

The Corporation of the
Town of The Blue Mountains
Financial Statements
For the year ended December 31, 2009

Draft

**The Corporation of the Town of The Blue Mountains
Financial Statements
For the year ended December 31, 2009**

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Auditors' Report

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

We have audited the consolidated statement of financial position of the Corporation of the Town of The Blue Mountains as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of The Blue Mountains as at December 31, 2009 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 29, 2010, except as to Note 7 which is as of December 16, 2010

The Corporation of the Town of The Blue Mountains
Consolidated Statement of Financial Position

December 31	2009	2008
Financial assets		
Cash (Note 1)	\$ 4,598,251	\$ 14,475,685
Temporary investments (Note 2)	8,323,927	10,180,482
Taxes receivable	4,601,212	4,231,203
Trade and other receivables	7,381,248	4,454,468
Long-term receivables (Note 3)	3,479,598	2,007,671
	<u>28,384,236</u>	<u>35,349,509</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	8,704,597	11,553,833
Solid waste closure and post-closure liabilities (Note 6)	1,142,130	1,049,746
Deferred revenue (Page 30)	2,288,035	4,059,997
Long-term liabilities (Note 5)	4,758,554	5,473,639
	<u>16,893,316</u>	<u>22,137,215</u>
Net financial assets	11,490,920	13,212,294
Non financial assets		
Inventory of supplies	67,453	56,061
Prepaid expenses	75,997	27,903
Tangible capital assets (Note 7)	158,866,399	152,018,325
	<u>159,009,849</u>	<u>152,102,289</u>
Accumulated surplus (Note 8)	<u>\$ 170,500,769</u>	<u>\$ 165,314,583</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Town of The Blue Mountains
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2009		2008
	Budget	Actual	Actual
Revenue			
Taxation	\$ 9,892,609	\$ 9,872,239	\$ 9,375,024
Fees and user charges	6,810,898	6,626,048	6,537,875
Grants (Note 12)	5,295,877	4,729,447	2,252,154
Other income (Note 11)	6,023,062	4,656,328	3,684,388
Obligatory reserve fund revenue recognized	5,753,541	2,308,240	7,607,637
	<u>33,775,987</u>	<u>28,192,302</u>	<u>29,457,078</u>
Expenses			
General government	2,817,517	8,041,422	8,404,673
Protection services	4,184,097	3,994,218	4,032,433
Transportation services	2,916,585	3,032,832	2,956,704
Environmental services	4,295,232	4,537,056	4,548,412
Health services	95,433	131,240	113,868
Recreation and cultural services	1,970,780	2,147,943	2,053,745
Planning and development	1,404,653	1,121,405	1,074,933
	<u>17,684,297</u>	<u>23,006,116</u>	<u>23,184,768</u>
Annual surplus (Note 10)	16,091,690	5,186,186	6,272,310
Accumulated surplus, beginning of year	<u>165,314,583</u>	<u>165,314,583</u>	<u>159,042,273</u>
Accumulated surplus, end of year	<u>\$ 181,406,273</u>	<u>\$ 170,500,769</u>	<u>\$ 165,314,583</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Town of The Blue Mountains
Consolidated Statement of Changes in Net Debt

<u>For the year ended December 31</u>	2009	2009	2008
	Budget	Actual	Actual
Annual surplus (Page 5)	\$ 16,091,690	\$ 5,186,186	\$ 6,272,310
Acquisition of tangible capital assets	(23,975,695)	(11,977,632)	(8,245,641)
Amortization of tangible capital assets	-	5,122,086	5,740,361
Loss on sale of tangible capital assets	-	7,472	8,762
	<u>(23,975,695)</u>	<u>(6,848,074)</u>	<u>(2,496,518)</u>
Change in inventories of supplies	-	(11,392)	(23,412)
Change in prepaid expenses	-	(48,094)	(27,002)
	<u>-</u>	<u>(59,486)</u>	<u>(50,414)</u>
Increase in net financial assets	(7,884,005)	(1,721,374)	3,725,378
Net financial assets, beginning of the year	13,212,294	13,212,294	9,486,916
Net financial assets, end of the year	\$ 5,328,289	\$ 11,490,920	\$ 13,212,294

