

Consolidated Financial Statements

**THE CORPORATION OF THE
TOWN OF MIDLAND**

And Independent Auditors' Report thereon

Year ended December 31, 2019

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.



Michael Jerney
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

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Midland (the "Town"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
October 21, 2020

THE CORPORATION OF THE TOWN OF MIDLAND

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Year ended December 31, 2019

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THE CORPORATION OF THE TOWN OF MIDLAND

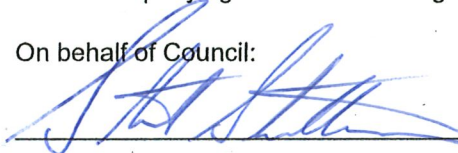
Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash (note 2)	\$ 16,518,540	\$ 37,492,836
Investments	21,312,832	-
Taxes receivable	2,085,052	2,451,122
Trade and other receivables	4,241,649	3,770,020
Long-term receivables	113,366	152,576
Inventories for resale	17,683	12,569
	<u>44,289,122</u>	<u>43,879,123</u>
Financial liabilities		
Accounts payable and accrued liabilities	10,762,010	9,015,505
Employee future benefits (note 7)	2,032,310	2,155,610
Interest payable	134,083	146,014
Deferred revenue (note 3)	6,811,834	6,163,470
Long-term debt (note 10)	13,658,361	14,872,391
	<u>33,398,598</u>	<u>32,352,990</u>
Net financial assets	10,890,524	11,526,133
Non-financial assets		
Tangible capital assets (note 11)	169,566,715	162,837,876
Prepaid expenses and inventory of supplies	1,132,395	247,261
	<u>170,699,110</u>	<u>163,085,137</u>
Contingencies and commitments (note 13)		
Subsequent event (note 19)		
Accumulated surplus (note 12)	\$ 181,589,634	\$ 174,611,270

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, 2019, with comparative information for 2018

	2019 Budget (note 15)	Actual 2019	Actual 2018
Revenue:			
Taxation (note 9)	\$ 21,217,758	\$ 21,129,861	\$ 19,689,343
User charges (note 9)	8,227,110	9,211,658	8,726,151
Government grants (note 14)	1,852,171	4,130,842	1,634,209
Developer contributions	-	-	36,669
Contributions from other municipalities	474,465	417,981	444,601
Income from government business enterprise (note 5)	400,000	-	848,161
Developer charges (note 3)	287,450	1,109,633	1,395,838
Gain on disposal of government business enterprise (note 5)	-	-	12,467,927
Other	1,154,363	2,791,051	2,405,915
Total revenue	33,613,317	38,791,026	47,648,814
Expenses:			
General government	4,726,326	4,477,172	4,119,607
Protection to persons and property (note 18)	9,050,330	8,887,447	12,011,001
Transportation services	6,249,583	6,922,205	5,546,102
Environmental and water services	5,634,982	4,968,747	5,089,581
Recreational and culture	6,175,659	5,898,879	5,630,572
Planning and development	288,025	658,212	641,386
Total expenses	32,124,905	31,812,662	33,038,249
Annual surplus	1,488,412	6,978,364	14,610,565
Accumulated surplus, beginning of year	174,611,270	174,611,270	160,000,705
Accumulated surplus, end of year	\$ 176,099,682	\$ 181,589,634	\$ 174,611,270

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, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 6,978,364	\$ 14,610,565
Acquisition of tangible capital assets	(10,849,064)	(7,835,598)
Amortization of tangible capital assets	4,027,512	4,185,353
Gain on disposal of tangible capital assets	(17,860)	(88,758)
Proceeds on disposal of tangible capital assets	110,573	172,906
Use of prepaid expenses and inventories of supplies	247,261	267,488
Acquisition of prepaid expenses and inventories of supplies	(1,132,395)	(247,261)
	(7,613,973)	(3,545,870)
Change in net financial assets	(635,609)	11,064,695
Net financial assets, beginning of the year	11,526,133	461,438
Net financial assets, end of the year	\$ 10,890,524	\$ 11,526,133

