

**The Corporation of the Town of Midland
Consolidated Financial Statements
For the year ended December 31, 2013**

**The Corporation of the Town of Midland
Consolidated Financial Statements
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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Midland

We have audited the accompanying consolidated financial statements of the The Corporation of the Town of Midland, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets (debt) and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these Consolidated financial statements present fairly, in all material respects, the financial position of the The Corporation of the Town of Midland as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants, Licensed Public Accountants

Alliston, Ontario
June 13, 2014

The Corporation of the Town of Midland
Consolidated Statement of Financial Position

December 31 2013 2012

Financial assets		
Cash and cash equivalents (Note 3)	\$ 10,300,594	\$ 9,562,219
Taxes receivable	2,953,454	2,766,554
Trade and other receivables (Note 4)	2,300,720	2,630,933
Long-term receivables	17,341	21,529
Inventories for resale	23,705	21,808
Investment in government business enterprise (Note 6)	10,001,590	9,646,362
	<u>25,597,404</u>	<u>24,649,405</u>
Liabilities		
Accounts payable and accrued liabilities	4,373,917	6,559,291
Employee future benefits (Note 8)	2,884,046	2,811,773
Interest payable	150,178	163,266
Deferred revenue (Note 5)	1,749,997	2,135,058
Net long-term debt (Note 11)	15,254,663	12,627,648
	<u>24,412,801</u>	<u>24,297,036</u>
Net financial assets	<u>1,184,603</u>	<u>352,369</u>
Non-financial assets		
Tangible capital assets (Note 12)	152,870,118	152,185,594
Prepaid deposits and expenses and inventories of supplies (Note 17)	758,545	248,882
Tangible capital assets under construction	988,225	924,773
	<u>154,616,888</u>	<u>153,359,249</u>
Accumulated surplus (Note 13)	<u>\$ 155,801,491</u>	<u>\$ 153,711,618</u>

Contingency and Commitments (Note 14)


 _____ Mayor


 _____ Treasurer

The Corporation of the Town of Midland
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2013	2013	2012
	(Note 16)		(Note 18)
Revenue (Note 19)			
Net taxation and user charges (Note 10)	\$ 25,747,636	\$ 25,801,153	\$ 25,617,701
Government grants (Note 15)	1,508,527	1,371,610	429,310
Developer contributions	70,000	50,073	89,007
Contributions from other Municipalities	189,000	255,879	244,678
Income from government business enterprises (Note 6)	400,000	772,228	490,284
Development charges (Note 5)	702,582	555,877	580,093
Contributed tangible capital assets	-	50,683	6,449,341
Other	1,286,990	1,643,553	1,574,796
	<u>29,904,735</u>	<u>30,501,056</u>	<u>35,475,210</u>
Expenses (Note 19)			
General government	2,025,998	2,599,996	2,957,117
Protection services	8,143,997	8,412,911	8,467,874
Transportation services	4,138,380	5,243,483	4,575,179
Environmental and water services	4,211,349	5,588,801	5,640,517
Recreation and culture	4,975,176	5,987,060	5,529,929
Planning and development	451,888	578,932	491,601
	<u>23,946,788</u>	<u>28,411,183</u>	<u>27,662,217</u>
Annual surplus	5,957,947	2,089,873	7,812,993
Accumulated surplus, beginning of year	153,711,618	153,711,618	145,898,625
Accumulated surplus, end of year (Note 13)	\$ 159,669,565	\$ 155,801,491	\$ 153,711,618

The Corporation of the Town of Midland
Consolidated Statement of Change in Net Financial Assets (Debt)

