



Committee of the Whole

Meeting Date: August 10, 2021
Submitted by: Cindy Howard, General Manager Finance and Community Services/Treasurer
SUBJECT: 2020 CONSOLIDATED FINANCIAL STATEMENTS

BACKGROUND:

In the agenda package is the 2020 Consolidated Financial Statement for the County of Middlesex.

ANALYSIS:

The 2020 Consolidated Financial Statements consist of four statements and the notes as follows:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows.

Consolidated Statement of Change in Net Financial Assets

The figures for net financial assets (or net debt) are already reported on the Statement of Financial Position. The Statement of Change in Net Financial Assets reports the items that explain the difference between the surplus or deficit from operations and the change in net financial assets (or net debt) for the period. This statement of change provides important accountability information regarding the extent to which the expenditures of the accounting period are met by the revenues recognized in the period.

The Statement of Change in Net Financial Assets (or Net Debt) must report the acquisition of tangible capital assets in the accounting period as well as other significant items that explain the difference between the surplus or deficit for the accounting period and the change in Net Financial Assets (or Net Debt) in the period.

The County has implemented Public Sector Accounting Board (“PSAB”) sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements.

Note 14 shows that the General Revenue Fund balance is \$4,180,583.

Note 16 outlines the details of the sale of 399 Ridout Street and 50 King Street. The sales of these properties were completed on December 18, 2020. The County received approximately \$13 million in cash and a four-year Vendor Take-Back Mortgage in the amount of approximately \$17 million. The mortgage is non-interest bearing until December 2024 and in return the County is able to lease the County Building rent free until December 2024. The Financial Statements include the Present Value of the Mortgage Receivable and the Prepaid Rent.

The effects of COVID-19 are included in Note 18. On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The County has taken the following activities in relational to the COVID-19 pandemic:

- The closure of a number of facilities to the general public;
- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing and/or provincial public health and workplace safety measures and restrictions;
- The implementation of working from home requirements for certain municipal employees;
- Temporary staff layoffs for some part-time staff in the library branches.

However, there remains uncertainty over future cash flows and this could cause significant changes to the assets or liabilities and may have significant impact on future operations. An estimate of the financial effect is not practicable at this time.

RECOMMENDATION:

That the 2020 Consolidated Financial Statements of the Corporation of the County of Middlesex be accepted; and

That the 2020 financial statements be posted on the County’s website.

Attachments

Consolidated Financial Statements

THE CORPORATION OF THE COUNTY OF MIDDLESEX

And independent Auditors' Report thereon

Year ended December 31, 2020

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$31,624,561	\$16,333,608
Investments (note 4)	22,749,252	19,274,512
Accounts receivable	7,966,100	7,390,240
Loans receivable (note 5)	1,051,113	1,891,730
Accounts receivable – long term	94,821	148,821
Mortgage receivable – long term (note 16)	15,693,800	–
	79,179,647	45,038,911
Financial liabilities:		
Accounts payable and accrued liabilities	13,059,687	11,577,330
Employee future benefits (note 7)	8,868,600	8,250,145
Deferred revenue (note 8)	6,773,241	6,225,588
Term loan (note 9)	4,895,000	5,785,000
Total liabilities	33,596,528	31,838,063
Net financial assets	45,583,119	13,200,848
Non-financial assets:		
Tangible capital assets (note 15)	152,690,321	144,721,294
Prepaid expenses	2,768,901	1,644,690
Inventories held for consumption or use	36,657	44,937
	155,495,879	146,410,921
Contingencies and commitments (note 6)		
Effects of COVID-19 (note 18)		
Accumulated surplus (note 14)	\$201,078,998	\$159,611,769