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 6,978,364	\$ 14,610,565
Items not involving cash:		
Amortization of tangible capital assets	4,027,512	4,185,353
Gain on disposal of tangible capital assets	(17,860)	(88,758)
Gain on disposal of government business	-	(12,467,927)
Decrease in employee future benefits	(123,300)	(766,515)
Income from government business enterprise	-	(848,161)
	10,864,716	4,624,557
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	366,070	(604,039)
Increase in trade and other receivables	(471,629)	(922,485)
Decrease in inventories for resale	(5,114)	4,239
Increase (decrease) in accounts payable and accrued liabilities	1,746,505	1,909,767
Increase (decrease) in interest payable	(11,931)	41,601
Increase in deferred revenue	648,364	59,133
Decrease (increase) in prepaid expenses and inventory of supplies	(885,134)	20,227
Net change in cash from operating activities	12,251,847	5,133,000
Capital activities:		
Proceeds on disposal of tangible capital assets	110,573	172,906
Cash used to acquire tangible capital assets	(10,849,064)	(7,835,598)
Net change in cash from capital activities	(10,738,491)	(7,662,692)
Investing activities:		
Payment received on long-term receivables	39,210	64,263
Proceeds on disposal of government business enterprise	-	22,242,619
Purchase of investments	(21,312,832)	-
Dividends in-kind from government business enterprise	-	1,300,000
Net change in cash from investing activities	(21,273,622)	23,606,882
Financing activities:		
Proceeds from issuance of long-term debt	-	2,785,000
Repayment of long-term debt	(1,214,030)	(1,071,486)
Net change in cash from financing activities	(1,214,030)	1,713,514
Net change in cash and cash equivalents	(20,974,296)	22,790,704
Cash, beginning of year	37,492,836	14,702,132
Cash, end of year	\$ 16,518,540	\$ 37,492,836

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, 2019

The Corporation of the Town of Midland (the "Town") is a municipality in the Province of Ontario and operates under the provisions of provincial statutes including the Municipal Act, 2001, and other legislation. 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
Midland Bay Landing Development Corporation

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

The following entities have been proportionately consolidated:

Huronian Airport Commission	49.6%
Severn Sound Environmental Association	12.9%

All inter-entity transactions and balances have been eliminated.

Midland Power Utility Corporation was a corporation incorporated under the laws of the Province of Ontario and provided municipal electrical distribution services. Prior to its divestment in the current year, the Town's investment in Midland Power Utility Corporation was 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 recognized 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, 2019

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, 2019

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, 2019

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, 2019

2. Cash:

	2019	2018
Unrestricted cash	\$ 11,356,450	\$ 33,263,388
Restricted cash (obligatory reserve funds set aside for specific purposes by legislation and others)	5,162,090	4,229,448
	<u>\$ 16,518,540</u>	<u>\$ 37,492,836</u>

3. Deferred revenue:

	Balance at December 31, 2018	Contributions received	Interest earned	Revenue recognized	Balance at December 31, 2019
Gas tax ¹	\$ 1,795,002	1,231,867	43,361	1,790,647	\$ 1,279,583
Development charges ²	3,867,806	1,701,904	93,420	1,109,633	4,553,497
Building department	106,602	407,943	2,532	-	517,077
Parkland	141,222	29,125	2,453	-	172,800
Other	252,838	158,626	537	123,124	288,877
	<u>\$ 6,163,470</u>	<u>3,529,465</u>	<u>142,303</u>	<u>3,023,404</u>	<u>\$ 6,811,834</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 (2018 - \$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, 2019, \$Nil (2018 - \$Nil) has been drawn against this facility. Subsequent to year end, the Town increased the operating line of credit to \$10,000,000.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

5. Government business enterprise:

On August 23, 2018, the Ontario Energy Board approved an application from Newmarket-Tay Power Distribution Ltd. to purchase the Town's interest in the Midland Power Utility Corporation, with a closing date of September 6, 2018. The Town's interest in the government business enterprise has been recorded in the financial statements up to the closing date of the sale using the modified equity method, as summarized below:

	2019	2018
Assets	\$ -	\$ -
Liabilities	\$ -	\$ -
Shareholder's equity	-	-
	\$ -	\$ -
Combined results of operations:		
Revenue	\$ -	\$ 18,797,200
Operating expenses	-	17,949,039
Income for the year	-	848,161
Dividends paid to Town	-	(1,300,000)
	\$ -	\$ (451,839)

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

	2019	2018
Revenue:		
Municipal taxes	\$ -	\$ 29,851
Lease for substation properties	-	33,320
Other	-	13,531
Expenses:		
Electricity charges	-	736,194
Maintenance of street-lighting and other service	-	5,827
Dividends received	-	1,300,000

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.