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Town of The Blue Mountains
Consolidated Statement of Cash Flows

For the year ended December 31	2009	2008
Cash provided by (used in)		
Operating activities		
Annual surplus	5,186,186	6,272,310
Items not involving cash		
Change in solid waste closure and post-closure liabilities	92,384	107,584
Amortization	5,122,086	5,740,361
Deferred revenue recognized	(3,903,703)	(7,620,476)
Change in prepaid expenses	(48,094)	(23,412)
Change in inventory of supplies	(11,392)	(27,002)
Loss on sale of capital assets	7,472	8,762
	<u>6,444,939</u>	<u>4,458,127</u>
Changes in non-cash working capital balances		
Taxes receivable	(370,009)	(1,197,740)
Trade and other receivables	(2,926,780)	2,196,469
Accounts payable and accrued liabilities	(2,849,236)	(1,326,295)
Deferred revenue received	2,131,741	5,554,187
	<u>2,430,655</u>	<u>9,684,748</u>
Capital transactions		
Cash used to acquire capital assets	<u>(11,977,632)</u>	<u>(8,245,641)</u>
Investing activities		
Decrease (increase) in long-term receivables	<u>(1,471,927)</u>	<u>951,021</u>
Financing activities		
Repayment of long-term liabilities	<u>(715,085)</u>	<u>(712,521)</u>
Net change in cash and cash equivalents	<u>(11,733,989)</u>	<u>1,677,607</u>
Cash and cash equivalents, beginning of year	<u>24,656,167</u>	<u>22,978,560</u>
Cash and cash equivalents, end of year	<u>\$ 12,922,178</u>	<u>\$ 24,656,167</u>
Comprised of:		
Cash	\$ 4,598,251	\$ 14,475,685
Temporary investments	8,323,927	10,180,482
	<u>\$12,922,178</u>	<u>\$ 24,656,167</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Town of The Blue Mountains

Summary of Significant Accounting Policies

December 31, 2009

Management Responsibility The consolidated financial statements of the Corporation of the Town of The Blue Mountains are the representations 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 as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Use of Estimates The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following board controlled by Council has been consolidated:

The Blue Mountains Public Library Board

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership is reflected in the consolidated financial statements:

Georgian Trail Board of Management	41%
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Basis of Accounting Revenues 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 receipt of goods or services and the creation of a legal obligation to pay.

The Corporation of the Town of The Blue Mountains Summary of Significant Accounting Policies

December 31, 2009

Cash and Cash Equivalents	Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily convertible into cash.												
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.												
Inventory of Supplies	Inventory held for consumption is recorded at the lower of cost and replacement cost.												
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:</p> <table><tr><td>Land Improvements</td><td>10 to 50 years</td></tr><tr><td>Buildings</td><td>15 to 50 years</td></tr><tr><td>Machinery, Equipment and Vehicles</td><td>5 to 50 years</td></tr><tr><td>Water</td><td>20 to 100 years</td></tr><tr><td>Sewer</td><td>20 to 100 years</td></tr><tr><td>Roads</td><td>10 to 75 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.</p>	Land Improvements	10 to 50 years	Buildings	15 to 50 years	Machinery, Equipment and Vehicles	5 to 50 years	Water	20 to 100 years	Sewer	20 to 100 years	Roads	10 to 75 years
Land Improvements	10 to 50 years												
Buildings	15 to 50 years												
Machinery, Equipment and Vehicles	5 to 50 years												
Water	20 to 100 years												
Sewer	20 to 100 years												
Roads	10 to 75 years												
Deferred Revenue	Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of operations and accumulated surplus. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.												
County and School Board	The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.												

The Corporation of the Town of The Blue Mountains Summary of Significant Accounting Policies

December 31, 2009

Trust Funds	Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.
Government Transfers	Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, and eligibility criteria have been met and reasonable estimates of the amounts can be made.
Revenue Recognition	<p>Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.</p> <p>User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.</p>

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The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

1. Cash

	2009	2008
Unrestricted	\$ 4,148,412	\$ 13,626,262
Restricted	449,839	849,423
	\$ 4,598,251	\$ 14,475,685

The Town has established segregated interest-bearing bank accounts pursuant to agreements with developers and these funds are for the sole purpose of capital costs relating to specific developments.