<u>For the year ended December 31</u>	<u>Budget 2013</u>	<u>2013</u>	<u>2012</u>
	(Note 16)		
Annual surplus	\$ 5,957,947	\$ 2,089,873	\$ 7,812,993
Acquisition of tangible capital assets	(11,362,028)	(5,526,712)	(22,230,275)
Amortization of tangible capital assets	-	4,760,413	4,434,084
Disposal of tangible capital assets	-	81,775	78,234
Decrease (increase) of tangible capital assets under construction	-	(63,452)	10,690,521
	(5,404,081)	1,341,897	785,557
Use/consumption (purchase) of prepaid deposits and expenses and inventory of supplies	-	(509,663)	19,431
Net change in net financial assets (debt)	(5,404,081)	832,234	804,988
Net financial assets (debt), beginning of year	352,369	352,369	(452,619)
Net financial assets (debt), end of year	\$ (5,051,712)	\$ 1,184,603	\$ 352,369

The Corporation of the Town of Midland
Consolidated Statement of Cash Flows

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus	\$ 2,089,873	\$ 7,812,993
Items not involving cash		
Income from government business enterprise	(772,228)	(490,284)
Amortization	4,760,413	4,434,084
	<u>6,078,058</u>	<u>11,756,793</u>
Changes in non-cash operating balances		
Taxes receivable	(186,900)	180,831
Trade and accounts receivable	330,213	1,099,515
Long-term receivables	4,188	8,575
Inventories for resale	(1,897)	14,490
Accounts payable and accrued liabilities	(2,185,374)	1,627,828
Employee future benefits	72,273	472,899
Interest payable	(13,088)	(8,637)
Deferred revenue	(385,061)	753,998
Prepaid deposits and expenses and inventories of supplies	(509,663)	19,431
	<u>3,202,749</u>	<u>15,925,723</u>
Capital transactions		
Acquisition of tangible capital assets and tangible capital assets under construction	(5,590,164)	(11,539,754)
Proceeds on sale of tangible capital assets	81,775	78,234
	<u>(5,508,389)</u>	<u>(11,461,520)</u>
Investing transactions		
Dividends from government business enterprise	417,000	400,000
Financing transactions		
Proceeds from issuance of long-term debt	3,839,750	-
Repayment of net long-term debt	(1,212,735)	(1,151,585)
	<u>2,627,015</u>	<u>(1,151,585)</u>
Net change in cash and cash equivalents	738,375	3,712,618
Cash and cash equivalents, beginning of year	9,562,219	5,849,601
Cash and cash equivalents, end of year	\$ 10,300,594	\$ 9,562,219

The Corporation of the Town of Midland

Notes to the Consolidated Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies

Management's Responsibility for the Financial Statements

The consolidated financial statements of the municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

Nature of Operations

The Corporation of the Town of Midland (the "municipality") is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The municipality provides municipal services such as fire, public works, planning, parks, recreation and culture and other general government services.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all government departments, funds, municipal organizations, committees and Boards which are owned or controlled by the municipality.

The entities owned or controlled by the municipality which have been consolidated into these financial statements are:

The Town of Midland Public Library Board
The Midland Business Improvement Area

The assets, liabilities, taxation, other revenues and expenses with respect to the operations of the school boards and the County of Simcoe are not reflected in the Town's consolidated financial statements except to record any resulting receivable or payable with the Town at year-end.

The following entities have been proportionately consolidated:

Huronian Airport Commission	49.6%
Severn Sound Environmental Association	12.9%

All inter-entity transactions and balances have been eliminated.

The investment in Midland Power Utility Corporation is accounted for using the modified equity basis of accounting, consistent with Public Sector Accounting Standards. Under this method, the government business enterprise's accounting policies, which follow Canadian generally accepted accounting principles for publicly accountable enterprises, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Midland Power Utility Corporation in its statement of financial operations.

The Corporation of the Town of Midland

Notes to the Consolidated Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies (continued)

Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenues. Expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	20 to 50 years
Buildings and building service equipment	10 to 50 years
Equipment	5 to 30 years
Infrastructure	15 to 100 years
Information technology	4 to 15 years
Vehicles	3 to 25 years

Included in buildings are structural items which have estimated useful lives of up to 100 years.