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Revenues:			
Requisition on local municipalities	\$44,929,374	\$44,692,136	\$41,938,219
Government grants (note 10)	60,548,345	67,599,141	61,777,881
Lodge resident maintenance	4,236,868	4,088,936	4,134,302
User charges	819,403	1,650,599	1,853,268
Investment income	250,000	599,251	550,166
Other revenue (note 11)	38,000	54,773	58,085
Gain (loss) on disposal of tangible capital Assets – (note 16)	–	28,497,298	(70,572)
	110,821,990	147,182,134	110,241,349
Expenditures:			
General government	7,526,546	7,434,077	6,948,644
Protection to persons and property	493,004	560,596	689,656
Transportation services	16,641,246	15,008,712	15,752,895
Environmental	25,000	24,529	25,426
Health services	42,129,532	46,420,645	38,616,298
Social and family services	25,463,643	24,394,084	27,132,182
Social housing	5,358,781	4,682,934	4,385,154
Recreation and cultural development	5,217,751	5,184,419	4,903,273
Planning and development	1,876,145	2,004,909	1,642,627
	104,731,648	105,714,905	100,096,155
Annual surplus:	6,090,342	41,467,229	10,145,194
Accumulated surplus, beginning of year	159,611,769	159,611,769	149,466,575
Accumulated surplus, end of year	\$165,702,111	\$201,078,998	\$159,611,769

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, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Annual surplus	\$6,090,342	\$41,467,229	\$10,145,194
Amortization of tangible capital assets	10,771,774	10,944,585	10,374,950
Acquisition of tangible capital assets	(16,930,859)	(17,721,016)	(15,403,290)
Asset under construction	–	(3,013,198)	3,547,734
(Gain) loss on sale of tangible capital assets (note 16)	–	(28,497,298)	70,572
Proceeds on sale of tangible capital assets (note 16)	–	30,317,900	176,959
Change in inventories held for consumption or use	–	8,280	(8,792)
Change in prepaid expenses	–	(1,124,211)	(15,980)
Change in net financial assets (debt)	(68,743)	32,382,271	8,887,347
Net financial assets, beginning of year	13,200,848	13,200,848	4,313,501
Net financial assets, end of year	\$13,132,105	\$45,583,119	\$13,200,848

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$41,467,229	\$10,145,194
Items not involving cash:		
Amortization	10,944,585	10,374,950
(Gain) loss on sale of tangible capital assets (note 16)	(28,497,298)	70,572
Changes in non-cash operating working capital:		
Accounts receivable	(575,860)	(873,351)
Accounts payable and accrued liabilities	1,482,357	2,701,210
Employee future benefits	618,455	(877,536)
Deferred revenue	547,653	3,294,668
Prepaid expenses	(1,124,211)	(15,980)
Inventories held for consumption or use	8,280	(8,792)
	24,871,190	24,810,935
Investing activities:		
Investments	(3,474,740)	(5,345,863)
Loans receivable	840,617	1,450,333
Long-term account receivable	54,000	8,000
Long-term mortgage receivable (note 16)	(15,693,800)	–
Acquisition of tangible capital assets	(17,721,016)	(15,403,290)
Assets under construction	(3,013,198)	3,547,734
Proceeds on sale of tangible capital assets (note 16)	30,317,900	176,959
	(8,690,237)	(15,566,127)
Financing activities:		
Term loan	(890,000)	(890,000)
Increase in cash	15,290,953	8,354,808
Cash, beginning of year	16,333,608	7,978,800
Cash, end of year	\$31,624,561	\$16,333,608

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements

December 31, 2020, with comparative information for 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)

December 31, 2020, with comparative information for 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)

December 31, 2020, with comparative information for 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)

December 31, 2020, with comparative information for 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. Estimates include assumptions used in estimating provisions for mortgage receivable, prepaid rent, accrued liabilities and in performing actuarial valuations of employee future benefits.

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

Actual results could differ from these estimates.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 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, 2020 in the amount of \$1,160,961 (2019 - \$1,106,873) to the Middlesex London Health Unit.

3. Trust funds:

Trust funds administered by the County for the year ended December 31, 2020 amounting to \$83,635 (2019 - \$70,911) have not been included in the consolidated financial statements.

