

**The Corporation of the Town of Midland  
Consolidated Financial Statements  
For the year ended December 31, 2012**

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Consolidated Financial Statements  
For the year ended December 31, 2012**

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## Independent Auditor's Report

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### 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, 2012, 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 qualified audit opinion.

### Basis for Qualified Opinion

The Corporation of the Town of Midland accounts for its investment in Midland Power Utility Corporation utilizing the modified equity method. The financial statements of Midland Power Utility Corporation are prepared utilizing Canadian generally accepted accounting principles which require goodwill to be tested for impairment. A valuation of the corporation is required in order to determine whether or not goodwill has been impaired. Had the valuation been completed and an impairment identified it would have resulted in an expense to the Utility Corporation impacting the net income the Corporation of the Town of Midland picked up utilizing the modified equity method. An impairment test was not completed as a result, we were unable to determine what adjustments, if any were required to the Corporation of the Town of Midland's investment in government business enterprises, annual surplus and accumulated surplus.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Midland as at December 31, 2012 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  
July 22, 2013

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

December 31

2012

2011

**Financial assets**

Cash and cash equivalents (Note 2)	\$ 9,562,219	\$ 5,849,601
Taxes receivable	2,766,554	2,947,385
Trade and other receivables (Note 3)	2,630,933	3,730,448
Long-term receivables	21,529	30,104
Inventories for resale	21,808	36,298
Investment in government business enterprise (Note 5)	<u>9,646,362</u>	<u>9,556,078</u>
	<u>24,649,405</u>	<u>22,149,914</u>

**Liabilities**

Accounts payable and accrued liabilities	6,559,291	4,931,463
Employee future benefits (Note 7)	2,811,773	2,338,874
Interest payable	163,266	171,903
Deferred revenue (Note 4)	2,135,058	1,381,060
Net long-term debt (Note 10)	<u>12,627,648</u>	<u>13,779,233</u>
	<u>24,297,036</u>	<u>22,602,533</u>

**Net financial assets (debt)**

352,369      (452,619)

**Non-financial assets**

Tangible capital assets (Note 11)	152,185,594	134,467,637
Prepaid expenses and inventories of supplies	248,882	268,313
Tangible capital assets under construction	<u>924,773</u>	<u>11,615,294</u>
	<u>153,359,249</u>	<u>146,351,244</u>

**Accumulated surplus (Note 12)**

\$ 153,711,618      \$ 145,898,625

**Contingency and Commitments (Note 13)**

 \_\_\_\_\_ Mayor

 \_\_\_\_\_ Treasurer

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

For the year ended December 31	Budget 2012	2012	2011
	(Note 14)		
<b>Revenue (Note 15)</b>			
Net taxation and user charges (Note 9)	\$ 26,518,027	\$ 26,704,296	\$ 26,120,591
Government grants	997,792	460,380	2,452,662
Developer contributions	98,000	89,007	74,303
Contributions from other Municipalities	181,500	213,608	189,718
Income from government business enterprises (Note 5)	300,000	490,284	680,293
Development charges (Note 4)	839,516	580,093	974,759
Contributed tangible capital assets	-	6,449,341	3,903,743
Other	1,299,690	1,574,525	1,582,307
	<u>30,234,525</u>	<u>36,561,534</u>	<u>35,978,376</u>
<b>Expenses (Note 15)</b>			
General government	2,146,920	2,957,117	2,339,350
Protection services	7,831,809	8,467,874	8,257,251
Transportation services	3,629,395	4,575,178	4,819,669
Environmental and water services	5,435,114	6,726,842	6,725,290
Recreation and culture	4,833,108	5,529,929	5,671,060
Planning and development	323,074	491,601	447,723
	<u>24,199,420</u>	<u>28,748,541</u>	<u>28,260,343</u>
<b>Annual surplus</b>	6,035,105	7,812,993	7,718,033
<b>Accumulated surplus, beginning of year</b>	145,898,625	145,898,625	138,180,592
<b>Accumulated surplus, end of year (Note 12)</b>	<u>\$ 151,933,730</u>	<u>\$ 153,711,618</u>	<u>\$ 145,898,625</u>