Cash balances of \$4,523,950 are being held at one chartered bank in five different accounts earning interest at a rate of prime less 1.75%

The municipality has an available operating facility of \$750,000 which was not drawn upon at December 31, 2009. The operating facility is due on demand and bears interest at the bank's prime rate.

2. Temporary Investments

	2009	2008
Cash	\$ 742,595	\$ -
Discount Bonds, 2.105% to 4.02%, due 2010	-	2,509,235
Bankers Acceptance, 2.262% to 2.461%, due 2010	-	1,491,105
Guaranteed Investment Certificate, .55% to 2.32%, due 2010	7,581,332	6,099,000
Restricted Guaranteed Investment Certificate Georgian Trail Board of Management	-	81,142
	\$ 8,323,927	\$ 10,180,482

Investments have a market value of \$8,323,927 (2008 - \$10,200,232) at the end of the year.

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

3. Long-term Receivables

	<u>2009</u>	<u>2008</u>
Water and sewer loans, 5.5% to 18%, due 2010 to 2029	\$ 3,436,209	\$ 1,956,733
Tile drainage loans, 6% to 8%, due 2010 to 2016	<u>43,389</u>	<u>50,938</u>
	<u>\$ 3,479,598</u>	<u>\$ 2,007,671</u>

4. Accounts Payable and Accrued Liabilities

	<u>2009</u>	<u>2008</u>
Trade accounts payable	\$ 3,005,901	\$ 5,068,118
Accrued liabilities	633,245	1,459,459
Developer and other deposits	<u>5,065,451</u>	<u>5,026,266</u>
	<u>\$ 8,704,597</u>	<u>\$ 11,553,843</u>

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

5. Long-Term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2009	2008
Loan payable, prime less 0.25%, repayable in annual principal instalments of \$115,000 plus interest, due 2012	\$ 345,000	\$ 460,000
Loan payable, 4.85%, repayable in annual principal instalments of \$450,000 plus interest, due 2014	2,250,000	2,700,000
Loan payable, 4.85%, repayable in blended annual payments of \$83,608, due 2014	360,165	422,701
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	1,760,000	1,840,000
Tile drainage loans payable, 6% to 8%, due from 2010 to 2016	43,389	50,938
	\$ 4,758,554	\$ 5,473,639

The interest expense included on the Consolidated Statement of Operations and Accumulated Surplus totals \$264,220 (2008 - \$310,025).

Principal payments for the next 5 fiscal years and thereafter are as follows:

2010	\$ 717,769
2011	\$ 720,213
2012	\$ 724,045
2013	\$ 613,073
2014	\$ 612,834
Thereafter	\$ 1,370,620

At December 31, 2009, the municipality had undrawn credit capacity of \$2,500,000 at prime minus 0.75%.

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

6. Solid Waste Closure and Post-Closure Liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$1,142,130 and represents the present value of closure and post-closure costs for 92% of the current site's capacity, using the municipalities average long-term borrowing rate of 5%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenses for closure and post-closure care are \$1,245,470 leaving an amount to be recognized of \$103,340. The estimated remaining capacity of the site's opened cells are approximately 30,700 cubic metres, which will be filled in 3 years. Post-closure care is estimated to continue for a period of 25 years.

The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. During 2009 there were no transfers to or from this reserve. The balance of this reserve at December 31, 2009 is \$194,474.