4. Investments:

Total investments of \$22,749,252 (2019 - \$19,274,512) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$23,574,559 (2019 - \$19,765,580). At the end of the year, these investments are comprised of:

	2020	2019
Cash and cash equivalents	\$ 83,038	\$ 3,229,326
Fixed income securities	22,666,214	16,045,186
	\$ 22,749,252	\$ 19,274,512

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

5. Loans receivable:

Loans receivable consist of interest free loans to lower tier municipalities. At December 31, 2020 the amount outstanding was \$1,051,113 (2019 - \$1,891,730). The amounts to be received in the next two years are as follows:

2021	\$709,367
2022	341,746
	<u>\$1,051,113</u>

6. Contingencies and commitments:

(a) Contingencies:

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

(b) Commitments:

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

2021	\$1,977,186
2022	1,931,026
2023	1,779,832
2024	1,727,598
2025	1,888,734
Thereafter	22,163,510
	<u>\$31,467,886</u>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

7. Employee future benefits:

(a) Pension:

The County contributed \$3,810,073 (2019 - \$3,456,619) 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:

	2020	2019
Accrued benefit obligation, January 1	\$3,007,600	\$2,341,100
Current period benefit cost	345,700	292,600
Post-employment benefit interest expenditure	93,500	98,200
Benefits paid	(253,800)	(241,700)
Actuarial loss and amortization of losses	-	366,100
Plan amendments	-	151,300
Accrued benefit obligation, December 31	3,193,000	3,007,600
Unamortized actuarial loss	(464,300)	(544,000)
Liability for benefits	\$2,728,700	\$2,463,600

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$345,700	\$292,600
Amortization of actuarial losses	79,700	66,700
Post-employment benefit interest expenditure	93,500	98,200
Plan amendments	-	151,300
	\$518,900	\$608,800

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

7. Employee future benefits (continued):

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

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

	2020	2019
Discount rate	2.9%	2.9%
Rate of compensation increases	3.0%	3.0%
Dental and other Extended Health Care costs increase	4.0%	4.0%
Extended Health Care cost increases	5.72% for 2020 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.85% for 2019 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached

(c) Workplace Safety and Insurance Board:

The County has undertaken the risk which would normally be covered by the Workplace Safety and Insurance Board ("WSIB"). The County became self-insured for injured worker benefits with WSIB administering the benefits on behalf of the municipality as a schedule II employer. Payments to WSIB during the year were \$1,635,657 (2019 - \$1,594,838).

An actuarial valuation was undertaken as at December 31, 2020, it provided projected expense and liability disclosure information for the fiscal periods 2021 and 2022. The estimate of the future benefit cost for WSIB claims was \$6,139,900 (2019 - \$5,786,545).

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

	2020	2019
Discount rate	2.0%	4.75%
Inflation rate	2.0%	2.0%
Future benefit indexing rate:		
Loss of earning benefits	2.0%	2.0%
Other income benefits	2.0%	2.0%
Health benefits	4.0%	4.0%

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

7. Employee future benefits (continued):

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

	2020	2019
Health, dental and life insurance benefit obligations	\$2,728,700	\$2,463,600
WSIB benefit obligations	6,139,900	5,786,545
	\$8,868,600	\$8,250,145

8. Deferred revenue:

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

	2020	2019
Federal gas tax	\$3,322,264	\$4,712,433
Subsidy advances from provincial ministries	3,171,749	1,267,235
Subsidy advance from The City of London	279,228	245,920
	\$6,773,241	\$6,225,588

9. Term loan:

	2020	2019
Term loan payable, bearing interest at 4.64%, repayable in semi-annual installments of \$445,000 of principal plus interest	\$4,895,000	\$5,785,000

Interest paid on this loan during 2020 was \$238,272 (2019 - \$278,889).

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

	Principal	Interest
2021	\$890,000	\$196,071
2022	890,000	154,775
2023	890,000	113,479
2024	890,000	72,409
2025	890,000	30,887
Thereafter	445,000	-
	\$4,895,000	\$567,621

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

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

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 \$1,152,164 (2019 - \$1,136,708) and are included in government grants in the Consolidated Statement of Operations.

11. Other revenue:

Other revenue from operations is comprised of:

	2020	2019
Sale of timber, maps and books	\$32,336	\$24,531
Donations	19,288	19,731
Fines and lost books	2,918	13,377
Transfer from trust	231	446
	<u>\$54,773</u>	<u>\$58,085</u>

12. Land ambulance:

The County has estimated its liability for cross border ambulance services for 2001 – 2020. Based on the estimated liability a reserve has been established with funding at an amount deemed adequate to cover the estimated liability. However, the Province of Ontario and other ambulance providers have not finalized this calculation and the actual liability may differ from the estimates provided for in these consolidated financial statements.