Works of Art and Historical Treasures

The municipality holds various works of art and historical treasures pertaining to recreational and cultural services. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Collection of Taxes on Behalf of Other Taxation Authorities

The municipality collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

The Corporation of the Town of Midland

Notes to the Consolidated Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies (continued)

- Pension Agreements** The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. As such, the municipality's contributions due during the year are expensed as incurred.
- Employee Future Benefits** Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued when they are vested and subject to pay out when an employee leaves the municipality's employ. Non-vesting sick leave benefits are accrued and subject to pay out if employees chose to top up their salary under the short-term sick leave plans.
- Deferred Revenue** Deferred revenue includes funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
- Also included in deferred revenue are user charges, lot levies and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.
- Government Transfers** Government transfers, which include entitlements and legislative grants, are recognized as revenue in the financial statements when the transfers is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Government transfers consist of grants and subsidies received for various operating and capital programs.
- Use of Estimates** The preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions on such areas as employee benefits, useful life and valuation of tangible capital assets, allowance for doubtful accounts, contributions from developers, accrued liabilities and contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

The Corporation of the Town of Midland

Notes to the Consolidated Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Tax receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Developer contributions and fees for services are recognized over the period of service or when required expenditures occur if applicable.

Investment income earned (other than on obligatory funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances and is recognized in the period in which eligible expenditures are made.

Sales of other services and other revenues are recognized on an accrual basis.

2. Change in Accounting Policy

Effective January 1, 2013, the Municipality adopted the revised Public Sector Accounting Standard Section PS 3410 Government Transfers and Section PS 3510 Tax Revenue. These changes in accounting policies have been made in accordance with the transitional provisions of the standards which are to be applied either retroactively or prospectively. The Municipality has chosen to apply these revised standards prospectively. For PS 3410 and PS 3510, there has been no effect on the consolidated financial statements.

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

3. Cash and Cash Equivalents

	2013	2012
Unrestricted cash	\$ 8,722,003	\$ 7,445,355
Restricted cash (obligatory reserve funds set aside for specific purposes by legislation)	1,578,591	2,116,864
	\$ 10,300,594	\$ 9,562,219

The unrestricted cash consists of balances held at financial institutions. The municipality has an available bank operating credit line in the amount of \$4,000,000. Outstanding indebtedness bears interest at prime less 0.75%. At year end the municipality has not utilized any amount under this credit facility.

4. Trade and Other Receivables

Included in other receivables is a balance due from the Severn Sound Environmental Association for \$241,318 (2012 - \$301,563). The balance bears interest between prime less 1.6% and prime less 1.7% and is calculated on a quarterly basis on the average balance during that period.

5. Deferred Revenue

	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
Gas tax	\$ 642,575	\$ 663,358	\$ 7,509	\$ (1,001,846)	\$ 311,596
Development charges	1,309,292	291,427	16,443	(555,877)	1,061,285
Building department	99,382	122,153	-	(55,500)	166,035
Parkland	65,615	-	775	(26,715)	39,675
Other	18,194	199,590	-	(46,378)	171,406
	\$ 2,135,058	\$ 1,276,528	\$ 24,727	\$ (1,686,316)	\$ 1,749,997

Gas tax

The municipal funding agreements require the municipality to transfer unspent gas tax funding into a reserve. The funding and interest earned in the reserve must be spent on approved projects.

Development charges

Certain user charges and fees are collected for which the related services have yet to be performed. These revenues will be recognized at the time the related services are performed.

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

6. Government Business Enterprise

The government business enterprise which has been reported in these financial statements using the modified equity method is as follows:

Midland Power Utility Corporation is a corporation incorporated under the laws of the Province of Ontario and provides municipal electrical distribution services. The Corporation of The Town of Midland owns 100% of the outstanding common shares.

