145
	146,410,921	145,153,074
Contingencies and commitments (note 6)		
Subsequent event (note 17)		
Accumulated surplus (note 14)	\$159,611,769	\$149,466,575

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget 2019	2019	2018
Revenues:			
Requisition on local municipalities	\$41,728,333	\$41,938,219	\$39,580,475
Government grants (note 10)	56,825,646	61,777,881	56,440,668
Lodge resident maintenance	4,143,553	4,134,302	4,044,923
User charges	1,327,296	1,853,268	2,210,823
Investment income	250,000	550,166	399,530
Other revenue (note 11)	103,000	58,085	63,145
Loss on disposal of tangible capital assets	–	(70,572)	(120,253)
	104,377,828	110,241,349	102,619,311
Expenditures:			
General government	7,278,766	6,948,644	6,758,596
Protection to persons and property	745,508	689,656	743,310
Transportation services	15,896,835	15,752,895	15,082,934
Environmental	25,000	25,426	44,313
Health services	38,312,412	38,616,298	40,919,279
Social and family services	24,424,501	27,132,182	24,431,578
Social housing	4,465,414	4,385,154	4,281,475
Recreation and cultural development	4,895,664	4,903,273	4,506,835
Planning and development	1,763,086	1,642,627	1,580,569
	97,807,186	100,096,155	98,348,889
Annual surplus:	6,570,642	10,145,194	4,270,422
Accumulated surplus, beginning of year	149,466,575	149,466,575	145,196,153
Accumulated surplus, end of year	\$156,037,217	\$159,611,769	\$149,466,575

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, 2019, with comparative information for 2018

	Budget 2019	2019	2018
Annual surplus	\$6,570,642	\$10,145,194	\$4,270,422
Amortization of tangible capital assets	10,459,185	10,374,950	9,992,665
Acquisition of tangible capital assets	(15,830,147)	(15,403,290)	(15,021,113)
Asset under construction	–	3,547,734	(2,591,697)
Loss on sale of tangible capital assets	–	70,572	120,253
Proceeds on sale of tangible capital assets	–	176,959	202,864
Change in inventories held for consumption or use	–	(8,792)	(549)
Change in prepaid expenses	–	(15,980)	(264,645)
Change in net financial assets (debt)	1,199,680	8,887,347	(3,291,800)
Net financial assets, beginning of year	4,313,501	4,313,501	7,605,301
Net financial assets, end of year	\$5,513,181	\$13,200,848	\$4,313,501

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$10,145,194	\$4,270,422
Items not involving cash:		
Amortization	10,374,950	9,992,665
Loss on sale of tangible capital assets	70,572	120,253
Changes in non-cash operating working capital:		
Accounts receivable	(873,351)	133,369
Accounts payable and accrued liabilities	2,701,210	(2,669,012)
Employee future benefits	(877,536)	3,872,710
Deferred revenue	3,294,668	(890,126)
Prepaid expenses	(15,980)	(264,645)
Inventories held for consumption or use	(8,792)	(549)
	24,810,935	14,565,087
Investing activities:		
Investments	(5,345,863)	2,736,690
Loans receivable	1,450,333	1,296,729
Long-term account receivable	8,000	(156,821)
Acquisition of tangible capital assets	(15,403,290)	(15,021,113)
Assets under construction	3,547,734	(2,591,697)
Proceeds on sale of tangible capital assets	176,959	202,864
	(15,566,127)	(13,533,348)
Financing activities:		
Term loan	(890,000)	(890,000)
Increase in cash	8,354,808	141,739
Cash, beginning of year	7,978,800	7,837,061
Cash, end of year	\$16,333,608	\$7,978,800

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

1. Significant accounting policies (continued):

(m) Liabilities for contaminated sites:

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

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

2. Contributions to unconsolidated joint boards:

Further to note 1(b), the County made contributions for the year ended December 31, 2019 in the amount of \$1,106,873 (2018 - \$1,175,397) to the Middlesex London Health Unit.

