

**The Corporation of the
Town of The Blue Mountains
Financial Statements
For the year ended December 31, 2007**

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For the year ended December 31, 2007

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BDO Dunwoody LLP
Chartered Accountants
and Advisors

1717 2nd Avenue East
P.O. Box 397
Owen Sound, Ontario Canada N4K 5P7
Telephone: (519) 376-6110
Fax: (519) 376-4741

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, 2007 and the consolidated statements of financial activities and changes in financial position 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, 2007 and the results of its financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 10, 2008

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

December 31	2007	2006
Assets and Liabilities		
Financial assets		
Cash (Note 1)	\$ 17,208,696	\$ 14,426,554
Temporary investments (Note 2)	5,769,863	6,226,080
Taxes receivable	3,033,463	3,009,222
Trade and other receivables	6,680,121	5,383,986
Long-term receivables (Note 3)	2,958,691	529,105
Other	4,366	20,137
	35,655,200	29,595,084
Liabilities		
Accounts payable and accrued liabilities (Note 4)	12,880,129	12,048,799
Solid waste closure and post-closure liabilities (Note 6)	942,162	898,957
Deferred revenue (Page 17)	6,126,287	8,145,991
Long-term liabilities (Note 5)	5,611,160	6,164,806
	25,559,738	27,258,553
Net financial assets	\$ 10,095,462	\$ 2,336,531
Municipal Position		
Municipal position		
Current fund (Page 18)	\$ 715,001	\$ 722,772
Capital fund (Page 19)	(6,946,691)	(11,241,063)
Reserves and reserve funds (Page 20)	22,915,910	19,995,571
	16,684,220	9,477,280
Amounts to be recovered (Note 7)	(6,588,758)	(7,140,749)
	\$ 10,095,462	\$ 2,336,531

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 Financial Activities

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenue			
Taxation	\$ 8,721,475	\$ 8,650,915	\$ 7,960,639
Fees and user charges	6,410,964	6,334,656	5,086,264
Canada grants	76,100	44,780	15,323
Ontario grants	2,018,550	3,020,894	2,658,852
Municipal grants	125,000	35,957	32,702
Other income (Note 8)	5,263,588	9,540,339	13,834,024
Obligatory reserve fund revenue recognized	-	5,134,352	2,165,862
	<u>22,615,677</u>	<u>32,761,893</u>	<u>31,753,666</u>
Expenditures			
Current (Note 9)			
General government	2,101,310	2,165,512	1,825,020
Protection services	3,809,058	3,858,839	3,290,447
Transportation services	2,085,875	2,173,777	1,828,078
Environmental services	3,450,488	3,684,626	3,279,010
Health services	82,530	111,173	96,824
Recreation and cultural services	1,547,105	1,656,125	1,461,837
Planning and development	807,046	803,569	789,127
	<u>13,883,412</u>	<u>14,453,621</u>	<u>12,570,343</u>
Capital			
General government	1,677,125	620,830	502,331
Protection services	563,650	115,545	516,580
Transportation services	6,675,398	3,122,463	2,220,445
Environmental services	15,212,427	5,917,603	17,088,735
Health services	21,500	3,000	12,964
Recreational and cultural services	1,904,525	673,756	1,174,735
Planning and development	164,140	96,144	66,838
	<u>26,218,765</u>	<u>10,549,341</u>	<u>21,582,628</u>
Total expenditures	<u>40,102,177</u>	<u>25,002,962</u>	<u>34,152,971</u>
Net revenues (expenditures) for the year	(17,486,500)	7,758,931	(2,399,305)
Transfer to obligatory reserve funds	-	-	3,499
	<u>(17,486,500)</u>	<u>7,758,931</u>	<u>(2,395,806)</u>
Change in amounts to be recovered			
New debt issued	8,185,193	-	2,000,000
Debt principal repayments	60,875	(586,766)	(504,189)
Change in unfunded vacation pay	-	(8,430)	54,924
Change in solid waste landfill liability	-	43,205	63,891
	<u>8,246,068</u>	<u>(551,991)</u>	<u>1,614,626</u>
Change in fund balances for the year	<u>\$ (9,240,432)</u>	<u>\$ 7,206,940</u>	<u>\$ (781,180)</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 Financial Position