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

7. Tangible Capital Assets

	2009								
	Land	Land Improvements	Buildings	Machinery, Equipment and Vehicles	Water	Sewer	Roads	Work in Progress	Total
Cost, beginning of year	\$ 5,326,069	\$ 3,971,465	\$ 17,103,763	\$ 17,283,369	\$ 40,198,859	\$ 52,781,563	\$ 69,250,437	\$ 8,721,422	\$ 214,636,947
Additions	359,190	216,238	780,892	1,061,575	235,779	1,249,566	316,978	7,757,414	11,977,632
Disposals	-	-	(6,052)	(340,310)	-	-	-	-	(346,362)
Transfers	-	-	780,404	4,461,062	1,777,366	1,358,141	2,617,247	(10,994,220)	-
Cost, end of year	5,685,259	4,187,703	18,659,007	22,465,696	42,212,004	55,389,270	72,184,662	5,484,616	226,268,217
Accumulated amortization, beginning of year	-	1,648,510	6,968,057	7,283,807	10,090,538	7,997,895	28,629,815	-	62,618,622
Amortization	-	158,580	483,519	1,156,976	566,047	670,020	2,086,944	-	5,122,086
Disposals	-	-	(4,598)	(334,292)	-	-	-	-	(338,890)
Accumulated amortization, end of year	-	1,807,090	7,446,978	8,106,491	10,656,585	8,667,915	30,716,759	-	67,401,818
Net carrying amount, end of year	\$ 5,685,259	\$ 2,380,613	\$ 11,212,029	\$ 14,359,205	\$ 31,555,419	\$ 46,721,355	\$ 41,467,903	\$ 5,484,616	\$ 158,866,399

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

7. Tangible Capital Assets - (continued)

									2008
	Land	Land Improvements	Buildings	Machinery, Equipment and Vehicles	Water	Sewer	Roads	Work in Progress	Total
Cost, beginning of year	\$ 4,993,383	\$ 3,684,714	\$ 16,880,321	\$ 16,295,643	\$ 39,529,371	\$ 50,192,991	\$ 66,9	\$ 8,064,415	\$ 206,547,936
Additions	332,686	339,341	223,442	1,091,766	125,706	383,946	97,474	5,651,280	8,245,641
Disposals		(52,590)	-	(104,040)	-	-	-	-	(156,630)
Transfers	-	-	-	-	543,782	2,204,626	2,245,865	(4,994,273)	-
Cost, end of year	5,326,069	3,971,465	17,103,763	17,283,369	40,198,859	52,781,563	69,250,437	8,721,422	214,636,947
Accumulated amortization, beginning of year	-	1,540,816	5,787,198	6,314,747	9,534,343	7,322,626	26,526,396	-	57,026,126
Amortization		151,519	1,180,859	1,073,100	556,195	675,269	2,103,419	-	5,740,361
Disposals		(43,825)	-	(104,040)	-	-	-	-	(147,865)
Accumulated amortization, end of year	-	1,648,510	6,968,057	7,283,807	10,090,538	7,997,895	28,629,815	-	62,618,622
Net carrying amount, end of year	\$ 5,326,069	\$ 2,322,955	\$ 10,135,706	\$ 9,999,562	\$ 30,108,321	\$ 44,783,668	\$ 40,620,622	\$ 8,721,422	\$ 152,018,325

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$5,484,616 (2008 - \$8,721,422).

The municipality holds various works of art and historical treasures pertaining to (provide nature of the works). 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.

8. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2009	2008
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 158,866,399	\$ 152,018,325
Unfinanced capital assets	(6,817,211)	(3,715,508)
Capital assets financed by long-term liabilities and to be funded in future years (Note 5)	(4,715,165)	(5,422,701)
Total invested in capital assets	147,334,023	142,880,116
Unfunded post-employment benefits	(89,819)	(87,331)
Unfunded projects	(156,881)	(82,287)
Unfunded solid waste closure and post-closure costs	(1,142,130)	(1,049,746)
General surplus (Note 10)	1,008,375	577,692
Building inspection deficit	(639,469)	(313,993)
Cemeteries	(113,609)	(36,516)
Recreation, community centres and arenas	67,593	84,018
	146,268,083	141,971,953
Reserves and reserve funds (Note 9)	24,232,686	23,342,630
Accumulated surplus	\$ 170,500,769	\$ 165,314,583

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

9. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	<u>2009</u>	<u>2008</u>
Reserves		
Working funds	\$ 3,122,532	\$ 2,510,214
Contingencies	-	155,626
Insurance, sick leave and WSIB	162,674	176,927
Current purposes	898,395	840,096
Capital purposes	<u>5,038,723</u>	<u>6,966,895</u>
	9,222,324	10,649,758
Reserve funds:		
Capital purposes	<u>15,010,362</u>	<u>12,692,872</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 24,232,686</u>	<u>\$ 23,342,630</u>

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The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

10. Budgets

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of operations and changes in net debt for comparative purposes. The 2009 budget amounts for the Corporation of the Town of The Blue Mountains approved by Council have been restated to conform to the presentation of the consolidated statements of operations and changes in net debt. The following is a reconciliation of the budget approved by Council. The budget figures have not been audited.