3. Trust funds:

Trust funds administered by the County for the year ended December 31, 2019 amounting to \$70,911 (2018 - \$68,233) have not been included in the consolidated financial statements.

4. Investments:

Total investments of \$19,274,512 (2018 - \$13,928,649) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$19,765,580 (2018 - \$14,325,551). At the end of the year, these investments are comprised of:

	2019	2018
Cash and cash equivalents	\$3,229,326	\$354,290
Fixed income securities	16,045,186	13,574,359
	<u>\$19,274,512</u>	<u>\$13,928,649</u>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Loans receivable:

Loans receivable consist of interest free loans to lower tier municipalities. At December 31, 2019 the amount outstanding was \$1,891,730 (2018 - \$3,342,063). The amounts to be received in the next three years are as follows:

2020	\$840,617
2021	709,367
2022	341,746
	<hr/>
	\$1,891,730

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.

(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:

2020	\$1,956,663
2021	1,966,556
2022	1,930,286
2023	1,812,053
2024	1,776,922
Thereafter	24,135,413
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	\$33,577,893

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Employee future benefits:

(a) Pension:

The County contributed \$3,456,619 (2018 - \$3,408,381.50) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Consolidated Statement of Operations.

(b) Health, dental and life insurance:

The County provides certain employee benefits such as health, dental and life insurance to qualified retirees until they reach 65 years of age that will require funding in future periods. The most recent actuarial valuation was undertaken as at December 31, 2019, and it provided projected expense and liability disclosure information for the fiscal periods 2020, 2021 and 2022. The benefit obligation continuity is as follows:

	2019	2018
Accrued benefit obligation, January 1	\$2,341,100	\$2,216,000
Current period benefit cost	292,600	198,700
Post-employment benefit interest expenditure	98,200	79,500
Benefits paid	(241,700)	(153,100)
Actuarial loss and amortization of losses	366,100	-
Plan amendments	151,300	-
Accrued benefit obligation, December 31	3,007,600	2,341,100
Unamortized actuarial loss	(544,000)	(244,600)
Liability for benefits	\$2,463,600	\$2,096,500

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$292,600	\$198,700
Amortization of actuarial losses	66,700	46,400
Post-employment benefit interest expenditure	98,200	79,500
Plan amendments	151,300	-
	\$608,800	\$324,600

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Employee future benefits (continued):

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

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

	2019	2018
Discount rate	2.9%	3.4%
Rate of compensation increases	3.0%	3.0%
Dental and other Extended Health Care costs increase	4.0%	4.0%
Extended Health Care cost increases	5.85% for 2019 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.63% for 2018 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 \$1,594,838 (2018 - \$1,749,347).

The estimate of the future benefit costs for WSIB claims of \$5,786,545 (2018 - \$7,031,181) 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	13.23%
Accidents from 1990 to 1997 and non-economic loss pensions	31.64%
Accidents after 1997	16.08%

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

	2019	2018
Health, dental and life insurance benefit obligations	\$2,463,600	\$2,096,500
WSIB benefit obligations	5,786,545	7,031,181
	\$8,250,145	\$9,127,681

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Deferred revenue:

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

	2019	2018
Federal gas tax	\$4,712,433	\$2,636,260
Subsidy advances from provincial ministries	1,267,235	103,544
Subsidy advance from The City of London	245,920	191,116
	<u>\$6,225,588</u>	<u>\$2,930,920</u>

9. Term loan:

	2019	2018
Term loan payable, bearing interest at 4.64%, repayable in semi-annual installments of \$445,000 of principal plus interest	\$5,785,000	\$6,675,000

Interest paid on this loan during 2019 was \$278,889 (2018 - \$320,185).

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

	Principal	Interest
2020	\$ 890,000	\$ 238,046
2021	890,000	196,071
2022	890,000	154,775
2023	890,000	113,479
2024	890,000	72,409
Thereafter	1,335,000	30,887
	<u>\$5,785,000</u>	<u>\$805,667</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.

