

Consolidated Financial Statements

**THE CORPORATION OF THE
TOWN OF MIDLAND**

Year ended December 31, 2016

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Midland (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



M. Susan Turnbull

Director of Finance/Treasurer



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INDEPENDENT AUDITORS' 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 Corporation of the Town of Midland which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 consolidated financial position of The Corporation of the Town of Midland as at December 31, 2016, and its consolidated results of operations, its change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

September 25, 2017

Sudbury, Canada

THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Financial Statements

Year ended December 31, 2016

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash (note 2)	\$ 14,962,297	\$ 10,307,519
Taxes receivable	2,014,616	2,063,856
Trade and other receivables	2,660,190	2,632,904
Long-term receivables	258,954	8,052
Inventories for resale	18,261	22,329
Investment in government business enterprise (note 5)	10,306,044	10,642,194
	<u>30,220,362</u>	<u>25,676,854</u>
Financial liabilities		
Accounts payable and accrued liabilities	7,517,103	6,559,300
Employee future benefits (note 7)	2,971,797	3,034,647
Interest payable	115,181	123,924
Deferred revenue (note 3)	4,892,961	3,137,011
Long-term debt (note 10)	14,199,156	12,176,416
	<u>29,696,198</u>	<u>25,031,298</u>
Net financial assets	524,164	645,556
Non-financial assets		
Tangible capital assets (note 11)	158,617,877	156,584,489
Prepaid expenses and inventory of supplies	237,021	233,975
	<u>158,854,898</u>	<u>156,818,464</u>
Contingencies and commitments (note 13)		
Accumulated surplus (note 12)	\$ 159,379,062	\$ 157,464,020

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of Council:



Mayor



Treasurer

THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget (note 15)	Actual 2016	Actual 2015
Revenue:			
Taxation (note 9)	\$ 17,944,839	\$ 18,406,171	\$ 17,803,373
User charges (note 9)	8,226,306	8,562,094	7,958,579
Government grants (note 14)	1,103,368	1,340,938	1,095,234
Developer contributions	-	11,040	40,152
Contributions from other municipalities	288,000	408,682	241,672
Income from government business enterprise (note 5)	600,000	263,850	696,609
Developer charges	285,000	-	147,747
Other	1,405,474	2,580,352	2,340,513
Total revenue	29,852,987	31,573,127	30,323,879
Expenses:			
General government	2,952,833	3,088,981	2,963,399
Protection to persons and property	8,109,255	8,305,181	9,051,984
Transportation services	4,484,241	6,333,866	5,499,442
Environmental and water services	4,800,666	5,344,899	5,629,371
Recreational and culture	5,181,859	5,919,670	6,061,553
Planning and development	522,887	665,488	437,964
Total expenses	26,051,741	29,658,085	29,643,713
Annual surplus	3,801,246	1,915,042	680,166
Accumulated surplus, beginning of year	157,464,020	157,464,020	156,783,854
Accumulated surplus, end of year	\$ 161,265,266	\$ 159,379,062	\$ 157,464,020

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 1,915,042	\$ 680,166
Acquisition of tangible capital assets	(6,631,001)	(4,594,139)
Amortization of tangible capital assets	4,449,989	4,616,856
Loss (gain) on disposal of tangible capital assets	103,061	(50,308)
Proceeds on disposal of tangible capital assets	44,563	50,308
Use of prepaid expenses and inventories of supplies	233,975	252,346
Acquisition of prepaid expenses and inventories of supplies	(237,021)	(233,975)
	(2,036,434)	41,088
Change in net financial assets	(121,392)	721,254
Net financial assets (debt), beginning of the year	645,556	(75,698)
Net financial assets, end of the year	\$ 524,164	\$ 645,556