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

<b>For the year ended December 31</b>	<b>Budget 2012</b>	<b>2012</b>	<b>2011</b>
	(Note 14)		
Annual surplus	\$ 6,035,105	\$ 7,812,993	\$ 7,718,033
Acquisition of tangible capital assets	(6,097,190)	(22,230,275)	(9,560,955)
Amortization of tangible capital assets	-	4,434,084	4,238,718
Disposal of tangible capital assets	-	78,234	71,475
Decrease (increase) of tangible capital assets under construction	-	10,690,521	(2,322,266)
	(62,085)	785,557	145,005
Use/consumption of prepaid expenses and inventory of supplies	-	19,431	10,220
<b>Net change in net financial assets (debt)</b>	<b>(62,085)</b>	<b>804,988</b>	<b>155,225</b>
<b>Net financial debt, beginning of year</b>	<b>(452,619)</b>	<b>(452,619)</b>	<b>(607,844)</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ (514,704)</b>	<b>\$ 352,369</b>	<b>\$ (452,619)</b>

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

For the year ended December 31	2012	2011
<b>Operating transactions</b>		
Annual surplus	\$ 7,812,993	\$ 7,718,033
Items not involving cash		
Income from government business enterprise	(490,284)	(680,293)
Amortization	4,434,084	4,238,718
	<u>11,756,793</u>	<u>11,276,458</u>
<b>Changes in non-cash operating balances</b>		
Taxes receivable	180,831	(636,226)
Trade and accounts receivable	1,099,515	954,585
Long-term receivables	8,575	18,029
Inventories for resale	14,490	(6,206)
Accounts payable and accrued liabilities	1,627,828	498,994
Employee future benefits	472,899	412,715
Interest payable	(8,637)	(14,705)
Deferred revenue	753,998	(1,188,320)
Prepaid expenses and inventories of supplies	19,431	10,220
	<u>15,925,723</u>	<u>11,325,544</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets and tangible capital assets under construction	(11,539,754)	(11,883,221)
Proceeds on sale of tangible capital assets	78,234	71,475
	<u>(11,461,520)</u>	<u>(11,811,746)</u>
<b>Investing transactions</b>		
Dividends from government business enterprise	400,000	400,000
<b>Financing transactions</b>		
Repayment of net long-term debt	(1,151,585)	(1,162,696)
<b>Net change in cash and cash equivalents</b>	<b>3,712,618</b>	<b>(1,248,898)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>5,849,601</b>	<b>7,098,499</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,562,219</b>	<b>\$ 5,849,601</b>

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# The Corporation of the Town of Midland

## Notes to the Consolidated Financial Statements

December 31, 2012

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### 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 Canadian Institute of Chartered Accountants. 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 Board of Management of 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 municipal fund balances of these consolidated financial statements as these organizations are not owned or controlled by the municipality.

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. 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.



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# The Corporation of the Town of Midland

## Notes to the Consolidated Financial Statements

December 31, 2012

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### 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.

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# The Corporation of the Town of Midland

## Notes to the Consolidated Financial Statements

December 31, 2012

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### 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 legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made. Government transfers consist of grants and subsidies received for various operating and capital programs.

**Revenue Recognition** Taxes and the related penalties and interest are recognized as revenue in the year they are levied.

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

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

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.

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

**December 31, 2012**

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**1. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**  
(continued)

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.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions on such areas as employee benefits, amortization rates, allowance for doubtful accounts, contributions from developers and contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

December 31, 2012

**2. Cash and Cash Equivalents**

	2012	2011
Unrestricted cash	\$ 7,445,355	\$ 4,493,417
Restricted cash (obligatory reserve funds set aside for specific purposes by legislation)	2,116,864	1,356,184
	<b>\$ 9,562,219</b>	<b>\$ 5,849,601</b>

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.