	2009 Budget	2009 Actual	2008 Actual
Annual surplus (Page 5)	\$ 16,091,690	\$ 5,186,186	\$ 6,272,310
Prior year general surplus	200,000	577,692	661,564
Net transfers from (to) reserves	4,347,706	(890,056)	(426,720)
Capital acquisitions, disposals and write-down	(23,975,695)	(11,970,160)	(8,236,879)
Amortization	-	5,122,086	5,740,361
Proceeds from long-term debt	3,102,213	-	-
Debt principal repayments	-	(707,536)	(704,581)
Change in unfunded liabilities	-	94,872	100,602
Change in unfunded operating expenses	-	74,594	65,200
Change in other surpluses	-	418,994	328,208
	(234,086)	(2,093,328)	3,800,065
Capital projects not funded (prior year projects funded)	234,086	3,101,703	(3,222,373)
General surplus (Note 8)	\$ -	\$ 1,008,375	\$ 577,692

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

11. Other Income

	2009		2009	2008
	Budget	Actual	Actual	Actual
Penalties and interest on taxation	\$ 440,000	\$ 525,623	\$	401,819
Other fines and penalties	37,600	66,037		43,448
Investment income	191,100	444,120		916,332
Licenses, permits and rents	685,925	316,741		400,872
Donations	317,110	10,370		18,869
Prepaid special charges	3,187,418	3,219,583		1,874,915
Other	1,163,909	73,854		28,133
	\$ 6,023,062	\$ 4,656,328	\$	3,684,388

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The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

12. Grants

	Budget	2009	2008
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,684,800	\$ 1,683,000	\$ 1,683,000
Conditional - Roads	20,000	213,053	22,148
- Other	265,475	225,087	101,385
	<u>1,970,275</u>	<u>2,121,140</u>	<u>1,806,533</u>
Government of Canada			
- Other	\$ 142,000	\$ 189,980	8,016
Other municipalities			
- Other	\$ 105,250	\$ 21,734	55,452
Total operating grants	<u>2,217,525</u>	<u>2,332,854</u>	<u>1,870,001</u>
Tangible Capital Assets			
Province of Ontario			
Conditional - Roads	\$ 1,830,000	\$ 991,658	46,709
- Sewer and water	500,000	143,178	-
- Other	435,352	522,351	167,023
	<u>2,765,352</u>	<u>1,657,187</u>	<u>213,732</u>
Government of Canada			
Conditional - Roads	\$ 173,000	\$ 296,709	-
- Sewer and water	100,000	91,969	-
- Other	-	345,728	84,968
	<u>273,000</u>	<u>734,406</u>	<u>84,968</u>
Other municipalities			
Conditional - Roads	-	-	46,709
- Other	40,000	5,000	36,744
	<u>40,000</u>	<u>5,000</u>	<u>83,453</u>
Total tangible capital asset grants	<u>3,078,352</u>	<u>2,396,593</u>	<u>382,153</u>
Total grants	<u>\$ 5,295,877</u>	<u>\$ 4,729,447</u>	<u>\$ 2,252,154</u>

The Corporation of the Town of The Blue Mountains

Notes to Financial Statements

December 31, 2009

13. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 81 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2009 current service by the Town was \$365,719 (2008 - \$330,414). The contribution rate for 2009 was 6.5% to 10.7% depending on age and income level (2008 - 6.5% to 10.7%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2009. At that time the plan reported a \$1.5 billion deficit (2008 - \$0.3 billion actuarial deficit), based on actuarial liabilities of \$54.3 billion (2008 - \$50.1 billion) and actuarial assets of \$52.7 billion (2008 - \$49.8 billion). Ongoing adequacy of the current contribution rates will need to be monitored and the decline in the financial markets may lead to increased future funding requirements.