	<u>2013</u>	<u>2012</u>
Assets	<u>\$ 19,633,212</u>	<u>\$ 18,363,558</u>
Liabilities	<u>\$ 9,631,622</u>	<u>\$ 8,717,196</u>
Shareholder's equity	<u>10,001,590</u>	<u>9,646,362</u>
	<u>\$ 19,633,212</u>	<u>\$ 18,363,558</u>
Combined results of operations		
Revenues	<u>\$ 19,830,698</u>	<u>\$ 20,019,282</u>
Operating expenses	<u>19,058,470</u>	<u>19,528,998</u>
Income for the year	<u>\$ 772,228</u>	<u>\$ 490,284</u>
Dividends paid to Town	<u>(417,000)</u>	<u>(400,000)</u>
	<u>\$ 355,228</u>	<u>\$ 90,284</u>

The following summarizes the municipality's transactions with Midland Power Utility Corporation:

Revenues		
Municipal taxes	\$ 36,913	\$ 39,033
Lease for substation properties	49,980	49,980
Other	52,707	63,685
Expenses		
Electricity charges	774,258	781,992
Maintenance of streetlighting and other services	160,443	82,121
Dividends Received	417,000	400,000

These transactions are in the normal course of operations and are measured at the exchange amount.

At the end of the year, the amounts due from (to) Midland Power Utility Corporation are as follows:

Trade receivable, unsecured, due on demand	\$ -	\$ 1,891
Trade payable, unsecured, due on demand	(72,397)	(114,064)

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

7. Public Library Board

The public library board which has been consolidated in these financial statements is as follows:

The Corporation of the Town of Midland Public Library Board is a corporate body as specified under the Library Act and is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

The primary role of the public library board is to provide library services to the general public.

	2013	2012
Financial assets	\$ 126,718	\$ 149,149
Financial liabilities	2,300,359	2,311,693
Net financial debt	(2,173,641)	(2,162,544)
Non-financial assets	6,578,459	6,860,960
Accumulated surplus	\$ 4,404,818	\$ 4,698,416
Combined results of operations		
Revenues	\$ 1,254,944	\$ 1,193,596
Operating expenses	(1,192,847)	(1,074,565)
Amortization	(355,696)	(357,912)
Annual deficit	\$ (293,599)	\$ (238,881)

The following summarizes the municipality's transactions with the Public Library Board:

Revenues		
Municipal contributions	\$ 998,269	\$ 953,293
Expenses		
Debenture interest	96,052	100,727

At the end of the year, the amounts due from (to) the Corporation of the Town of Midland Public Library Board are as follows:

Trade receivable, unsecured, due on demand	\$ 26,009	\$ 13,457
Trade payable, unsecured, due on demand	(55,986)	(78,438)

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

8. Employee Future Benefits

The municipality provides certain employee benefits which will require funding in future periods.

	2013	2012
Accumulated sick leave entitlements	\$ 826,551	\$ 793,584
Vacation payable	321,126	361,442
Life insurance, health and dental benefits	1,736,369	1,656,747
	\$ 2,884,046	\$ 2,811,773

The municipality pays certain life insurance, health and dental benefits on behalf of its retired employees. The municipality recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense were determined by actuarial valuation using a discount rate of 4.50% (2012 - 3.75%).

Information about The Corporation of the Town of Midland's defined benefit plan for life insurance, health and dental is as follows:

	2013	2012
Accrued benefit liability, beginning	\$ 1,656,747	\$ 1,554,415
Expense for the year	167,118	193,228
Benefits paid	(87,496)	(90,896)
Accrued benefit liability, ending	\$ 1,736,369	\$ 1,656,747

The main actuarial assumptions employed for the valuations are as follows:

(a) Salary levels

Future general salary and wage levels were assumed to increase 4% per annum.

(b) Dental costs

Dental costs were assumed to increase 4% per annum.

(c) Health Care costs

Health Care costs escalation assumed to be 8.5% decreasing by 1/4% per annum.

The date of the most recent actuarial valuation was as of December 31, 2012 with results extrapolated to December 31, 2013.

The Corporation of the Town of Midland

Notes to the Consolidated Financial Statements

December 31, 2013

9. Pension Agreements

OMERS provides pension services to more than 439,528 active and retired members and approximately 982 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the municipality to OMERS in 2013 were \$1,199,324 (2012 - \$1,001,315) of which \$50,000 related to retroactive payments for the years 2009 to 2012.

