

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF MIDLAND**

Year ended December 31, 2014



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada

Telephone (705) 675-8500
Fax (705) 675-7586
Internet www.kpmg.ca

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, 2014, 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 financial position of The Corporation of the Town of Midland as at December 31, 2014 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The consolidated financial statements of The Corporation of the Town of Midland as at and for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on June 13, 2014.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

April 13, 2015
Sudbury, Canada

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.



Marc Villeneuve

Director of Finance/Treasurer

THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Financial Statements

Year ended December 31, 2014

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF MIDLAND


Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013


	2014	2013
Financial assets:		
Cash (note 2)	\$ 10,505,264	\$ 10,300,594
Taxes receivable	2,345,838	2,953,454
Trade and other receivables	2,313,969	2,300,720
Long-term receivables	12,856	17,341
Inventories for resale	23,873	23,705
Investment in government business enterprise (note 5)	10,495,585	10,001,590
	<u>25,697,385</u>	<u>25,597,404</u>
Financial liabilities:		
Accounts payable and accrued liabilities	6,647,601	4,419,442
Employee future benefits (note 7)	2,986,674	2,838,521
Interest payable	135,533	150,178
Deferred revenue (note 3)	2,412,799	1,749,997
Long-term debt (note 10)	13,590,476	15,254,663
	<u>25,773,083</u>	<u>24,412,801</u>
Net financial assets (debt)	(75,698)	1,184,603
Non-financial assets:		
Tangible capital assets (note 11)	156,607,206	153,858,343
Prepaid expenses and inventory of supplies	252,346	758,545
	<u>156,859,552</u>	<u>154,616,888</u>
Contingencies and commitments (note 13)		
Accumulated surplus (note 12)	<u>\$ 156,783,854</u>	<u>\$ 155,801,491</u>

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

On behalf of the Council:



Mayor



Treasurer

THE CORPORATION OF THE TOWN OF MIDLAND

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (note 15)	2014 Actual	2013 Actual
Revenues:			
Taxation (note 9)	\$ 17,810,399	\$ 17,681,265	\$ 17,636,963
User charges (note 9)	8,152,054	8,199,697	8,164,190
Government grants (note 14)	1,062,116	806,474	1,371,610
Developer contributions	25,000	1,608	50,073
Contributions from other Municipalities	209,500	291,889	255,879
Income from government business enterprise (note 5)	400,000	893,995	772,228
Development charges	247,230	156,173	555,877
Tangible capital asset contributions	-	14,053	50,683
Other	2,026,369	2,670,252	1,643,553
Total revenues	29,932,668	30,715,406	30,501,056
Expenses:			
General government	2,194,751	2,858,275	2,599,996
Protection to persons and property	8,243,013	8,489,271	8,412,911
Transportation services	3,902,888	5,215,410	5,243,483
Environmental and water services	4,110,967	5,904,582	5,588,801
Recreation and culture	4,775,607	6,484,123	5,987,060
Planning and development	591,241	781,382	578,932
	23,818,467	29,733,043	28,411,183
Annual surplus	6,114,201	982,363	2,089,873
Accumulated surplus, beginning of year	155,801,491	155,801,491	153,711,618
Accumulated surplus, end of year	\$ 161,915,692	\$ 156,783,854	\$ 155,801,491

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, 2014, with comparative information for 2013

	2014	2013
Annual surplus	\$ 982,363	\$ 2,089,873
Acquisition of tangible capital assets	(7,841,811)	(5,590,164)
Amortization of tangible capital assets	4,813,231	4,760,413
Gain on disposal of tangible capital assets	(56,857)	(3,448)
Proceeds on disposal of tangible capital assets	336,574	85,223
Use of prepaid expenses and inventories of supplies	758,545	248,882
Acquisition of prepaid expenses and inventories of supplies	(252,346)	(758,545)
	(2,242,664)	(1,257,639)
Change in net financial assets	(1,260,301)	832,234
Net financial assets, beginning of year	1,184,603	352,369
Net financial assets (debt), end of year	\$ (75,698)	\$ 1,184,603