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,915,042	\$ 680,166
Items not involving cash:		
Amortization of tangible capital assets	4,449,989	4,616,856
Loss (gain) on disposal of tangible capital assets	103,061	(50,308)
Increase (decrease) in employee future benefits	(62,850)	47,973
Income from government business enterprise	(263,850)	(696,609)
	6,141,392	4,598,078
Change in non-cash assets and liabilities:		
Decrease in taxes and user charges receivable	49,240	281,982
Increase in trade and other receivables	(27,286)	(318,935)
Decrease in inventories for resale	4,068	1,544
Increase (decrease) in accounts payable and accrued liabilities	957,803	(88,301)
Decrease in interest payable	(8,743)	(11,609)
Increase in deferred revenue	1,755,950	724,212
Decrease (increase) in prepaid expenses and inventory of supplies	(3,046)	18,371
Net change in cash from operating activities	8,869,378	5,205,342
Capital activities:		
Proceeds on disposal of tangible capital assets	44,563	50,308
Cash used to acquire tangible capital assets	(6,631,001)	(4,594,139)
Net change in cash from capital activities	(6,586,438)	(4,543,831)
Investing activities:		
Payment received on long-term receivables	(250,902)	4,804
Dividends from government business enterprise	600,000	550,000
Net change in cash from investing activities	349,098	554,804
Financing activities:		
Proceeds from issuance of long-term debt	3,000,000	-
Repayment of long-term debt	(977,260)	(1,414,060)
Net change in cash from financing activities	2,022,740	(1,414,060)
Net change in cash and cash equivalents	4,654,778	(197,745)
Cash, beginning of year	10,307,519	10,505,264
Cash, end of year	\$ 14,962,297	\$ 10,307,519

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian generally accepted accounting principles for local governments 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 Town are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town.

The entities owned or controlled by the Town 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:

Huron Air 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 consolidated statement of financial operations.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	20 - 50
Buildings and building service equipment	10 - 50
Vehicles	3 - 25
Equipment	5 - 30
Infrastructure	15 - 100
Information technology	4 - 15

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

(i) 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.

(ii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) 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.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Town prepares tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(e) Use of estimates:

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards 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 dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes and user charges receivable, accounts receivable, accrued post-retirement benefit obligations and estimating provisions for accrued liabilities and landfill closure and post-closure liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

In addition, the Town'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.

(f) Collection of taxes on behalf of other taxation authorities:

The Town 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 Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(g) Pension Agreements:

The Town 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 Town 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 Town's contributions due during the year are expensed as incurred.

(h) 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 Town'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.

(i) 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.

(j) 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.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

2. Cash:

	2016	2015
Unrestricted cash	\$ 11,063,767	\$ 7,210,266
Restricted cash (obligatory reserve funds set aside for specific purposes by legislation and others)	3,898,530	3,097,253
	<u>\$ 14,962,297</u>	<u>\$ 10,307,519</u>

3. Deferred revenue:

	Balance at December 31, 2015	Contributions received	Interest earned	Externally restricted investment income	Balance at December 31, 2016
Gas tax ¹	\$ 680,211	663,907	9,095	(519,274)	833,939
Development charges ²	2,205,215	1,591,500	41,529	(33,758)	3,804,486
Building department	141,856	–	1,385	(39,869)	103,372
Parkland	69,975	29,876	897	–	100,748
Other	39,754	73,506	–	(62,844)	50,416
	<u>\$ 3,137,011</u>	<u>2,358,789</u>	<u>52,906</u>	<u>(655,745)</u>	<u>4,892,961</u>

- 1) The funding agreement requires the Town to transfer unspent gas tax funding into a reserve. The funding and interest earned in the reserve must be spent on approved projects.
- 2) 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.

4. Credit facilities:

The Town has available a \$4,000,000 (2015 - \$4,000,000) operating line of credit. This unsecured line of credit bears interest at the bank's prime rate less 0.75%. At December 31, 2016, \$Nil (2015 - \$Nil) has been drawn against this facility.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

5. 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.

	2016	2015
Assets	\$ 21,795,681	\$ 22,304,289
Liabilities	\$ 11,489,637	\$ 11,662,095
Shareholder's equity	10,306,044	10,642,194
	\$ 21,795,681	\$ 22,304,289
Combined results of operations:		
Revenues	\$ 30,546,117	\$ 28,242,122
Operating expenses	30,282,267	27,545,513
Income for the year	263,850	696,609
Dividends paid to Town	(600,000)	(550,000)
	\$ (336,150)	\$ 146,609

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

	2016	2015
Revenues:		
Municipal taxes	\$ 37,852	\$ 36,085
Lease for substation properties	49,980	49,980
Other	35,390	95,089
Expenses:		
Electricity charges	1,326,928	1,036,287
Maintenance of street-lighting and other service	62,027	235,897
Dividends received	600,000	550,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

5. Government business enterprise (continued):

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

	2016	2015
Trade receivable, unsecured, due on demand	\$ 12,856	\$ 56,050
Trade payable, unsecured, due on demand	–	(170,991)

6. Public Library Board:

The Corporation of the Town of Midland 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.