13. Financial instruments:

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

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

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

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

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

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

14. Accumulated surplus:

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

	2020	2019
Reserves:		
Working capital	\$730,607	\$730,607
Insurance	916,199	832,601
Winter control	801,801	(25,376)
Ambulance services	2,589,769	3,930,357
Tax rate stabilization	7,644,868	3,092,023
Woodlands	179,708	203,723
Tree bank	51,498	80,998
Total reserves	12,914,450	8,844,933
Reserve funds set aside for specific purposes by legislation, regulation or agreement:		
Future road construction	16,065,160	12,993,559
Wind farm decommission – fees	616,236	529,316
Capital works	13,247,790	10,206,896
County revenue replacement investment	6,000,000	-
Strathmere Lodge equipment	450,707	533,856
Gifts and donations (Strathmere Lodge)	16,636	15,250
Chapel fund (Strathmere Lodge)	3,516	3,660
IT equipment	308,907	343,262
Strathroy Library	67,922	67,416
Murray Elliott	69,089	68,575
Total reserve funds	36,845,963	24,761,790
Surplus:		
Invested in tangible capital assets	152,690,321	144,721,294
Term loan	(4,895,000)	(5,785,000)
Financed (unfinanced) capital	8,680,950	(4,963,302)
Net investment in tangible capital assets	156,476,271	133,972,992
General Revenue Fund	4,180,583	631,163
Unfunded:		
Future benefit cost liability	(8,868,600)	(8,250,145)
Accrued interest on long-term liabilities	(113,253)	(133,844)
Vacation payable	(356,416)	(215,120)
Total surplus	151,318,585	126,005,046
Accumulated surplus	\$201,078,998	\$159,611,769

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

15. Tangible capital assets:

(a) 2020 Consolidated Schedule of Tangible Capital Assets – by category:

Cost				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Land	\$5,103,431	\$ -	\$(77,502)	\$5,025,929
Buildings	43,708,578	4,582	(5,581,521)	38,131,639
Machinery and equipment	13,902,307	1,906,430	(1,703,348)	14,105,389
Vehicles	13,079,676	2,504,586	(164,626)	15,419,636
Road network and bridges	162,616,109	13,119,817	(3,055,263)	172,680,663
Library collections	3,623,648	185,601	(371,169)	3,438,080
Assets under construction	2,785,258	4,939,865	(1,926,667)	5,798,456
Total	\$244,819,007	\$22,660,881	\$(12,880,096)	\$254,599,792

Accumulated amortization				
Category	Balance Beginning of Year	Additions	Disposals/ Transfers	Balance End of Year
Buildings	\$14,394,776	\$1,243,295	\$(4,223,180)	\$11,414,891
Machinery and equipment	9,241,365	1,214,788	(1,427,509)	9,028,644
Vehicles	7,264,506	1,545,408	(150,845)	8,659,069
Road network and bridges	67,495,915	6,560,594	(2,960,124)	71,096,385
Library collections	1,701,151	380,500	(371,169)	1,710,482
Total	\$100,097,713	\$10,944,585	\$(9,132,827)	\$101,909,471

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

15. Tangible capital assets (continued):

(a) 2020 Consolidated Schedule of Tangible Capital Assets – by category (continued):

Net Book Value		
Category	Net Book Value December 31, 2019	Net Book Value December 31, 2020
Land	\$5,103,431	\$5,025,929
Buildings	29,313,802	26,716,748
Machinery and equipment	4,660,942	5,076,745
Vehicles	5,815,170	6,760,567
Road network and bridges	95,120,194	101,584,278
Library collections	1,922,497	1,727,598
Assets under construction	2,785,258	5,798,456
Total	\$144,721,294	\$152,690,321