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 \$1,136,708 (2018 - \$1,138,245) 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, 2019

11. Other revenue:

Other revenue from operations is comprised of:

	2019	2018
Sale of timber, maps and books	\$24,531	\$23,935
Donations	19,731	21,258
Fines and lost books	13,377	17,660
Transfer from trust	446	292
	<u>\$58,085</u>	<u>\$63,145</u>

12. Land ambulance:

The County has estimated its liability for cross border ambulance services for 2001 – 2019. 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 and term loans.

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, 2019

14. Accumulated surplus:

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

	2019	Transfers to (from) reserves	2018
Reserves:			
Working capital	\$730,607	\$390,984	\$339,623
Insurance	832,601	17,276	815,325
Winter control	(25,376)	769,693	(795,069)
Ambulance services	3,930,357	(558,932)	4,489,289
Tax rate stabilization	3,092,023	649,377	2,442,646
Woodlands	203,723	(17,550)	221,273
Tree bank	80,998	(29,250)	110,248
Total reserves	8,844,933	1,221,598	7,623,335
Reserve funds set aside for specific purposes by legislation, regulation or agreement:			
Future road construction	12,993,559	605,080	12,388,479
Wind farm decommission – fees	529,316	89,923	439,393
Capital works	10,206,896	85,846	10,121,050
Strathmere Lodge equipment	533,856	39,162	494,694
Gifts and donations (Strathmere Lodge)	15,250	(7,816)	23,066
Chapel fund (Strathmere Lodge)	3,660	784	2,876
IT equipment	343,262	52,751	290,511
Strathroy Library	67,416	967	66,449
Murray Elliott	68,575	984	67,591
Total reserve funds	24,761,790	867,681	23,894,109
Surplus:			
Invested in tangible capital assets	144,721,294		143,488,219
Term loan	(5,785,000)		(6,675,000)
Financed (unfinanced) capital	(4,963,302)		(10,317,091)
Net investment in tangible capital assets	133,972,992		126,496,128
General Revenue Fund	631,163		916,108
Unfunded:			
Future benefit cost liability	(8,250,145)		(9,127,681)
Accrued interest on long-term liabilities	(133,844)		(154,436)
Vacation payable	(215,120)		(180,988)
Total surplus	126,005,046		117,949,131
Accumulated surplus	\$159,611,769		\$149,466,575

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

15. Tangible capital assets:

(a) 2019 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	\$4,899,482	\$203,949	\$ -	\$5,103,431
Buildings	43,569,940	138,638	-	43,708,578
Machinery and equipment	13,641,889	496,694	(236,276)	13,902,307
Vehicles	12,702,180	1,370,938	(993,442)	13,079,676
Road network and bridges	153,568,408	12,868,657	(3,820,956)	162,616,109
Library collections	3,624,454	324,414	(325,220)	3,623,648
Assets under construction	6,332,992	840,412	(4,388,146)	2,785,258
Total	\$238,339,345	\$16,243,702	\$(9,764,040)	\$244,819,007

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	\$13,106,385	\$1,288,391	\$ -	\$14,394,776
Machinery and equipment	8,202,238	1,263,606	(224,479)	9,241,365
Vehicles	6,741,880	1,436,603	(913,977)	7,264,506
Road network and bridges	65,168,901	5,991,701	(3,664,687)	67,495,915
Library collections	1,631,722	394,649	(325,220)	1,701,151
Total	\$94,851,126	\$10,374,950	\$(5,128,363)	\$100,097,713

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

15. Tangible capital assets (continued):

(a) 2019 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Net Book Value		
Category	Net Book Value December 31, 2018	Net Book Value December 31, 2019
Land	\$4,899,482	\$5,103,431
Buildings	30,463,555	29,313,802
Machinery and equipment	5,439,651	4,660,942
Vehicles	5,960,300	5,815,170
Road network and bridges	88,399,507	95,120,194
Library collections	1,992,732	1,922,497
Assets under construction	6,332,992	2,785,258
Total	\$143,488,219	\$144,721,294

During the year the Corporation sold the property located at 399 Ridout St. and 50 King St. at a price of \$30,000,000. The transfer of the property to the purchaser is set to occur on August 17, 2020.