**3. Trade and Other Receivables**

Included in other receivables is a balance due from the Severn Sound Environmental Association for \$301,563 (2011 - \$251,613). The balance bears interest at prime less 1.725% and is calculated on a quarterly basis on the average balance during that period.

**4. Deferred Revenue**

	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
Gas tax	\$ 22,912	\$ 657,726	\$ 1,428	\$ (39,491)	\$ 642,575
Development charges	1,187,094	683,537	18,754	(580,093)	1,309,292
Building department	46,352	57,100	-	(4,070)	99,382
Parkland	99,826	46,752	1,382	(82,345)	65,615
Other	24,876	-	-	(6,682)	18,194
	<b>\$ 1,381,060</b>	<b>\$ 1,445,115</b>	<b>\$ 21,564</b>	<b>\$ (712,681)</b>	<b>\$ 2,135,058</b>

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, 2012**

**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.

	2012	2011
Assets	<b>\$ 18,180,533</b>	\$ 17,611,208
Liabilities	<b>\$ 8,534,171</b>	\$ 8,055,130
Shareholder's equity	<b>9,646,362</b>	9,556,078
	<b>\$ 18,180,533</b>	<b>\$ 17,611,208</b>
Combined results of operations		
Revenues	<b>\$ 20,019,282</b>	\$ 19,602,899
Operating expenses	<b>19,528,998</b>	18,922,606
Income for the year	<b>\$ 490,284</b>	\$ 680,293
Dividends paid to Town	<b>(400,000)</b>	(400,000)
	<b>\$ 90,284</b>	<b>\$ 280,293</b>

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

<b>Revenues</b>		
Municipal taxes	\$ 39,033	\$ 38,504
Lease for substation properties	49,980	49,980
Other	63,685	61,225
<b>Expenses</b>		
Electricity charges	781,992	736,033
Maintenance of streetlighting and other services	82,121	80,704
Dividends Received	400,000	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	\$ 462
Trade payable, unsecured, due on demand	(114,064)	(72,917)

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

**December 31, 2012**

**6. 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.

	2012	2011
Financial assets	\$ 149,149	\$ 98,359
Financial liabilities	2,311,693	2,296,415
Net financial debt	(2,162,544)	(2,198,056)
Non-financial assets	6,860,960	7,135,354
Accumulated surplus	\$ 4,698,416	\$ 4,937,298
Combined results of operations		
Revenues	\$ 1,193,596	\$ 1,210,605
Operating expenses	(1,074,565)	(1,045,905)
Amortization	(357,912)	(353,850)
Annual deficit	\$ (238,881)	\$ (189,150)

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

<b>Revenues</b>		
Municipal contributions	\$ 953,293	\$ 972,917
<b>Expenses</b>		
Debenture interest	100,727	103,477

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	\$ 13,457	\$ 4,996
Trade payable, unsecured, due on demand	(78,438)	(35,747)

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

December 31, 2012

**7. Employee Future Benefits**

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

	2012	2011
Accumulated sick leave entitlements	\$ 793,584	\$ 428,168
Vacation payable	361,442	356,291
Dental, health, life insurance, etc	1,656,747	1,554,415
	<b>\$ 2,811,773</b>	<b>\$ 2,338,874</b>

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 3.75% (2011 - 3.75%).

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

	2012	2011
Accrued benefit liability, beginning	\$ 1,554,415	\$ 1,145,190
Expense for the year	193,228	498,032
Benefits paid	(90,896)	(88,807)
Accrued benefit liability, ending	<b>\$ 1,656,747</b>	<b>\$ 1,554,415</b>

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.