14. Operations of School Boards and the County of Grey

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	2009	2008
School Boards	\$ 8,647,181	\$ 8,185,262
County of Grey	11,917,584	11,380,863
	<u>\$ 20,564,765</u>	<u>\$ 19,566,125</u>

15. Trust Funds

The trust funds administered by the municipality amounting to \$257,777 (2008 - \$249,354) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2009, the trusts fund balances are as follows:

	2009	2008
Cemetery Care and Maintenance funds	\$ 257,777	\$ 249,354

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

16. Contractual Commitments

The Corporation of the Town of The Blue Mountains has entered into contracts totalling \$10,949,708 to upgrade and extend road, sewer and water services and purchase equipment. A total of \$3,019,606 remains to be spent. These commitments will be funded by municipal reserve funds, development charges, local improvement charges, government grants and long-term debt.

17. Subdivision Agreements

As part of various subdivision agreements, the municipality has received Letters of Credit to cover developers' responsibilities in completing the projects as well as covering unpaid municipal levies. Letters of Credit held by the municipality at December 31, 2009 amount to \$5,230,790.

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The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

18. Contingencies

- (a) The Town of The Blue Mountains has been named as a defendant in a legal action for damages alleged to total \$2,000,000 plus prejudgment and postjudgment interest and costs. This claim is expected to be discontinued, however a second statement of claim has been commenced by the plaintiff for \$750,000 plus interest and costs. The Town's liability with respect to these actions is not determinable at the present time.

The Town of The Blue Mountains has been named as defendant in a legal action totalling \$3,400,000 plus prejudgment and postjudgment interest and costs. The Town's liability with respect to this action is not determinable at the present time.

Management is of the opinion that the Town maintains adequate and appropriate liability and errors and omissions insurance to protect the municipality against the above claims, with the exception of claims for punitive damages which are not covered by the Town's insurance coverage.

- (b) OMERS has notified The Town of The Blue Mountains that they may request the Town pay OMERS contributions for an omission period from 1998 to 2007 for employees who are no longer employed by the Town. The impact on expenses as a result of settlement of this issue is not determinable at this time. The effect on expenses, if any, will be recorded in the fiscal year in which it can be determined.
- (c) A number of appeals of the current value assessment of properties in the municipality are currently in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.
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The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

19. Change in Accounting Principles

On January 1, 2009 the municipality adopted the revised accounting standards Section 1000 - Financial Statement Concepts, Section 1100 - Financial Statement Objectives, Section 1200 - Financial Statement Presentation and the new accounting standard Section 3150 - Tangible Capital Assets. As a result of the adoption, the presentation of the financial statements changed from the prior year. In addition, the new tangible capital assets standard required the recognition of all tangible capital assets as assets in the financial statements. This change in accounting policy has been applied retroactively with the restatement of the prior period. The impact of adopting the tangible capital asset standard was as follows:

Increase in non-financial assets - tangible capital assets	\$ 152,018,325
Increase in non-financial assets - prepaid expenses	27,903
Increase in non-financial assets - inventory of supplies	56,061
Decrease in trade and other receivables and other	(83,962)
Increase in long-term liabilities	<u>(460,000)</u>
 Increase in accumulated surplus	 <u>\$ 151,558,327</u>
 Decrease in revenue	
Fees and user charges	\$ 776
Other income	7,860
Increase (decrease) in current expenditures:	
General government	5,668,462
Protection services	69,722
Transportation services	478,068
Environmental services	560,921
Recreational and cultural services	164,742
Planning and development	166,222
Decrease in capital expenditures	<u>(9,728,289)</u>
 Increase in annual surplus	 (2,611,516)
Increase in opening accumulated surplus	<u>148,946,811</u>
	 <u>\$ 151,558,327</u>

The Corporation of the Town of The Blue Mountains

Notes to Financial Statements

December 31, 2009

20. Segmented Information

The Town of The Blue Mountains is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste, collection, disposal and recycling, recreational, library and planning. 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

This item related to the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, parking areas and streetlighting.

Environmental

Environmental services consists of providing waste collection, disposal and recycling to its citizens. This service also provides the Municipality's drinking water. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards.

Health

Health services include contributions to the operations of local cemeteries.