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 982,363	\$ 2,089,873
Items not involving cash:		
Amortization of tangible capital assets	4,813,231	4,760,413
Gain on disposal of tangible capital assets	(56,857)	(3,448)
Increase in employee future benefits	148,153	72,273
Income from government business enterprise	(893,995)	(772,228)
	4,992,895	6,146,883
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	607,616	(186,900)
Decrease (increase) in trade and other receivables	(13,249)	330,213
Increase in inventories for resale	(168)	(1,897)
Increase (decrease) in accounts payable and accrued liabilities	2,228,159	(2,185,374)
Decrease in interest payable	(14,645)	(13,088)
Increase (decrease) in deferred revenue	662,802	(385,061)
Increase (decrease) in prepaid expenses and inventory of supplies	506,199	(509,663)
Net change in cash from operating activities	8,969,609	3,195,113
Capital activities:		
Proceeds on disposal of tangible capital assets	336,574	85,223
Cash used to acquire tangible capital assets	(7,841,811)	(5,590,164)
Net change in cash from capital activities	(7,505,237)	(5,504,941)
Financing activities:		
Proceeds from issuance of long-term debt	-	3,839,750
Repayment of long-term debt	(1,664,187)	(1,212,735)
Net change in cash from financing activities	(1,664,187)	2,627,015
Investing activities:		
Payment received on long-term receivables	4,485	4,188
Dividends from government business enterprise	400,000	417,000
Net change in cash from investing activities	404,485	421,188
Net change in cash	204,670	738,375
Cash beginning of year	10,300,594	9,562,219
Cash end of year	\$ 10,505,264	\$ 10,300,594

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, 2014

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:

Huronia 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 consolidated statement of financial operations.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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 (continued)

Year ended December 31, 2014

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 (continued)

Year ended December 31, 2014

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 (continued)

Year ended December 31, 2014

2. Cash:

	2014	2013
Unrestricted cash	\$ 8,251,306	\$ 8,722,003
Restricted cash (obligatory reserve funds set aside for specific purposes by legislation)	2,253,958	1,578,591
Increase	\$ 10,505,264	\$ 10,300,594

The unrestricted cash consists of balances held at financial institutions.

3. Deferred revenue:

	December 31, 2013	Contributions received	Interest received	Amounts taken to revenue	December 31, 2014
Gas tax	\$ 311,596	\$ 691,725	\$ 5,869	\$ (475,923)	\$ 533,267
Development charges	1,061,285	577,263	15,391	(155,878)	1,498,061
Building department	166,035	28,076	2,302	(38,004)	158,409
Parkland	39,675	25,446	708	(1,608)	64,221
Other	171,406	142,385	-	(154,950)	158,841
	\$ 1,749,997	\$ 1,464,895	\$ 24,270	\$ (826,363)	\$ 2,412,799

Gas tax:

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.

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.

4. Credit facilities:

The Town has available a \$4,000,000 (2013 - \$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, 2014, \$Nil (2013 - \$Nil) has been drawn against this facility.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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.

	2014	2013
Assets	\$ 20,372,636	\$ 19,633,212
Liabilities	\$ 9,877,051	\$ 9,631,622
Shareholder's equity	10,495,585	10,001,590
	\$ 20,372,636	\$ 19,633,212

Combined results of operations

Revenues	\$ 21,674,520	\$ 19,830,698
Operating expenses	20,780,525	19,058,470
Income for the year	893,995	772,228
Dividends paid to Town	(400,000)	(417,000)
	\$ 493,995	\$ 355,228

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

	2014	2013
Revenues:		
Municipal taxes	\$ 37,098	\$ 36,913
Lease for substation properties	49,980	49,980
Other	44,417	52,707
Expenses:		
Electricity charges	999,379	992,563
Maintenance of street-lighting and other service	227,921	160,443
Dividends received	400,000	417,000

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 (continued)

Year ended December 31, 2014

5. Government business enterprise (continued):

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

	2014	2013
Trade receivable, unsecured, due on demand	\$ 155	\$ -
Trade payable, unsecured, due on demand	(43,840)	(72,397)

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.