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## The Corporation of the Town of Midland

### Notes to the Consolidated Financial Statements

December 31, 2012

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#### 8. Pension Agreements

OMERS provides pension services to more than 428,947 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 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 for 2012 were \$1,001,315 (2011 - \$919,606) on behalf of 172 (2011 - 182) members of its staff.

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#### 9. Net Taxation and User Charges

	Budget 2012	2012	2011
	(Note 14)		
Taxation revenue	\$ 30,905,388	\$ 31,116,565	\$ 30,971,973
Amount levied and remitted to School Boards	(7,672,843)	(7,741,114)	(7,946,913)
Amount levied and remitted to the County of Simcoe	(4,804,018)	(4,843,578)	(4,785,856)
	18,428,527	18,531,873	18,239,204
Net taxation	8,089,500	8,172,423	7,881,387
User charges			
Net taxation and user charges	\$ 26,518,027	\$ 26,704,296	\$ 26,120,591

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

**December 31, 2012**

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**10. Net Long-term Debt**

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

	<u>2012</u>	<u>2011</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	<u>\$ 12,627,648</u>	<u>\$ 13,779,233</u>

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

2013	\$ 1,213,093
2014	1,280,273
2015	1,029,832
2016	671,663
2017	648,675
Thereafter	<u>7,784,112</u>
	<u>\$ 12,627,648</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 2.39% to 7.875%. There was no new long-term debt issued in 2012.

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

December 31, 2012

	2012								
	Land	Buildings and Building Service Equipment	Equipment	Infrastructure	Information Technology	Vehicles	Improvements	Land	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 Corporation of the Town of Midland**  
Notes to the Consolidated Financial Statements

December 31, 2012

	2011							
	Land	Buildings and Building Service Equipment	Equipment	Infrastructure	Information Technology	Vehicles	Land Improvements	Total
Cost, beginning of year	\$14,481,522	\$36,430,204	\$ 6,496,057	\$ 76,690,088	\$ 2,209,370	\$ 5,504,100	\$ 7,285,750	\$ 149,097,091
Additions	143,364	4,300,604	434,328	1,883,781	147,955	981,590	1,669,333	9,560,955
Disposals	-	(89,542)	(142,921)	(1,513,317)	(101,466)	(527,910)	(84,922)	(2,460,078)
Cost, end 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
Accumulated amortization, beginning of year	-	9,881,284	2,630,155	1,544,805	947,936	2,510,248	2,365,788	19,880,216
Amortization	-	1,060,079	487,510	1,700,559	299,517	415,951	275,102	4,238,718
Disposals	-	(38,520)	(142,921)	(1,507,577)	(101,466)	(527,910)	(70,209)	(2,388,603)
Accumulated amortization, end of year	-	10,902,843	2,974,744	1,737,787	1,145,987	2,398,289	2,570,681	21,730,331
Net carrying amount, end of year	\$14,624,886	\$29,738,423	\$ 3,812,720	\$ 75,322,765	\$ 1,109,872	\$ 3,559,491	\$ 6,299,480	\$ 134,467,637

The net book value of tangible capital assets not being amortized because they are under construction is \$924,773 (2011 - \$11,615,294). 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, 2012**

**12. Accumulated Surplus**

The municipality segregates its accumulated surplus in the following categories:

	2012	2011
Investment in tangible capital assets	\$ 152,185,594	\$ 134,467,637
Investment in tangible capital assets under construction	924,773	11,615,294
Current Fund	(6,092,048)	(7,988,266)
Reserves and reserve funds set aside for specific purposes by Council	6,693,299	7,803,960
	\$ 153,711,618	\$ 145,898,625

**13. 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 2011 to 2013. The total contract is approximately \$449,199.

**14. 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:

	2012
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Budgeted capital expenditures	6,097,190
Budgeted principal repayments of long-term debt	1,392,582
Less:	
Budgeted transfers from accumulated surplus	(1,454,667)
Budget surplus per consolidated statement of operations	\$ 6,035,105

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# The Corporation of the Town of Midland