(b) 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

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

15. Tangible capital assets (continued):

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

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

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

16. Sale of Building:

In November 2020, the County entered into an agreement of purchase and sale for the property located at 399 Ridout Street and 50 King Street at a price of \$30,000,000. Upon sale, the County recognized a gain of \$28,351,659 which is included in the statement of operations. The sale of these properties was completed on December 18, 2020 and the terms included the County receiving \$13,012,500 cash and a four-year vendor take-back mortgage in amount of \$16,987,500. The mortgage is non-interest bearing and is due in December 2024. The County also entered into a four-year lease for 399 Ridout Street. There are no rental payments contained in the lease. The financial statements include the present value of the mortgage receivable and the prepaid rent of \$1,256,600.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information:

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

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

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

Segment Reporting	Council & Administration		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	3,545,748	\$4,362,071	\$4,169,565
Ontario conditional grants	-	741,413	16,514
Other municipalities	185,833	228,732	179,239
Fees and service charges	522,289	408,742	1,070,417
Other revenue/gain (loss) sale of assets	250,000	28,945,655	545,436
<i>Total revenues</i>	\$4,503,870	\$34,686,613	\$5,981,171
Expenditures			
Salary, wages and benefits	\$2,502,679	\$2,336,839	\$2,087,632
Goods and services	1,181,409	910,556	1,041,054
External transfers	1,299,494	1,797,639	1,522,168
Amortization expense	744,672	680,301	750,680
<i>Total expenditures</i>	\$5,728,254	\$5,725,335	\$5,401,534

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Transportation Services		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$19,542,546	\$20,207,024	\$19,212,139
Ontario conditional grants	620,316	704,058	600,124
Canada conditional grants	2,170,588	3,590,774	2,421,320
Other municipalities	1,250,000	1,326,964	1,136,707
Fees and service charges	50,000	333,265	386,375
Other revenue/gain (loss) sale of assets	-	(81,310)	(50,285)
Total revenues	\$23,633,450	\$26,080,775	\$23,706,380
Expenditures			
Salary, wages and benefits	\$5,083,326	\$4,390,651	\$4,833,319
Goods and services	4,576,466	3,543,357	4,577,727
External transfers	291,004	309,277	294,042
Debt servicing	25,000	24,529	25,426
Amortization expense	7,183,454	7,326,023	6,737,463

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

<i>Total expenditures</i>	\$17,159,250	\$15,593,837	\$16,467,977
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THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Emergency Services		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$3,683,927	\$3,740,882	\$3,206,139
Ontario conditional grants	18,954,677	22,668,672	19,323,873
Other municipalities	18,942,951	18,956,645	16,442,979
Fees and service charges	-	609,027	134,293
Other revenue/gain (loss) sale of assets	-	287,275	4,219
<i>Total revenues</i>	<i>\$41,581,555</i>	<i>\$46,262,501</i>	<i>\$39,111,503</i>
Expenditures			
Salary, wages and benefits	\$33,945,335	\$36,535,142	\$30,108,959
Goods and services	3,933,246	5,011,542	3,926,340
External transfers	1,542,738	2,202,100	2,036,659
Amortization expense	1,431,156	1,510,900	1,437,467
<i>Total expenditures</i>	<i>\$40,852,475</i>	<i>\$45,259,684</i>	<i>\$37,509,425</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Social Services		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$6,514,694	\$5,453,074	\$5,225,216
Ontario conditional grants	8,820,554	7,938,792	11,472,862
Fees and service charges	-	-	84
<i>Total revenues</i>	<i>\$15,335,248</i>	<i>\$13,391,866</i>	<i>\$16,698,162</i>
Expenditures			
Salary, wages and benefits	\$1,539,075	\$1,384,489	\$1,302,754
Goods and services	101,551	25,131	58,215
External transfers	13,599,209	11,904,219	15,197,591
<i>Total expenditures</i>	<i>\$15,239,835</i>	<i>\$13,313,839</i>	<i>\$16,558,560</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Strathmere Lodge		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$3,418,606	\$2,591,088	\$2,732,043
Ontario conditional grants	8,431,329	9,597,592	8,475,029
Fees and service charges	4,319,482	4,203,696	4,263,123
Other revenue/gain (loss) sale of assets	-	(24,520)	(8,212)
<i>Total revenues</i>	\$16,169,417	\$16,367,856	\$15,461,983
Expenditures			
Salary, wages and benefits	\$12,303,916	\$12,409,442	\$11,712,238
Goods and services	1,687,280	1,615,752	1,509,579
External transfers	599,581	750,249	712,231
Debt servicing	238,272	238,273	278,890
Amortization expense	753,540	749,463	745,838
<i>Total expenditures</i>	\$15,582,589	\$15,763,179	\$14,958,776