10. Net Taxation and User Charges

	Budget 2013 (Note 16)	2013	2012
Taxation revenue	\$ 31,258,175	\$ 31,239,460	\$ 30,030,240
Amount levied and remitted to School Boards	(7,735,699)	(7,768,309)	(7,741,114)
Amount levied and remitted to the County of Simcoe	(5,802,965)	(5,834,188)	(4,843,578)
Net taxation	17,719,511	17,636,963	17,445,548
User charges	8,028,125	8,164,190	8,172,153
Net taxation and user charges	<u>\$ 25,747,636</u>	<u>\$ 25,801,153</u>	<u>\$ 25,617,701</u>

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

11. Net Long-term Debt

Net long-term debt reported on the consolidated statement of financial position is comprised of the following:

	<u>2013</u>	<u>2012</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	<u>\$ 15,254,663</u>	<u>\$ 12,627,648</u>

Principal repayments for the next five years and thereafter are due as follows:

2014	\$ 1,664,248
2015	1,413,807
2016	1,055,638
2017	1,032,650
2018	1,064,212
Thereafter	<u>9,024,068</u>
	<u>\$ 15,254,623</u>

The above long-term liabilities were issued after January 1, 1996 and 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 and Housing.

The above long-term debt has various maturity dates ranging from 2015 to 2040 and varying rates of interest ranging from 2.57% to 7.875%. New long-term debt was issued in 2013 for the amount of \$3,839,750 maturing in 2023 at an interest rate of 3.05%.

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

	2013							
	12. Tangible Capital Assets							
	Land	Buildings and Building Service Equipment	Equipment	Infrastructure	Information Technology	Vehicles	Land Improvements	Total
Cost, beginning of year	\$16,423,527	\$ 50,747,911	\$ 7,084,867	\$ 84,101,528	\$ 2,345,572	\$ 6,141,263	\$ 9,195,078	\$ 176,039,746
Additions	15,249	87,972	452,882	4,510,456	187,239	63,817	209,097	5,526,712
Disposals	-	(11,400)	(363,236)	(1,610,871)	(102,463)	(198,620)	(47,236)	(2,333,826)
Cost, end of year	16,438,776	50,824,483	7,174,513	87,001,113	2,430,348	6,006,460	9,356,939	179,232,632
Accumulated amortization, beginning of year	-	12,045,729	3,250,272	1,934,044	1,215,609	2,562,996	2,845,502	23,854,152
Amortization	-	1,296,795	518,005	1,836,458	269,977	491,154	348,024	4,760,413
Disposals	-	(8,825)	(354,449)	(1,598,071)	(101,474)	(144,268)	(44,964)	(2,252,051)
Accumulated amortization, end of year	-	13,333,699	3,413,828	2,172,431	1,384,112	2,909,882	3,148,562	26,362,514
Net carrying amount, end of year	\$16,438,776	\$ 37,490,784	\$ 3,760,685	\$ 84,828,682	\$ 1,046,236	\$ 3,096,578	\$ 6,208,377	\$ 152,870,118

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

	2012							
	Land	Buildings and Building Service Equipment	Equipment	Infrastructure	Information Technology	Vehicles	Land Improvements	Total
Cost, beginning of year	\$14,624,886	\$40,641,266	\$ 6,787,464	\$ 77,060,552	\$ 2,255,859	\$ 5,957,780	\$ 8,870,161	\$ 156,197,968
Additions	1,818,903	10,139,222	523,662	8,553,495	306,914	503,051	385,028	22,230,275
Disposals	(20,262)	(32,577)	(226,259)	(1,512,519)	(217,201)	(319,568)	(60,111)	(2,388,497)
Cost, end of year	16,423,527	50,747,911	7,084,867	84,101,528	2,345,572	6,141,263	9,195,078	176,039,746
Accumulated amortization, beginning of year	-	10,902,843	2,974,744	1,737,787	1,145,987	2,398,289	2,570,681	21,730,331
Amortization	1,149,627	-	501,787	1,708,776	282,572	458,798	332,524	4,434,084
Disposals	-	(6,741)	(226,259)	(1,512,519)	(212,950)	(294,091)	(57,703)	(2,310,263)
Accumulated amortization, end of year	-	12,045,729	3,250,272	1,934,044	1,215,609	2,562,996	2,845,502	23,854,152
Net carrying amount, end of year	\$16,423,527	\$38,702,182	\$ 3,834,595	\$ 82,167,484	\$ 1,129,963	\$ 3,578,267	\$ 6,349,576	\$ 152,185,594