(b) 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
Total	\$224,659,159	\$19,838,517	\$(6,158,331)	\$238,339,345

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

15. Tangible capital assets (continued):

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

Accumulated amortization				
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
Total	\$88,467,968	\$9,992,665	\$(3,609,507)	\$94,851,126

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
Total	\$136,191,191	\$143,488,219

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

Segment Reporting	Council & Administration		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$3,320,335	\$4,169,565	\$3,943,234
Ontario conditional grants	-	16,514	-
Other municipalities	185,833	179,239	144,264
Fees and service charges	1,090,200	1,070,417	1,515,394
Other revenue/gain (loss) sale of assets	250,000	545,436	381,020
<i>Total revenues</i>	\$4,846,368	\$5,981,171	\$5,983,912
Expenditures			
Salary, wages and benefits	\$2,363,260	\$2,087,632	\$2,055,303
Goods and services	1,234,629	1,041,054	1,247,258
External transfers	1,268,079	1,522,168	1,425,615
Amortization expense	750,121	750,680	677,499
<i>Total expenditures</i>	\$5,616,089	\$5,401,534	\$5,405,675

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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. This department is also responsible for emergency planning and preparedness, fire safety and fire investigation, fire communication system, and for administering agreements for 911 communication and fire dispatch in Middlesex County. Environmental Services is limited to managing inter-municipal waste disposal agreements.

<i>Segment Reporting</i>	Transportation Services		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$19,055,952	\$19,212,139	\$17,782,789
Ontario conditional grants	600,124	600,124	415,784
Canada conditional grants	2,170,588	2,421,320	3,055,335
Other municipalities	1,250,000	1,136,708	1,138,245
Fees and service charges	50,000	386,376	294,414
Other revenue/gain (loss) sale of assets	-	(50,284)	(66,168)
<i>Total revenues</i>	\$23,126,664	\$23,706,383	\$22,620,399
Expenditures			
Salary, wages and benefits	\$4,863,545	\$4,833,319	\$4,032,201
Goods and services	4,687,779	4,577,727	5,048,094
External transfers	278,508	294,042	319,555
Debt servicing	25,000	25,426	26,303
Amortization expense	6,812,511	6,737,463	6,444,404
<i>Total expenditures</i>	\$16,667,343	\$16,467,977	\$15,870,557

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

<i>Segment Reporting</i>	Emergency Services		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$2,781,519	\$3,206,139	\$2,891,976
Ontario conditional grants	18,184,835	19,323,873	18,382,687
Other municipalities	16,443,000	16,442,979	14,728,089
Fees and service charges	-	134,293	191,151
Other revenue/gain (loss) sale of assets	-	4,219	(28,495)
<i>Total revenues</i>	\$37,409,354	\$39,111,503	\$36,165,408
Expenditures			
Salary, wages and benefits	\$30,415,334	\$30,108,959	\$32,457,015
Goods and services	3,649,048	3,926,340	3,814,414
External transfers	1,677,136	2,036,659	2,038,895
Amortization expense	1,409,933	1,437,467	1,433,557
<i>Total expenditures</i>	\$37,151,451	\$37,509,425	\$39,743,881

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

Segment Reporting	Social Services		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$5,573,053	\$5,225,216	\$5,142,729
Ontario conditional grants	7,897,771	11,472,862	8,405,433
Fees and service charges	-	84	105
<i>Total revenues</i>	\$13,470,824	\$16,698,162	\$13,548,267
Expenditures			
Salary, wages and benefits	\$1,465,443	\$1,302,754	\$1,474,520
Goods and services	165,294	58,215	108,925
External transfers	11,749,276	15,197,591	11,895,683
<i>Total expenditures</i>	\$13,380,013	\$16,558,560	\$13,479,128