For the year ended December 31	2007	2006
Cash provided by (used in)		
Operating activities		
Net revenue (expenditures) for the year	\$ 7,758,931	\$ (2,399,305)
Items not involving cash		
Transfer to obligatory reserve funds	-	3,499
Change in solid waste closure and post-closure liabilities	43,205	63,891
	<u>7,802,136</u>	<u>(2,331,915)</u>
Changes in non-cash working capital balances		
Taxes receivable	(24,241)	147,222
Trade and other receivables	(1,296,135)	(307,875)
Other	15,771	33,502
Accounts payable and accrued liabilities	831,330	(3,639,511)
Deferred revenue	(2,019,704)	1,800,832
	<u>5,309,157</u>	<u>(4,297,745)</u>
Investing activities		
Decrease (increase) in long-term receivables	(2,429,586)	145,505
Financing activities		
Additions to long-term liabilities	-	2,000,000
Repayment of long-term liabilities	(553,646)	(509,713)
	<u>(553,646)</u>	<u>1,490,287</u>
Net change in cash and cash equivalents	2,325,925	(2,661,953)
Cash and cash equivalents, beginning of year	20,652,634	23,314,587
Cash and cash equivalents, end of year	\$ 22,978,559	\$ 20,652,634
Comprised of:		
Cash	\$ 17,208,696	\$ 14,426,554
Temporary investments	5,769,863	6,226,080
	<u>\$ 22,978,559</u>	<u>\$ 20,652,634</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, 2007

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.

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 expenditures 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 expenditures of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenditures 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 expenditures 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	40%
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The Corporation of the Town of The Blue Mountains Summary of Significant Accounting Policies

December 31, 2007

Basis of Accounting	<p>Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.</p> <p>The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.</p>
Temporary Investments	<p>Temporary investments are recorded at the lower of cost and market value.</p>
Capital Assets	<p>The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition.</p>
Deferred Revenue	<p>Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.</p>
Amounts to be Recovered	<p>Amounts to be recovered are reported in the municipal position on the consolidated statement of financial position. The balance represents the outstanding principal portion of unmatured long-term liabilities, liabilities not yet due, and other future expenditures not yet levied on the ratepayers.</p>
County and School Board	<p>The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.</p>

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

December 31, 2007

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.

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

December 31, 2007

1. Cash

	2007	2006
Unrestricted	\$ 12,561,399	\$ 10,850,306
Restricted	4,647,297	3,576,248
	\$ 17,208,696	\$ 14,426,554

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.

2. Temporary Investments

	2007	2006
Discount Bonds, 4.731% to 5.089%, due 2008	\$ 5,705,063	\$ 3,849,585
Ontario Savings Bonds, 3.30%, due 2007	-	500,000
Bankers Acceptance, 4.134% and 4.183%, due 2007	-	1,835,998
Guaranteed Investment Certificate	64,800	40,497
	\$ 5,769,863	\$ 6,226,080

Investments have a market value of \$5,791,372 (2006 - \$6,268,480) at the end of the year.