	2014	2013
Financial assets	\$ 149,389	\$ 126,718
Financial liabilities	2,302,606	2,300,359
Net financial debt	(2,153,217)	(2,173,641)
Non-financial assets	6,329,431	6,578,459
Accumulated surplus	\$ 4,176,214	\$ 4,404,818
Combined results of operations		
Revenues	\$ 1,234,092	\$ 1,254,944
Operating expenses	(1,117,689)	(1,192,847)
Amortization	(345,008)	(355,696)
Annual deficit	\$ (228,605)	\$ (293,599)

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

6. Public Library Board (continued):

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

	2014	2013
Revenues:		
Municipal contributions	\$ 1,015,143	\$ 998,269
Expenses:		
Debenture interest	94,254	96,052

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

	2014	2013
Trade receivable, unsecured, due on demand	\$ 30,472	\$ 26,009
Trade payable, unsecured, due on demand	(88,754)	(55,986)

7. Employee future benefits:

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation in April 2013 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.

	2014	2013
Accumulated sick leave entitlement	\$ 930,965	\$ 826,551
Vacation payable	271,004	275,601
Life insurance, health and dental benefits	1,784,705	1,736,369
	<u>\$ 2,986,674</u>	<u>\$ 2,838,521</u>

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

7. Employee future benefits (continued):

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

	2014	2013
Accrued benefit obligation, beginning of year	\$ 2,562,920	\$ 2,449,753
Add: Benefit/service cost	151,328	161,980
Add: Interest	113,641	96,598
Less: Benefit payments	279	20,743
Add: Amortization of actuarial loss	(112,498)	(166,154)
Accrued benefit obligation, end of year	\$ 2,715,670	\$ 2,562,920

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

	2014	2013
Discount rate	3.50%	4.50%
Salary escalation	4.00%	4.00%
Dental premium rates	4.00%	4.00%
Health premium care rates	8.25% for 2014 reducing by 0.25% in each year to an ultimate rate of 5%	

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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 2014 was \$1,149,977 (2013 - \$1,199,324) for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

9. Taxation and user charges:

	2014	2013
Taxation revenue	\$ 31,288,261	\$ 31,239,460
Amount levied and remitted to School Boards	(7,722,918)	(7,768,309)
Amount levied and remitted to the County of Simcoe	(5,884,078)	(5,834,188)
Net taxation	17,681,265	17,636,963
User charges	8,199,697	8,164,190
Net taxation and user charges	\$ 25,880,962	\$ 25,801,153

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

10. Net long-term debt:

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

	2014	2013
Total long-term liabilities incurred by the Town and outstanding at the end of the year	\$ 13,590,476	\$ 15,254,663

The principal repayments are due as follows:

2015	\$ 1,414,060
2016	1,055,670
2017	1,032,826
2018	1,064,542
2019	1,097,903
Thereafter	7,925,475
	<hr/>
	\$ 13,590,476

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 6.15%. No long-term debt was issued in 2014.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Land	\$ 16,438,776	\$ 3,647,745	\$ (212,416)	\$ 19,874,105
Land improvements	9,356,939	80,830	(77,228)	9,360,541
Buildings and building service equipment	50,824,483	30,852	(85,403)	50,769,932
Vehicles	6,006,460	604,440	(593,592)	6,017,308
Equipment	7,174,513	307,749	(155,261)	7,327,001
Infrastructure	87,001,113	917,820	(1,639,462)	86,279,471
Information technology	2,430,348	279,395	(307,765)	2,401,978
Assets under construction	988,225	1,972,980	-	2,961,205
Total	\$ 180,220,857	\$ 7,841,811	\$ (3,071,127)	\$ 184,991,541