	2016	2015
Financial assets	\$ 433,962	\$ 263,676
Financial liabilities	2,529,986	2,369,566
Net financial debt	(2,096,024)	(2,105,890)
Non-financial assets	5,946,271	6,108,500
Accumulated surplus	\$ 3,850,247	\$ 4,002,610

Combined results of operations:

Revenues	\$ 1,285,318	\$ 1,234,092
Operating expenses	(1,124,715)	(1,184,392)
Amortization	(312,965)	(310,684)
Annual deficit	\$ (152,362)	\$ (260,984)

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

6. Public Library Board (continued):

The following summarizes the Town's transactions with the Corporation of the Town of Midland Public Library Board:

	2016	2015
Revenues:		
Municipal contributions	\$ 1,078,008	\$ 1,104,288
Expenses:		
Debenture interest	90,271	92,122

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

	2016	2015
Trade receivable, restricted for obligatory reserves	\$ 293,704	\$ 114,712
Trade receivable, unrestricted	129,765	132,609

7. Employee future benefits:

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation in March 2016 and forms the basis for the estimated liability reported in these consolidated financial statements.

The following table sets out the continuity of the accrued benefit obligation.

	2016	2015
Accumulated sick leave entitlement	\$ 905,028	\$ 945,237
Vacation payable	196,599	257,291
Life insurance, health and dental benefits	1,870,170	1,832,119
	\$ 2,971,797	\$ 3,034,647

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

7. Employee future benefits (continued):

Information about the accumulated sick leave entitlements and accrued health and dental benefit liabilities are as follows:

	2016	2015
Accrued benefit obligation, beginning of year	\$ 2,777,355	\$ 2,715,670
Add: Benefit/service cost	130,371	175,537
Add: Interest	106,510	100,848
Less: Benefit payments	(213,067)	(219,500)
Less: Amortization of actuarial (loss) gain	(25,971)	4,800
Accrued benefit obligation, end of year	\$ 2,775,198	\$ 2,777,355

The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligations are as follows:

	2016	2015
Discount rate	4.10%	3.50%
Salary escalation	3.00%	3.00%
Dental premium rates	4.00%	4.00%
Health premium care rates	7.75% for 2016 reducing by 0.25% in each year to an ultimate rate of 5%	

8. Pension agreements:

The Town makes contributions to the Ontario Municipal Employee Retirement System (OMERS) (the "Plan"), which is a multi-employer plan, on behalf of members of its staff. The Plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

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 Town does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2016 was \$1,123,548 (2015 - \$1,156,242) for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

9. Taxation and user charges:

	2016	2015
Taxation revenue	\$ 31,909,896	\$ 31,375,628
Amount levied and remitted to School Boards	(7,520,934)	(7,645,925)
Amount levied and remitted to the County of Simcoe	(5,982,791)	(5,926,330)
Net taxation	18,406,171	17,803,373
User charges	8,562,094	7,958,579
Net taxation and user charges	\$ 26,968,265	\$ 25,761,952

10. Net long-term debt:

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

	2016	2015
Total long-term liabilities incurred by the Town and consolidated entities, and outstanding at the end of the year	\$ 14,199,156	\$ 12,176,416

The principal repayments are due as follows:

2017	\$ 1,039,935
2018	1,071,884
2019	1,105,507
2020	1,140,874
2021 and thereafter	9,840,956
	\$ 14,199,156

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 2017 to 2040 and varying rates of interest ranging from 3.05% to 6.15%.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

11. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals and transfers	Balance at December 31, 2016
Land	\$ 19,948,352	-	(12,985)	19,935,367
Land improvements	9,448,127	197,963	(123,766)	9,522,324
Building and building service equipment	51,037,254	101,671	(69,758)	51,069,167
Vehicles	6,200,110	631,549	(323,038)	6,508,621
Equipment	7,631,937	689,668	(584,943)	7,736,662
Infrastructure	88,725,461	615,012	(245,252)	89,095,221
Information technology	2,623,331	209,307	(485,967)	2,346,671
Assets under construction	1,844,170	4,181,841	(1,126,832)	4,899,179
Total	\$ 187,458,742	6,627,011	(2,972,541)	191,113,212