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

20. Segmented Information - (continued)

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks and arenas. The municipality also provides library services and recreational programs.

Planning and Development

This department is responsible for panning and zoning including the Official plan. This service area also includes tourist information and promotion, business improvement area, weed control, and drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

**Taxation, payments-in-lieu
and penalties and interest**

Allocated to those segments that are funded by these amounts based on the budget for the year.

OMPF Grants

Allocated to segments based on the budget for the year.

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2009 Total
Revenue								
Taxation	\$ 691,058	\$ 3,850,173	\$ 2,665,504	\$ 592,334	\$ 98,722	\$ 987,224	\$ 987,224	\$ 9,872,239
Fees and user charges	16,178	39,733	59,319	5,656,206	32,650	683,239	138,723	6,626,048
Specific grants	541,377	149,007	1,559,545	464,856	2,228	227,765	101,669	3,046,447
OMPF grant	117,810	656,370	454,410	100,980	16,830	168,300	168,300	1,683,000
Other revenue	986,780	339,053	818,927	2,476,218	9,649	25,271	430	4,656,328
Transfers from obligatory reserve	292,050	166,966	419,353	724,520	-	705,351	-	2,308,240
	<u>2,645,253</u>	<u>5,201,302</u>	<u>5,977,058</u>	<u>10,015,114</u>	<u>160,079</u>	<u>2,797,150</u>	<u>1,396,346</u>	<u>28,192,302</u>
Expenses								
Salaries and benefits	2,182,997	1,279,617	738,426	1,796,028	36,101	1,258,970	493,422	7,785,561
Interest on debt	-	-	-	240,135	-	20,700	3,385	264,220
Materials and supplies	132,116	526,847	1,397,883	2,434,295	28,743	797,209	435,927	5,753,020
Contracted services	176,741	1,991,503	563,677	761,558	51,656	34,438	58,770	3,638,343
Other transfers	-	277,071	-	5,000	25,000	(13,750)	131,149	424,470
Rents and financial expenses	(18,244)	9,320	5,467	16,513	120	4,998	242	18,416
Amortization	5,122,086	-	-	-	-	-	-	5,122,086
	<u>7,595,696</u>	<u>4,084,358</u>	<u>2,705,453</u>	<u>5,253,529</u>	<u>141,620</u>	<u>2,102,565</u>	<u>1,122,895</u>	<u>23,006,116</u>
Annual surplus (deficit)	(4,950,443)	1,116,944	3,271,605	4,761,585	18,459	694,585	273,451	5,186,186

The Corporation of the Town of The Blue Mountains
Notes to Financial Statements

December 31, 2009

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2008 Total
Revenue								
Taxation	\$ 1,312,503	\$ 3,375,009	\$ 2,343,756	\$ 468,751	\$ 93,750	\$ 1,125,003	\$ 656,252	\$ 9,375,024
Fees and user charges	17,830	37,695	19,347	5,584,835	35,214	692,783	150,171	6,537,875
Specific grants	10,398	67,167	115,566	189,830	-	178,203	7,990	569,154
OMPF grant	235,620	605,880	420,750	84,150	16,830	201,960	117,810	1,683,000
Other revenue	1,314,760	413,450	467,084	1,444,710	10,262	33,468	654	3,684,388
Transfers from obligatory reserve	32,254	241,010	857,931	5,669,914	-	766,768	39,760	7,607,637
	<u>2,923,365</u>	<u>4,740,211</u>	<u>4,224,434</u>	<u>13,442,190</u>	<u>156,056</u>	<u>2,998,185</u>	<u>972,637</u>	<u>29,457,078</u>
Expenses								
Salaries and benefits	2,021,180	1,275,796	763,510	1,787,950	14,180	1,147,084	600,095	7,609,795
Interest on debt	-	-	-	277,328	-	28,750	3,947	310,025
Materials and supplies	(2,987)	600,410	1,420,547	2,779,957	34,139	827,206	308,855	5,968,127
Contracted services	154,503	2,033,592	390,182	349,015	50,303	23,742	22,395	3,023,732
Other transfers	20,000	252,969	-	-	26,000	(13,145)	136,137	421,961
Rents and financial expenses	30,089	32,590	3,402	39,423	720	4,508	35	110,767
Amortization	5,740,361	-	-	-	-	-	-	5,740,361
	<u>7,963,146</u>	<u>4,195,357</u>	<u>2,577,641</u>	<u>5,233,673</u>	<u>125,342</u>	<u>2,018,145</u>	<u>1,071,464</u>	<u>23,184,768</u>
Annual surplus (deficit)	(5,039,781)	544,854	1,646,793	8,208,517	30,714	980,040	(98,827)	6,272,310