Accumulated amortization	Balance at December 31, 2013	Disposals	Amortization expense	Balance at December 31, 2014
Land improvements	\$ 3,148,562	\$ (73,594)	\$ 359,775	\$ 3,434,743
Buildings and building service equipment	13,333,699	(65,950)	1,299,415	14,567,164
Vehicles	2,909,882	(552,479)	459,595	2,816,998
Equipment	3,413,828	(151,957)	526,644	3,788,515
Infrastructure	2,172,431	(1,640,405)	1,895,830	2,427,856
Information technology	1,384,112	(307,025)	271,972	1,349,059
Assets under construction	-	-	-	-
Total	\$ 26,362,514	\$ (2,791,410)	\$ 4,813,231	\$ 28,384,335

	Net book value December 31, 2013	Net book value December 31, 2014
Land	\$ 16,438,776	\$ 19,874,105
Land improvements	6,208,377	5,925,798
Buildings and building service equipment	37,490,784	36,202,768
Vehicles	3,096,578	3,200,310
Equipment	3,760,685	3,538,486
Infrastructure	84,828,682	83,851,615
Information technology	1,046,236	1,052,919
Assets under construction	988,225	2,961,205
Total	\$ 153,858,343	\$ 156,607,206

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Tangible capital assets (continued):

Cost	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land	\$ 16,423,527	\$ 15,249	\$ -	\$ 16,438,776
Land improvements	9,195,078	209,097	(47,236)	9,356,939
Buildings and building service equipment	50,747,911	87,972	(11,400)	50,824,483
Vehicles	6,141,263	63,817	(198,620)	6,006,460
Equipment	7,084,867	452,882	(363,236)	7,174,513
Infrastructure	84,101,528	4,510,456	(1,610,871)	87,001,113
Information technology	2,345,572	187,239	(102,463)	2,430,348
Assets under construction	924,773	63,452	-	988,225
Total	\$ 176,964,519	\$ 5,590,164	\$ (2,333,826)	\$ 180,220,857

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
Land improvements	\$ 2,845,502	\$ (44,964)	\$ 348,024	\$ 3,148,562
Buildings and building service equipment	12,045,729	(8,825)	1,296,795	13,333,699
Vehicles	2,562,996	(144,268)	491,154	2,909,882
Equipment	3,250,272	(354,449)	518,005	3,413,828
Infrastructure	1,934,044	(1,598,071)	1,836,458	2,172,431
Information technology	1,215,609	(101,474)	269,977	1,384,112
Assets under construction	-	-	-	-
Total	\$ 23,854,152	\$ (2,252,051)	\$ 4,760,413	\$ 26,362,514

	Net book value December 31, 2012	Net book value December 31, 2013
Land	\$ 16,423,527	\$ 16,438,776
Land improvements	6,349,576	6,208,377
Buildings and building service equipment	38,702,182	37,490,784
Vehicles	3,578,267	3,096,578
Equipment	3,834,595	3,760,685
Infrastructure	82,167,484	84,828,682
Information technology	1,129,963	1,046,236
Assets under construction	924,773	988,225
Total	\$ 153,110,367	\$ 153,858,343

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

12. Accumulated surplus:

The Town segregates its accumulated surplus in the following categories:

	2014	2013
Invested in tangible capital assets	\$ 156,607,206	\$ 152,870,118
Tangible capital assets financed with long-term debt	(13,590,476)	(15,254,663)
Investment in tangible capital assets under construction	-	988,225
Current fund	6,687,617	10,671,680
Reserves set aside for specific purposes by Council	7,079,507	6,526,131
Accumulated surplus	\$ 156,783,854	\$ 155,801,491

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. The total contract is approximately \$719,649 and expires February 2015. A new contract for unleaded gasoline, diesel and coloured diesel supply and delivery has been signed, covering the period from March 2015 to February 2016 in the amount of \$432,206.

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

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 5).