The net book value of tangible capital assets not being amortized because they are under construction is \$988,225 (2012 - \$924,773). These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

December 31, 2013

13. Accumulated Surplus

The municipality segregates its accumulated surplus in the following categories:

	2013	2012
Investment in tangible capital assets	\$ 152,870,118	\$ 152,185,594
Tangible capital assets financed with long-term debt	(15,254,663)	(12,627,648)
Investment in tangible capital assets under construction	988,225	924,773
Current Fund	10,671,680	6,535,600
Reserves set aside for specific purposes by Council	6,526,131	6,693,299
	\$ 155,801,491	\$ 153,711,618

14. Contingency and Commitments

In the ordinary course of business, various claims and lawsuits are brought against the municipality. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged to the year of settlement, subject to any insurance deductible.

The municipality has entered into a fixed price unleaded gasoline, diesel and coloured diesel supply and deliver contract. The total contract is approximately \$719,649 and expires February 2015.

The municipality has also entered into a three year contract for the supply and delivery of Aluminum Sulphate from 2014 to 2016. The total contract is approximately \$430,650.

15. Government Transfers

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenditures have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (entitlements with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see note 5).

The following kinds of transfers were included in revenue:

	2013	2012
Grants with stipulations	\$ 1,001,846	\$ -
Other grants	369,764	429,310
Total government transfers	\$ 1,371,610	\$ 429,310

The Corporation of the Town of Midland

Notes to Consolidated Financial Statements

December 31, 2013

16. Budget

The Financial Plan (Budget) was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the Financial Plan with adjustments as follows:

	<u>2013</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Budgeted capital expenditures	11,362,028
Budgeted principal repayments of long-term debt	1,730,332
Less:	
Budgeted transfers from accumulated surplus	(1,344,663)
Budgeted proceeds from financing	<u>(5,789,750)</u>
Budget surplus per consolidated statement of operations	<u>\$ 5,957,947</u>

17. Subsequent Event

Subsequent to the 2013 year-end, by resolution of Council, the Corporation of the Town of Midland entered into an agreement to purchase lands for \$3,400,000. Additionally, at this time management estimates the environmental contamination associated with these lands will cost between \$500,000 to \$700,000 in remediation work that will be managed through a risk assessment process. The Town has made a \$500,000 refundable deposit towards securing this property.

18. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

The Corporation of the Town of Midland

Notes to the Consolidated Financial Statements

December 31, 2013

19. Segmented Information

The municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, recreation and library services as well as road water and sewer infrastructure. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General Government is the governance of the municipality. It is comprised of Council, Corporate Health and Safety, Human Resources, General Administration as well as miscellaneous corporate initiatives.

Protection Services

Protection Services consists of fire and police services as well as community safety activities, animal control, bylaw enforcement and building inspection departments. These services provide safety and protection services to the community.

Transportation Services

Transportation Services is comprised of revenues and expenses related to the various forms of transportation available to the municipality. Transportation Services include activities relating to maintaining roads, transit services, parking, streetlighting, contributions to the local airport and various harbour activities.

Environmental Services

Water and Wastewater departments. Water and Wastewater departments provide the municipality's drinking water and sewage system. They process and clean sewage ensuring the water system meets all Provincial standards. This also includes revenues and costs relating to the wastewater treatment plant and sanitary sewer system.

Recreation and Cultural Services

Recreation and Cultural Services consists of parks, sports centre activities, recreation programs and library services. These services are for the health and informational needs of the citizens.

Planning and Development

Planning and Development is comprised of services including Town planning, Committee of Adjustment, Business Improvement Area and contributions to the local Chamber of Commerce.

Taxation Revenue

Taxation revenue is allocated to each segment based on percentage of expenses.