On the date of the sale, the Midland Power Utility Corporation Board of Directors approved a \$1,300,000 dividend in-kind based on the fair market value of the property formerly held by Midland Power Utility Corporation.

The total proceeds on the sale amounted to \$22,242,619 resulting in a gain of \$12,467,927 which was recognized in the Consolidated Statement of Operations and Accumulated Surplus for the year ended December 31, 2018.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

6. Public Library Board:

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.

The Corporation of the Town of Midland Public Library Board has been consolidated in these financial statements. A summary of financial information relating to the Corporation of the Town of Midland Public Library Board is as follows:

	2019	2018
Financial assets	\$ 937,538	\$ 538,719
Financial liabilities	2,515,198	2,512,230
Net financial debt	(1,577,660)	(1,973,511)
Non-financial assets	5,516,140	5,624,655
Accumulated surplus	\$ 3,938,480	\$ 3,651,144

Combined results of operations:

Revenue	\$ 1,836,454	\$ 1,489,783
Operating expenses	(1,268,606)	(1,248,676)
Amortization	(280,512)	(306,513)
Annual deficit	\$ 287,336	\$ (65,406)

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

	2019	2018
Revenue:		
Municipal contributions	\$ 1,537,354	\$ 1,299,877
Expenses:		
Debenture interest	83,741	85,979

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

	2019	2018
Trade receivable, restricted for obligatory reserves	\$ 447,846	\$ 365,038
Trade receivable, unrestricted	407,017	133,591

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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.

	2019	2018
Accumulated sick leave entitlement	\$ 415,786	\$ 516,286
Vacation payable	1,409	1,409
Life insurance, health and dental benefits	1,615,115	1,637,915
	<u>\$ 2,032,310</u>	<u>\$ 2,155,610</u>

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

	2019	2018
Accrued benefit obligation, beginning of year	\$ 2,154,201	\$ 2,790,218
Add: Benefit/service cost	75,700	145,571
Add: Interest	68,400	102,432
Add: Immediate recognition of losses from curtailment	–	43,007
Less: Curtailment and settlement	–	(499,165)
Less: Amortization of actuarial loss	(18,000)	(15,194)
Less: Benefits payments	(249,400)	(412,668)
Accrued benefit obligation, end of year	<u>\$ 2,030,901</u>	<u>\$ 2,154,201</u>

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

	2019	2018
Discount rate	3.90%	3.90%
Salary escalation	3.00%	3.00%
Dental premium rates	4.00%	4.00%
Health premium care rates	7.00% for 2019 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

Year ended December 31, 2019

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 2019 was \$1,292,828 (2018 - \$1,034,812) for current service and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

9. Taxation and user charges:

	2019	2018
Taxation revenue	\$ 34,030,524	\$ 32,613,035
Amount levied and remitted to School Boards	(6,919,944)	(6,992,460)
Amount levied and remitted to the County of Simcoe	(5,980,719)	(5,931,232)
Net taxation	21,129,861	19,689,343
User charges	9,211,658	8,726,151
Net taxation and user charges	\$ 30,341,519	\$ 28,415,494

10. Net long-term debt:

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

	2019	2018
Total long-term liabilities incurred by the Town and consolidated entities, and outstanding at the end of the year	\$ 13,658,361	\$ 14,872,391

The principal repayments are due as follows:

2020	\$ 1,253,487
2021	1,196,317
2022	1,236,386
2023	1,278,544
2024 and thereafter	8,693,627
	\$ 13,658,361

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 2023 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, 2019

11. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Transfers	Balance at December 31, 2019
Land	\$ 20,467,263	748,476	-	-	21,215,739
Land improvements	9,571,894	179,134	(37,406)	-	9,713,622
Building and building service equipment	54,160,096	524,120	-	-	54,684,216
Vehicles	6,980,810	1,330,707	(90,635)	-	8,220,882
Equipment	8,796,249	919,777	(79,433)	-	9,636,593
Infrastructure	87,721,085	2,625,468	(1,332,798)	1,086,478	89,013,755
Information technology	2,387,488	235,286	(788)	-	2,621,986
Assets under construction	10,262,644	4,286,096	(61,653)	(1,086,478)	14,487,087
Total	\$ 200,347,529	10,849,064	(1,602,713)	-	209,593,880