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Government grants (continued):

The following types of transfers were included in revenue:

	2014	2013
Grants with stipulations	\$ 475,923	\$ 1,001,846
Other grants	330,551	369,764
Total government transfers	\$ 806,474	\$ 1,371,610

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	11,102,351
Budgeted principal repayments on long-term debt	1,874,542
Less:	
Budgeted proceeds on issuance of long-term debt	(6,700,000)
Budgeted net reserve transfers and other items	(162,692)
Budget surplus per financial statements	\$ 6,114,201

16. Comparative information:

Certain 2013 comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.

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.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

17. Segmented information (continued):

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.
- (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.
- (g) **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.
- (h) **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

Year ended December 31, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2014 Total
Revenues:							
User fees	\$ 24,120	458,556	244,916	6,498,410	943,905	29,790	\$ 8,199,697
Developer contributions	-	-	-	-	1,608	-	1,608
Government of Canada grants	78,300	183,205	479,656	27,365	34,860	3,088	806,474
Contributed tangible assets	-	-	-	-	14,053	-	14,053
Contributions from other Municipalities	-	83,832	30,000	-	128,057	50,000	291,889
Development charges	-	29,000	28,500	33,168	40,000	25,505	156,173
Income from government business enterprise	893,995	-	-	-	-	-	893,995
Other	1,391,226	200,552	370,590	261,170	400,555	46,159	2,670,252
	2,387,641	955,145	1,153,662	6,820,113	1,563,038	154,542	13,034,141
Expenses:							
Salaries, wages and benefits	1,718,031	7,400,182	1,866,275	1,718,534	2,910,298	271,097	15,884,417
Good and services	610,393	863,661	1,894,927	2,320,592	2,235,034	510,285	8,434,892
Interest	-	-	14,552	316,777	299,486	-	630,815
Amortization of tangible capital assets	529,851	225,428	1,439,656	1,548,679	1,039,305	-	4,782,919
	2,858,275	8,489,271	5,215,410	5,904,582	6,484,123	781,382	29,733,043
Excess (deficiency) of revenues over expenses	(470,634)	(7,534,126)	(4,061,748)	915,531	(4,921,085)	(626,840)	(16,698,902)
Funded through:							
Taxation							17,681,265
Annual surplus (deficit)							\$ 982,363

THE CORPORATION OF THE TOWN OF MIDLAND

Note 17 - Segmented Information (continued)

Year ended December 31, 2013

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2013 Total
Revenues:							
User fees	\$ 25,423	470,909	280,157	6,400,643	946,908	40,150	\$ 8,164,190
Developer contributions	-	-	20,741	2,617	26,715	-	50,073
Government of Canada grants	117,272	133,804	1,005,731	14,491	72,085	28,227	1,371,610
Contributed tangible assets	-	-	-	-	50,683	-	50,683
Contributions from other municipalities	-	65,223	31,400	-	153,256	6,000	255,879
Development charges	-	29,000	263,250	50,000	203,066	10,561	555,877
Income from government business enterprise	772,228	-	-	-	-	-	772,228
Other	721,895	151,673	299,125	146,113	316,258	8,489	1,643,553
	1,636,818	850,609	1,900,404	6,613,864	1,768,971	93,427	12,864,093
Expenses:							
Salaries, wages and benefits	1,695,512	7,281,108	1,862,044	1,823,669	2,889,900	282,141	15,834,374
Goods and services	389,558	903,837	1,929,777	1,977,555	1,727,451	296,049	7,224,227
Interest	-	-	-	276,889	315,280	-	592,169
Amortization of tangible capital assets	514,926	227,966	1,451,662	1,510,688	1,054,429	742	4,760,413
	2,599,996	8,412,911	5,243,483	5,588,801	5,987,060	578,932	28,411,183
Excess (deficiency) of revenues over expenses	(963,178)	(7,562,302)	(3,343,079)	1,025,063	(4,218,089)	(485,505)	(15,547,090)
Funded through:							
Taxation							17,636,963
Annual surplus (deficit)							\$ 2,089,873