## Notes to the Consolidated Financial Statements

December 31, 2012

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### 15. 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

**15. 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
<b>Revenue</b>							
Net taxation and user fees	\$ 6,259,487	\$ 421,928	\$ 7,875,097	\$ 5,143,247	\$ 4,253,994	\$ 2,750,543	\$ 26,704,296
Developer contributions	6,662	-	-	82,345	-	-	89,007
Grants	-	6,420	139,071	137,787	67,302	109,800	460,380
Contributed tangible capital assets	-	-	-	4,635,588	1,813,753	-	6,449,341
Contributions from other municipalities	-	-	84,987	122,740	5,882	-	213,608
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	243,775	727,404	1,574,525
	<u>6,626,532</u>	<u>428,348</u>	<u>8,405,208</u>	<u>10,638,710</u>	<u>6,384,706</u>	<u>4,078,031</u>	<u>36,561,534</u>
<b>Expenses</b>							
Salaries and benefits	1,877,926	259,396	7,449,010	2,854,270	1,732,749	1,865,164	16,038,515
Goods and services	3,013,695	232,205	807,440	1,304,414	1,489,642	764,844	7,612,240
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>6,726,842</u>	<u>491,601</u>	<u>8,467,874</u>	<u>5,529,929</u>	<u>4,575,178</u>	<u>2,957,117</u>	<u>28,748,541</u>
<b>Net surplus (deficit)</b>	<b>\$ (100,310)</b>	<b>\$ (63,253)</b>	<b>\$ (62,666)</b>	<b>\$ 5,108,781</b>	<b>\$ 1,809,528</b>	<b>\$ 1,120,914</b>	<b>\$ 7,812,993</b>

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

**15. 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	2011 Total
Net taxation and user fees	\$ 6,218,532	\$ 413,772	\$ 7,631,107	\$ 5,241,026	\$ 4,454,196	\$ 2,161,958	\$ 26,120,591
Developer contributions	-	-	-	901	26,393	47,009	74,303
Grants	2,135	-	135,041	444,851	1,281,764	588,871	2,452,662
Contributed tangible capital assets	-	-	-	3,903,743	-	-	3,903,743
Contributions from other municipalities	-	-	-	116,363	13,000	60,355	189,718
Development Charges	325,000	-	34,193	321,066	294,500	-	974,759
Income from government business enterprise	-	-	-	-	-	680,293	680,293
Other	98,191	5,510	203,072	379,880	284,341	611,313	1,582,307
	<u>6,643,858</u>	<u>419,282</u>	<u>8,003,413</u>	<u>10,407,830</u>	<u>6,354,194</u>	<u>4,149,799</u>	<u>35,978,376</u>
<b>Expenses</b>							
Salaries and benefits	1,817,895	250,185	7,182,034	2,732,462	1,851,817	1,588,484	15,422,877
Goods and services	3,041,961	197,030	855,765	1,673,722	1,633,280	470,325	7,872,083
Interest	379,782	-	2,234	344,649	-	-	726,665
Amortization	1,485,652	508	217,218	920,227	1,334,572	280,541	4,238,718
	<u>6,725,290</u>	<u>447,723</u>	<u>8,257,251</u>	<u>5,671,060</u>	<u>4,819,669</u>	<u>2,339,350</u>	<u>28,260,343</u>
<b>Net surplus (deficit)</b>	<b>\$ (81,432)</b>	<b>\$ (28,441)</b>	<b>\$ (253,838)</b>	<b>\$ 4,736,770</b>	<b>\$ 1,534,525</b>	<b>\$ 1,810,449</b>	<b>\$ 7,718,033</b>

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

**December 31, 2012**

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**16. Subsequent Event**

Subsequent to the year-end, by resolution of Council, the Corporation of the Town of Midland has entered into a conditional agreement to purchase lands for approximately \$4,000,000.

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**17. Comparative Figures**

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

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