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

Segment Reporting	Strathmere Lodge		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$3,380,030	\$2,732,043	\$2,904,569
Ontario conditional grants	8,435,228	8,475,029	8,322,098
Fees and service charges	4,226,149	4,263,123	4,116,605
Other revenue/gain (loss) sale of assets	15,000	(8,212)	(3,936)
<i>Total revenues</i>	<i>\$16,056,407</i>	<i>\$15,461,983</i>	<i>\$15,339,336</i>
Expenditures			
Salary, wages and benefits	\$12,228,466	\$11,712,238	\$12,013,193
Goods and services	1,640,312	1,509,579	1,443,631
External transfers	596,712	712,231	728,440
Debt servicing	278,889	278,890	320,186
Amortization expense	765,523	745,838	728,475
<i>Total expenditures</i>	<i>\$15,509,902</i>	<i>\$14,958,776</i>	<i>\$15,233,925</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

Segment Reporting	IT		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$1,157,629	\$1,019,901	\$869,086
Other municipalities	124,440	131,499	122,000
Fees and service charges	8,000	8,431	8,431
<i>Total revenues</i>	\$1,290,069	\$1,159,831	\$999,517
Expenditures			
Salary, wages and benefits	\$1,076,515	\$1,025,447	\$872,546
Goods and services	393,696	337,529	302,402
Amortization expense	192,466	184,134	177,974
<i>Total expenditures</i>	\$1,662,677	\$1,547,110	\$1,352,922

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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>	Library		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$4,042,513	\$4,042,513	\$4,038,264
Ontario conditional grants	842,747	870,090	993,262
Canada conditional grants	11,163	3,384	3,360
Other municipalities	-	-	20,000
Fees and service charges	46,500	65,437	55,496
Other revenue/gain (loss) sale of assets	37,000	41,568	44,840
<i>Total revenues</i>	\$4,979,923	\$5,022,992	\$5,155,222
Expenditures			
Salary, wages and benefits	\$2,831,403	\$2,891,265	\$2,722,072
Goods and services	508,527	566,108	598,549
External transfers	1,031,588	931,016	668,764
Amortization expense	524,146	514,883	517,450
<i>Total expenditures</i>	\$4,895,664	\$4,903,272	\$4,506,835

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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>	Planning		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$1,186,966	\$1,121,539	\$1,079,759
Other municipalities	-	-	6,310
Fees and service charges	50,000	59,410	74,150
Other revenue/gain (loss) sale of assets	51,000	194	5,381
<i>Total revenues</i>	\$1,287,966	\$1,181,143	\$1,165,600
Expenditures			
Salary, wages and benefits	\$1,078,643	\$1,010,490	\$960,602
Goods and services	137,391	131,336	119,455
External transfers	55,000	17,226	54,117
<i>Total expenditures</i>	\$1,271,034	\$1,159,052	\$1,134,174

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

Segment Reporting	Economic Development		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$485,994	\$437,293	\$456,472
Other revenue/gain (loss) sale of assets	-	4,759	9,780
<i>Total revenues</i>	\$485,994	\$442,052	\$466,252
Expenditures			
Salary, wages and benefits	\$212,892	\$221,472	\$213,658
Goods and services	37,340	91,087	117,903
External transfers	237,335	166,531	101,530
Amortization expense	4,485	4,485	13,304
<i>Total expenditures</i>	\$492,052	\$483,575	\$446,395

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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>	Non Departmental		
	<i>2019 Budget</i>	<i>2019 Actual</i>	<i>2018 Actual</i>
Revenues			
Tax revenue	\$744,342	\$771,871	\$471,597
Ontario conditional grants	679,917	698,630	703,800
<i>Total revenues</i>	\$1,424,259	\$1,470,501	\$1,175,397
Expenditures			
External transfers	1,160,961	1,106,873	1,175,397
<i>Total expenditures</i>	\$1,160,961	\$1,106,873	\$1,175,397

17. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the County has experienced the following indicators of financial implications and undertaken the following activities in related to the COVID-19 pandemic:

- Closure of all library branches from March 16, 2020 to the date of the auditor's report based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Temporary staff layoffs for the library branches and additional staff hiring for the Middlesex-London Emergency Medical Services

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.