Accumulated Amortization	Balance at December 31, 2018	Disposals and transfers	Amortization	Balance at December 31, 2019
Land	\$ -	-	-	-
Land improvements	4,644,571	(36,309)	347,500	4,955,762
Building and building service equipment	19,232,481	-	1,060,199	20,292,680
Vehicles	3,536,768	(60,672)	408,493	3,884,589
Equipment	5,181,430	(80,075)	426,603	5,527,958
Infrastructure	3,469,559	(1,332,798)	1,619,944	3,756,705
Information technology	1,444,844	(146)	164,773	1,609,471
Assets under construction	-	-	-	-
Total	\$ 37,509,653	(1,510,000)	4,027,512	40,027,165

	Net book value, December 31, 2018	Net book value, December 31, 2019
Land	\$ 20,467,263	21,215,739
Land improvements	4,927,323	4,757,860
Building and building service equipment	34,927,615	34,391,536
Vehicles	3,444,042	4,336,293
Equipment	3,614,819	4,108,635
Infrastructure	84,251,526	85,257,050
Information technology	942,644	1,012,515
Assets under construction	10,262,644	14,487,087
Total	\$ 162,837,876	169,566,715

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

11. Tangible capital assets (continued):

Cost	Balance at December 31, 2017	Additions	Disposals	Transfers	Balance at December 31, 2018
Land	\$ 19,932,311	534,952	-	-	20,467,263
Land improvements	9,566,198	43,146	(37,450)	-	9,571,894
Building and building service equipment	51,745,783	2,414,313	-	-	54,160,096
Vehicles	6,526,119	1,171,531	(716,840)	-	6,980,810
Equipment	8,188,321	659,106	(51,178)	-	8,796,249
Infrastructure	88,717,387	329,330	(1,325,632)	-	87,721,085
Information technology	2,454,354	207,833	(274,699)	-	2,387,488
Assets under construction	7,787,257	2,475,387	-	-	10,262,644
Total	\$ 194,917,730	7,835,598	(2,405,799)	-	200,347,529

Accumulated Amortization	Balance at December 31, 2017	Disposals and transfers	Amortization	Balance at December 31, 2018
Land	\$ -	-	-	-
Land improvements	4,342,956	(37,450)	339,065	4,644,571
Building and building service equipment	18,160,115	-	1,072,366	19,232,481
Vehicles	3,684,870	(640,210)	492,108	3,536,768
Equipment	4,740,274	(44,440)	485,596	5,181,430
Infrastructure	3,182,695	(1,324,852)	1,611,716	3,469,559
Information technology	1,535,041	(274,699)	184,502	1,444,844
Assets under construction	-	-	-	-
Total	\$ 35,645,951	(2,321,651)	4,185,353	37,509,653

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 19,932,311	20,467,263
Land improvements	5,223,242	4,927,323
Building and building service equipment	33,585,668	34,927,615
Vehicles	2,841,249	3,444,042
Equipment	3,448,047	3,614,819
Infrastructure	85,534,692	84,251,526
Information technology	919,313	942,644
Assets under construction	7,787,257	10,262,644
Total	\$ 159,271,779	162,837,876

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

12. Accumulated surplus:

The Town segregates its accumulated surplus in the following categories:

	2019	2018
Invested in tangible capital assets	\$ 169,566,715	\$ 162,837,876
Tangible capital assets financed with long-term debt	(13,658,361)	(14,872,391)
Current fund	(9,772,643)	15,422,372
Reserves set aside for specific purposes by Council	35,453,923	11,223,413
Accumulated surplus	\$ 181,589,634	\$ 174,611,270

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.

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:

	2019	2018
Grants with stipulations	\$ 1,790,647	\$ 210,040
Other grants	2,340,195	1,424,169
Total government grants	\$ 4,130,842	\$ 1,634,209

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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		7,222,827
Budgeted principal repayments on long-term debt		1,096,840
		<u>8,319,667</u>
Less:		
Budgeted depreciation		4,185,353
Budgeted net reserve transfers and other items		2,645,902
		<u>6,831,255</u>
<u>Budget surplus per financial statements</u>	<u>\$</u>	<u>1,488,412</u>

16. Public sector salary disclosure:

During 2019, twenty-six employees were paid a salary, as defined by the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Town.

17. Comparative information:

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

18. Transfer of police services:

Effective February 8, 2018, the Town entered into a contractual arrangement with the Ontario Provincial Police for the provision of policing services. Prior to this date, policing services were delivered directly by the Town.