The Corporation of the Town of The Blue Mountains Schedule of Deferred Revenue

For the year ended December 31, 2009

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	\$ 1,504,169	\$ 1,278,701	\$ 9,620	\$(2,040,114)	\$ 752,376
Recreational land	691,392	3,052	4,531	(79,635)	619,340
Parking revenues	27,000	-	-	-	27,000
Federal Gas Tax	227,479	198,728	1,690	(188,491)	239,406
	<u>2,450,040</u>	<u>1,480,481</u>	<u>15,841</u>	<u>(2,308,240)</u>	<u>1,638,122</u>
Other					
Provincial grants	1,588,383	635,319	-	(1,588,383)	635,319
Hall deposits	400	100	-	-	500
Harbour deposits	11,919	-	-	(1,200)	10,719
Other	9,255	-	-	(5,880)	3,375
	<u>1,609,957</u>	<u>635,419</u>	<u>-</u>	<u>(1,595,463)</u>	<u>649,913</u>
	<u>\$ 4,059,997</u>	<u>\$ 2,115,900</u>	<u>\$ 15,841</u>	<u>\$(3,903,703)</u>	<u>\$2,288,035</u>

The Corporation of the
Town of The Blue Mountains
Trust Funds
Financial Statements
For the year ended December 31, 2009

Draft

Auditors' Report

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

We have audited the balance sheet of the trust funds of the Corporation of the Town of The Blue Mountains as at December 31, 2009 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Town of The Blue Mountains as at December 31, 2009 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 29, 2010

**The Corporation of the Town of The Blue Mountains
Trust Funds
Balance Sheet**

December 31, 2009

	<u>Cemetery Care and Maintenance</u>
Assets	
Cash	\$ 1,248
Investments (Note 2)	257,160
Due from Town	<u>466</u>
	<u>\$ 258,874</u>
Liabilities	
Due to Town	\$ 1,097
Fund balance	<u>257,777</u>
	<u>\$ 258,874</u>

Statement of Continuity

For the year ended December 31, 2009

	<u>Cemetery Care and Maintenance</u>
Balance, beginning of the year	<u>\$ 249,354</u>
Receipts	
Monument fees	1,550
Share of plot sales	5,600
Capital gains	<u>11,548</u>
	<u>18,698</u>
Expenses	
Contributions to cemetery	<u>10,275</u>
Balance, end of the year	<u>\$ 257,777</u>

The Corporation of the Town of The Blue Mountains
Trust Funds
Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies

Management Responsibility The financial statements of the Corporation of the Town of The Blue Mountains Trust Funds are the representation of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

Accrual Basis of Accounting Revenues 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 receipt of goods or services and the creation of a legal obligation to pay.

2. Investments

The total investments of \$- reported on the balance sheet at cost have a market value of \$247,724 at the end of the year.

The Corporation of the Town of The Blue Mountains
Trust Funds
Notes to Financial Statements

December 31, 2009

3. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500, of which the maximum forgivable portion was \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2009 comprise repayable loans of \$Nil (2008 - \$Nil) and forgivable loans of \$Nil (2008 - \$Nil). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continuous ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the repayable loan and the unearned forgivable loan immediately becomes due and payable by the homeowner.

As of July 16, 1993 the Ontario Home Renewal Program was discontinued and municipalities were prohibited from issuing further loans as of that date. All OHRP funds held in municipal trust accounts as of December 31, 1993 were remitted to the Province by March 1, 1994. Any loans receivable under the program which are collected subsequent to December 31, 1993 must be remitted to the Province by March 1st of the following year. However, municipalities will be provided an administration fee of five per cent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted OHRP trust account balances.