Accumulated Amortization	Balance at December 31, 2015	Disposals and transfers	Amortization	Balance at December 31, 2016
Land	\$ -	-	-	-
Land improvements	3,742,401	(42,608)	341,547	4,041,340
Building and building service equipment	15,737,010	-	1,118,566	16,855,576
Vehicles	2,979,155	(300,588)	501,118	3,179,685
Equipment	4,178,562	(515,555)	520,664	4,183,671
Infrastructure	2,668,572	(1,482,290)	1,726,917	2,913,199
Information technology	1,568,553	(487,866)	241,177	1,321,864
Assets under construction	-	-	-	-
Total	\$ 30,874,253	(2,828,907)	4,449,989	32,495,335

	Net book value, December 31, 2015	Net book value, December 31, 2016
Land	\$ 19,948,352	19,935,367
Land improvements	5,705,726	5,480,984
Building and building service equipment	35,300,244	34,213,591
Vehicles	3,220,955	3,328,936
Equipment	3,453,375	3,552,991
Infrastructure	86,056,889	86,182,022
Information technology	1,054,778	1,024,807
Assets under construction	1,844,170	4,899,179
Total	\$ 156,584,489	158,617,877

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

11. Tangible capital assets (continued):

Cost	Balance at December 31, 2014	Additions	Disposals and transfers	Balance at December 31, 2015
Land	\$ 19,874,105	74,247	-	19,948,352
Land improvements	9,360,541	128,165	(40,579)	9,448,127
Building and building service equipment	50,769,932	267,322	-	51,037,254
Vehicles	6,017,308	492,400	(309,598)	6,200,110
Equipment	7,327,001	437,614	(132,678)	7,631,937
Infrastructure	86,279,471	2,512,940	(66,950)	88,725,461
Information technology	2,401,978	225,517	(4,164)	2,623,331
Assets under construction	2,961,205	455,934	(1,572,969)	1,844,170
Total	\$ 184,991,541	4,594,139	(2,126,938)	187,458,742

Accumulated Amortization	Balance at December 31, 2014	Disposals and transfers	Amortization	Balance at December 31, 2015
Land	\$ -	-	-	-
Land improvements	3,434,743	(50,625)	358,283	3,742,401
Building and building service equipment	14,567,164	-	1,169,846	15,737,010
Vehicles	2,816,998	(309,600)	471,757	2,979,155
Equipment	3,788,515	(132,668)	522,715	4,178,562
Infrastructure	2,427,856	(1,629,895)	1,870,611	2,668,572
Information technology	1,349,059	(4,150)	223,644	1,568,553
Assets under construction	-	-	-	-
Total	\$ 28,384,335	(2,126,938)	4,616,856	30,874,253

	Net book value, December 31, 2014	Net book value, December 31, 2015
Land	\$ 19,874,105	19,948,352
Land improvements	5,925,798	5,705,726
Building and building service equipment	36,202,768	35,300,244
Vehicles	3,200,310	3,220,955
Equipment	3,538,486	3,453,375
Infrastructure	83,851,615	86,056,889
Information technology	1,052,919	1,054,778
Assets under construction	2,961,205	1,844,170
Total	\$ 156,607,206	156,584,489

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

12. Accumulated surplus:

The Town segregates its accumulated surplus in the following categories:

	2016	2015
Invested in tangible capital assets	\$ 158,617,877	\$ 156,584,489
Tangible capital assets financed with long-term debt	(14,199,156)	(12,176,416)
Current fund	6,300,822	5,505,483
Reserves set aside for specific purposes by Council	8,659,519	7,550,464
Accumulated surplus	\$ 159,379,062	\$ 157,464,020

13. Contingencies and commitments:

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

The Town has entered into a fixed price unleaded gasoline, diesel and coloured diesel supply and deliver contract from March 2015 to June 2016 in the amount of \$272,229. This contract has been extended to June 2017.

The Town 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. This contract has been extended for a one year term into 2017.

14. Government grants:

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 expenses 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 (grants with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see note 3).