3. Long-term Receivables

	2007	2006
Water and sewer loans, 5.5% to 18%, due 2008 to 2025	\$ 2,899,814	\$ 503,348
Tile drainage loans, 6% to 8%, due 2008 to 2016	58,877	25,757
	\$ 2,958,691	\$ 529,105

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

December 31, 2007

4. Accounts Payable and Accrued Liabilities

	2007	2006
Trade accounts payable	\$ 3,886,804	\$ 3,997,999
Accrued liabilities	536,881	531,931
Developer deposits	8,456,444	7,518,869
	\$ 12,880,129	\$ 12,048,799

5. Long-Term Liabilities

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

	2007	2006
Loan payable, 4.85%, repayable in annual principal instalments of \$450,000 plus interest, due 2014	\$ 3,150,000	\$ 3,600,000
Loan payable, 4.85%, repayable in blended annual payments of \$83,608, due 2014	482,283	539,049
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	1,920,000	2,000,000
Tile drainage loans payable, 6% to 8%, due from 2008 to 2016	58,877	25,757
	\$ 5,611,160	\$ 6,164,806

The interest expense included on the Consolidated Statement of Financial Activities totals \$291,373 (2006 - \$242,450).

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

2008	\$	612,601
2009	\$	615,167
2010	\$	617,770
2011	\$	620,213
2012	\$	624,045
Thereafter	\$	2,521,364

At December 31, 2007, 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, 2007

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 \$942,162 and represents the present value of closure and post-closure costs for 100% of the current site's opened cells, using the Government of Canada's average long-term borrowing rate of 3.73%. The liability is recorded based on the capacity of the landfill used to date. Post-closure care is estimated to continue for a period of 21 years. There are also 2 unopened cells with a capacity of 66,700 cubic metres, for which no liability has been accrued.

The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. During 2007, \$71,000 was transferred to this reserve and \$191,782 was used for capital expenses. The balance of this reserve at December 31, 2007 is \$289,604.

7. Amounts to be recovered

	2007	2006
Capital outlay financed by long-term liabilities and to be recovered in future years	\$ 5,552,283	\$ 6,139,049
Solid waste closure and post-closure costs	942,162	898,957
Unfunded vacation pay payable	94,313	102,743
	\$ 6,588,758	\$ 7,140,749

8. Other Income

	2007	2007	2006
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 391,350	\$ 415,141	\$ 428,447
Other fines and penalties	35,500	41,046	36,786
Investment income	144,910	840,069	764,729
Licenses, permits and rents	887,450	480,479	887,437
Donations	116,000	30,446	145,952
Prepaid special charges	3,652,628	7,711,307	11,544,809
Other	35,750	21,851	25,864
	\$ 5,263,588	\$ 9,540,339	\$ 13,834,024

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

December 31, 2007

9. Expenditures by Object

Total operating expenditures for the year reported on the consolidated statement of financial activities are as follows:

	<u>2007</u>	<u>2006</u>
Salaries, wages and employee benefits	\$ 6,594,966	\$ 5,657,579
Materials	4,123,419	3,911,648
Contracted services	3,317,313	2,697,820
Rents and financial expenses	89,914	31,057
Interest on long-term debt	5,484	2,323
Contributions to other organizations	322,525	269,916
	<u>\$ 14,453,621</u>	<u>\$ 12,570,343</u>

10. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 36 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 2007 by the Town was \$110,508 (2006 - \$72,733). The contribution rate for 2007 was 6.5% to 10.7% depending on age and income level (2006 - 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. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The plan has reported \$820,000 actuarial surplus at the end of 2007 (2006 - \$2.4 billion deficit), based on actuarial liabilities of \$46.8 billion (2006 - \$44.2 billion) and actuarial assets of \$47.6 billion (2006 - \$41.8 billion).

11. Budget Amounts

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2007 budget amounts for the Corporation of the Town of The Blue Mountains approved by Council have been restated to conform to the basis of preparation of the revenues and expenditures on the consolidated statement of financial activities. The budget figures have not been audited.