The Corporation of the Town of Midland
Notes to the Consolidated Financial Statements

19. Segmented Information (continued)

For the year ended December 31	Environmental and Water Services	Planning and Development	Protection Services	Recreational and Cultural Services	Transportation Services	General Government	2013 Total
Revenue							
Net taxation and user fees	\$ 5,075,087	\$ 526,344	\$ 7,639,721	\$ 5,436,303	\$ 4,762,893	\$ 2,360,805	\$ 25,801,153
Developer contributions	2,617	-	-	26,715	20,741	-	50,073
Grants	14,491	28,227	133,804	72,085	1,005,731	117,272	1,371,610
Contributed tangible capital assets	-	-	-	50,683	-	-	50,683
Contributions from other municipalities	-	6,000	65,223	153,256	31,400	-	255,879
Development charges	50,000	10,561	29,000	203,066	263,250	-	555,877
Income from government business enterprise	-	-	-	-	-	772,228	772,228
Other	146,113	8,489	151,673	316,258	299,125	721,895	1,643,553
	<u>5,288,308</u>	<u>579,621</u>	<u>8,019,421</u>	<u>6,258,366</u>	<u>6,383,140</u>	<u>3,972,200</u>	<u>30,501,056</u>
Expenses							
Salaries and benefits	1,823,669	282,141	7,281,108	2,889,900	1,862,044	1,695,512	15,834,374
Goods and services	1,977,555	296,049	903,837	1,727,451	1,929,777	389,558	7,224,227
Interest	276,889	-	-	315,280	-	-	592,169
Amortization	1,510,688	742	227,966	1,054,429	1,451,662	514,926	4,760,413
	<u>5,588,801</u>	<u>578,932</u>	<u>8,412,911</u>	<u>5,987,060</u>	<u>5,243,483</u>	<u>2,599,996</u>	<u>28,411,183</u>
Net surplus (deficit)	\$ (300,493)	\$ 689	\$ (393,490)	\$ 271,306	\$ 1,139,657	\$ 1,372,204	\$ 2,089,873

The Corporation of the Town of Midland Notes to the Consolidated Financial Statements

19. Segmented Information (continued)

For the year ended December 31	Environmental and Water Services	Planning and Development	Protection Services	Recreational and Cultural Services	Transportation Services	General Government	2012 Total
Net taxation and user fees	\$ 5,223,449	\$ 455,995	\$ 7,841,578	\$ 5,120,978	\$ 4,237,168	\$ 2,738,533	\$ 25,617,701
Developer contributions	6,662	-	-	82,345	-	-	89,007
Grants	-	6,420	139,071	132,287	41,732	109,800	429,310
Contributed tangible capital assets	-	-	-	4,635,588	1,813,753	-	6,449,341
Contributions from other municipalities	-	-	84,986	128,240	31,452	-	244,678
Development charges	325,000	-	29,000	226,093	-	-	580,093
Income from government business enterprise	-	-	-	-	-	490,284	490,284
Other	35,383	-	277,053	290,910	244,046	727,404	1,574,796
	<u>5,590,494</u>	<u>462,415</u>	<u>8,371,688</u>	<u>10,616,441</u>	<u>6,368,151</u>	<u>4,066,021</u>	<u>35,475,210</u>
Expenses							
Salaries and benefits	1,877,927	259,396	7,449,010	2,846,077	1,732,793	1,871,189	16,036,392
Goods and services	1,927,369	232,205	807,440	1,312,607	1,489,599	758,819	6,528,039
Interest	330,574	-	-	333,128	-	-	663,702
Amortization	1,504,647	-	211,424	1,038,117	1,352,787	327,109	4,434,084
	<u>5,640,517</u>	<u>491,601</u>	<u>8,467,874</u>	<u>5,529,929</u>	<u>4,575,179</u>	<u>2,957,117</u>	<u>27,662,217</u>
Net surplus (deficit)	\$ (50,023)	\$ (29,186)	\$ (96,186)	\$ 5,086,512	\$ 1,792,972	\$ 1,108,904	\$ 7,812,993