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	IT		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$1,267,818	\$1,465,501	\$1,019,901
Ontario conditional grants	-	29,069	-
Other municipalities	133,117	143,636	131,499
Fees and service charges	8,000	8,415	8,431
<i>Total revenues</i>	<i>\$1,408,935</i>	<i>\$1,646,621</i>	<i>\$1,159,831</i>
Expenditures			
Salary, wages and benefits	\$1,232,235	\$1,197,241	\$1,025,447
Goods and services	386,681	324,379	337,529
Amortization expense	179,376	187,122	184,134
<i>Total expenditures</i>	<i>\$1,798,292</i>	<i>\$1,708,742</i>	<i>\$1,547,110</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. 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

Segment Reporting	Library		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$4,553,773	\$4,553,773	\$4,042,513
Ontario conditional grants	484,047	975,563	870,090
Canada conditional grants	-	-	3,384
Other municipalities	-	20,000	-
Fees and service charges	106,500	99,590	65,437
Other revenue/gain (loss) sale of assets	37,000	10,648	41,568
Total revenues	\$5,181,320	\$5,659,574	\$5,022,992
Expenditures			
Salary, wages and benefits	\$3,149,116	\$2,481,483	\$2,891,266
Goods and services	541,824	875,839	566,108
External transfers	1,050,024	1,339,111	931,016
Amortization expense	476,787	487,986	514,883
Total expenditures	\$5,217,751	\$5,184,419	\$4,903,273

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Planning		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$1,232,381	\$1,154,614	\$1,121,539
Ontario conditional grants	-	1,952	-
Fees and service charges	50,000	76,800	59,410
Other revenue/gain (loss) sale of assets	1,000	40	194
<i>Total revenues</i>	<i>\$1,283,381</i>	<i>\$1,233,406</i>	<i>\$1,181,143</i>
Expenditures			
Salary, wages and benefits	\$1,101,242	\$1,090,693	\$1,010,490
Goods and services	148,841	136,567	131,336
External transfers	25,000	75,333	17,226
<i>Total expenditures</i>	<i>\$1,275,083</i>	<i>\$1,302,593</i>	<i>\$1,159,052</i>

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Economic Development		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$552,876	\$511,748	\$437,293
Ontario conditional grants	-	601	-
Canada conditional grants	46,333	166,078	5,631
Other revenue/gain (loss) sale of assets	-	13,534	4,759
<i>Total revenues</i>	\$599,209	\$691,961	\$447,683
Expenditures			
Salary, wages and benefits	\$218,659	\$268,008	\$221,472
Goods and services	38,846	124,514	91,087
External transfers	340,768	307,005	166,531
Amortization expense	2,789	2,789	4,485
<i>Total expenditures</i>	\$601,062	\$702,316	\$483,575

THE CORPORATION OF THE COUNTY OF MIDDLESEX

Notes to Consolidated Financial Statements (continued)

December 31, 2020, with comparative information for 2019

17. Segmented information (continued):

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

Segment Reporting	Non Departmental		
	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual</i>
Revenues			
Tax revenue	\$617,005	\$652,361	\$771,871
Ontario conditional grants	508,600	508,600	698,630
<i>Total revenues</i>	<i>\$1,125,605</i>	<i>\$1,160,961</i>	<i>\$1,470,501</i>
Expenditures			
External transfers	1,277,057	1,160,961	1,106,873
<i>Total expenditures</i>	<i>\$1,277,057</i>	<i>\$1,160,961</i>	<i>\$1,106,873</i>

18. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in Governments worldwide enacting emergency measures to combat the spread of the virus. Several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses, and organizations globally which has resulted in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the County, which conducts business in communities impacted by COVID-19, has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of a number of facilities to the general public;
- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing and/or provincial public health and workplace safety measures and restrictions;
- The implementation of working from home requirements for certain municipal employees;
- Temporary staff layoffs for some part-time staff in the library branches;

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.