The following types of transfers were included in revenue:

	2016	2015
Grants with stipulations	\$ 519,274	\$ 378,716
Other grants	821,664	716,518
Total government grants	\$ 1,340,938	\$ 1,095,234

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. Budget:

The budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus required the following adjustments:

Budget surplus per financial plan	\$	–
Add:		
Budgeted capital expenses		7,669,210
Budgeted net reserve transfers and other items		(305,548)
Budgeted principal repayments on long-term debt		1,391,684
Less:		
Budgeted proceeds on issuance of long-term debt		(4,954,100)
<hr/> Budget surplus per financial statements	<hr/> \$	<hr/> 3,801,246 <hr/>

16. Comparative information:

The comparative amounts presented in the consolidated financial statements have been restated to conform to the current year's presentation.

17. Segmented information:

The Town provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Town's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Town services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- (a) General Government: Includes corporate services and governance of the Town. General government is responsible for human resource management. Support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.
- (b) Protection Services: Includes policing, fire protection, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2016

17. Segmented information (continued):

- (c) Transportation Services: This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.
- (d) Environmental Services: Includes the management and maintenance of water and wastewater system, the landfill site, transfer stations, and the waste collection system that serves the Town.
- (e) Recreation and Cultural Services: Provides recreation and leisure programs and facilities, including community halls, libraries, parks, recreation fields and arena. It also provides building maintenance services to all municipal facilities.
- (f) Planning and Development: Manages rural development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geographic information services.

For each segment separately reported in the schedule below, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

THE CORPORATION OF THE TOWN OF MIDLAND

Note 17 - Segmented Information (continued)

Year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenues:							
User fees	\$ 29,341	160,735	460,921	6,844,929	1,006,743	59,425	\$ 8,562,094
Developer contributions	-	-	-	11,040	-	-	11,040
Government grants	172,500	267,927	634,064	13,034	253,413	-	1,340,938
Contributions from other municipalities	-	76,367	153,422	-	128,893	50,000	408,682
Income from government business enterprise	263,850	-	-	-	-	-	263,850
Other	631,227	515,767	708,825	199,779	301,544	223,210	2,580,352
	1,096,918	1,020,796	1,957,232	7,068,782	1,690,593	332,635	13,166,956
Expenses:							
Salaries, wages and benefits	1,779,209	6,725,873	2,226,725	1,681,750	2,505,971	279,959	15,199,487
Good and services	785,442	1,320,952	2,656,418	2,103,439	2,212,185	385,529	9,463,965
Interest	-	28,783	12,569	233,353	269,939	-	544,644
Amortization of tangible capital assets	524,330	229,573	1,438,154	1,326,357	931,575	-	4,449,989
	3,088,981	8,305,181	6,333,866	5,344,899	5,919,670	665,488	29,658,085
Excess (deficiency) of revenues over expenses	(1,992,063)	(7,284,385)	(4,376,634)	1,723,883	(4,229,077)	(332,853)	(16,491,129)
Funded through:							
Taxation							18,406,171
Annual surplus							\$ 1,915,042

THE CORPORATION OF THE TOWN OF MIDLAND

Note 17 - Segmented Information (continued)

Year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2015 Total
Revenues:							
User fees	\$ 26,602	141,134	361,595	6,687,479	701,869	39,900	\$ 7,958,579
Developer contributions	-	-	35,152	-	5,000	-	40,152
Government grants	62,700	268,139	427,630	111,061	167,932	57,772	1,095,234
Contributions from other municipalities	-	75,527	30,000	-	136,145	-	241,672
Development charges	-	29,000	10,000	50,000	58,747	-	147,747
Income from government business enterprise	696,609	-	-	-	-	-	696,609
Other	637,649	238,414	291,490	515,104	577,946	79,910	2,340,513
	1,423,560	752,214	1,155,867	7,363,644	1,647,639	177,582	12,520,506
Expenses:							
Salaries, wages and benefits	1,675,852	7,786,316	2,049,762	1,758,908	2,894,029	272,054	16,436,921
Good and services	772,828	1,011,519	1,956,636	2,215,138	1,869,145	165,910	7,991,176
Interest	-	31,703	12,896	262,527	291,634	-	598,760
Amortization of tangible capital assets	514,719	222,446	1,480,148	1,392,798	1,006,745	-	4,616,856
	2,963,399	9,051,984	5,499,442	5,629,371	6,061,553	437,964	29,643,713
Excess (deficiency) of revenues over expenses	(1,539,839)	(8,299,770)	(4,343,575)	1,734,273	(4,413,914)	(260,382)	(17,123,207)
Funded through:							
Taxation							17,803,373
Annual surplus							\$ 680,166