In connection with the transfer of policing services to the Ontario Provincial Police, the Town retained title to all assets and liabilities relating to police services, with no consideration exchanged between the Town and the Ontario Provincial Police.

As a result of the transfer of policing services to the Ontario Provincial Police, the Town incurred one-time costs relating to employee severance, professional fees and other matters. These expenses have been included in the expense category for Protection of Persons and Property, with estimates made for costs relating to the transfer that have yet to be finalized.

THE CORPORATION OF THE TOWN OF MIDLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2019

19. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Town has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic;

- The closure of a number of indoor and outdoor facilities to the general public;
- Revisions to the delivery of a number of Town services in order to contribute towards social distancing. In certain instances, the delivery of Township services has been temporarily suspended during the state of emergency;
- The implementation of working from home requirements for certain municipal employees;
- Work force reductions for temporary and part-time employees; and
- In certain instances, the Town has deferred payment timeframes and has waived interest charges, penalties and other fees.

As a result of these measures, the Town has experienced a decrease in operating revenues during the subsequent period, as well as an increase in operating costs.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

20. Segmented information:

The Town provides a range of services to its citizens, including police, fire, and 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, 2019

20. 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 20 - Segmented Information (continued)

Year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2019 Total
Revenues:							
User fees	\$ 41,902	301,929	446,248	7,364,256	951,773	105,550	\$ 9,211,658
Developer contributions	-	-	-	-	-	-	-
Government grants	1,121,172	154,725	2,374,467	259,329	111,136	110,013	4,130,842
Contributions from other municipalities	66,737	-	190,250	-	160,994	-	417,981
Development charges	37,450	-	791,433	105,750	175,000	-	1,109,633
Other	1,524,210	141,109	543,106	55,672	381,945	145,009	2,791,051
	2,791,471	597,763	4,345,504	7,785,007	1,780,848	360,572	17,661,165
Expenses:							
Salaries, wages and benefits	2,360,974	3,106,947	2,921,793	1,559,261	2,578,101	222,480	12,749,556
Goods and services	1,657,635	5,596,824	2,482,121	2,022,975	2,259,228	352,842	14,371,625
Interest	-	-	217,543	158,239	205,297	82,890	663,969
Amortization of tangible capital assets	458,563	183,676	1,300,748	1,228,272	856,253	-	4,027,512
	4,477,172	8,887,447	6,922,205	4,968,747	5,898,879	658,212	31,812,662
Excess (deficiency) of revenues over expenses	(1,685,701)	(8,289,684)	(2,576,701)	2,816,260	(4,118,031)	(297,640)	(14,151,497)
Funded through:							
Taxation							21,129,861
Annual surplus							\$ 6,978,364

THE CORPORATION OF THE TOWN OF MIDLAND

Note 20 - Segmented Information (continued)

Year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenues:							
User fees	\$ 39,486	230,654	388,320	7,196,526	763,015	108,150	\$ 8,726,151
Developer contributions	-	-	36,669	-	-	-	36,669
Government grants	572,763	336,835	590,074	7,000	127,537	-	1,634,209
Contributions from other municipalities	93,301	-	151,133	-	200,167	-	444,601
Development contributions	-	111,000	662,648	225,000	397,190	-	1,395,838
Income from government business enterprise	848,161	-	-	-	-	-	848,161
Other	1,011,294	456,272	307,885	157,712	342,160	130,592	2,405,915
	2,565,005	1,134,761	2,136,729	7,586,238	1,830,069	238,742	15,491,544
Expenses:							
Salaries, wages and benefits	2,093,182	6,319,435	2,241,691	1,488,696	2,572,650	180,890	14,896,544
Goods and services	1,546,164	5,476,227	1,810,716	2,194,869	1,942,418	405,771	13,376,165
Interest	-	-	117,780	181,230	226,452	54,725	580,187
Amortization of tangible capital assets	480,261	215,339	1,375,915	1,224,786	889,052	-	4,185,353
	4,119,607	12,011,001	5,546,102	5,089,581	5,630,572	641,386	33,038,249
Excess (deficiency) of revenues over expenses	(1,554,602)	(10,876,240)	(3,409,373)	2,496,657	(3,800,503)	(402,644)	(17,546,705)
Funded through:							
Taxation							19,689,343
Gain on disposal of government business							12,467,927
Annual surplus							\$ 14,610,565