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

December 31, 2007

12. 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:

	<u>2007</u>	<u>2006</u>
School Boards	\$ 8,120,785	\$ 7,757,618
County of Grey	10,780,623	10,426,135
	<u>\$ 18,901,408</u>	<u>\$ 18,183,753</u>

13. Trust Funds

The trust funds administered by the municipality amounting to \$246,368 (2006 - \$234,516) 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, 2007, the trusts fund balances are as follows:

	<u>2007</u>	<u>2006</u>
Cemetery Care and Maintenance funds	\$ 243,221	\$ 230,852
Ontario Home Renewal Program	3,147	3,664
	<u>\$ 246,368</u>	<u>\$ 234,516</u>

The Corporation of the Town of The Blue Mountains

Notes to Financial Statements

December 31, 2007

14. Contractual Commitments

- (a) The Corporation of the Town of The Blue Mountains has entered into contracts totalling \$7,284,949 to upgrade and extend road, sewer and water services and purchase equipment. A total of \$1,040,059 remains to be spent. These commitments will be funded by municipal reserve funds, development charges, local improvement charges, government grants and long-term debt.
- (b) In 2004 and 2005, the Town entered into a series of pre-servicing, servicing, and development agreements with The Lora Bay Corp. to, among other things, finance infrastructure works to service a portion of the Lora Bay Service Area, including road works, waterworks, and sanitary sewage works. These agreements and future anticipated agreements implement, in part, a portion of the Lora Bay Minutes of Settlement Agreement of 2003. Included in the above contractual commitments is one contract for \$3,750,175 of which \$630,757 remains to be spent. Future contractual commitments are anticipated. These commitments will be funded by the prepayment of development charges, future development charges, future capital charges, developer contributions, long-term debt, and municipal reserve funds.
- (c) The Town has committed to provide funding of \$100,000 to the Meaford General Hospital Fundraising Project. The funds will be paid in annual instalments of \$20,000 from 2005 to 2009.

15. 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, 2007 amount to \$13,185,155.

The Corporation of the Town of The Blue Mountains

Notes to Financial Statements

December 31, 2007

16. Contingencies

- (a) The Town of The Blue Mountains has been named as a major defendant in a legal action for damages alleged to total \$15,000,000 including \$3,000,000 for punitive damages. The Town's liability with respect to this action is not determinable at the present time.

A second legal action, fundamentally similar to the first has been filed against the Town of The Blue Mountains for damages alleged to total \$2,000,000 plus prejudgment and postjudgment interest and costs. The Town's liability with respect to this action is not determinable at the present time.

The Town of The Blue Mountains has been named as defendant in a separate legal action totalling \$1,375,000 plus prejudgment and postjudgment interest and costs. The Town's liability with respect to this action is not determinable at the present time.

The Town of The Blue Mountains has been named as defendant in a separate legal action totalling \$150,000 plus prejudgment 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) 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.

17. Tangible Capital Assets

For the year ended December 31, 2009 the Town will be required to comply with Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. As a transitional provision, Public Sector Guideline-7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital asset for which all the relevant information can be provided for the complete stock of tangible capital assets of that category. No major categories have been completed as at December 31, 2007.

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

For the year ended December 31 2007

	Opening	Contributions Received/ Transfers from Reserves and Investment Reserve Funds Income	Revenue Recognized/ Transfers to Revenue Fund	Ending
Obligatory Reserve Funds				
Development charges	\$ 7,228,596	\$ 2,642,350	\$ 229,125	\$(4,751,588) \$ 5,348,483
Recreational land	490,858	130,967	20,565	(89,635) 552,755
Parking	24,000	-	-	- 24,000
Federal Gas Tax	125,373	79,497	7,727	(24,387) 188,210
Building code cost stabilization	257,321	-	11,421	(268,742) -
	8,126,148	2,852,814	268,838	(5,134,352) 6,113,448
Other				
Hall deposits	1,700	1,200	-	(1,700) 1,200
Harbour deposits	8,200	10,300	-	(8,200) 10,300
Other	9,943	1,339	-	(9,943) 1,339
	19,843	12,839	-	(19,843) 12,839
	\$ 8,145,991	\$ 2,865,653	\$ 268,838	\$(5,154,195) \$ 6,126,287

The Corporation of the Town of The Blue Mountains Schedule of Current Fund Operations

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenue			
Taxation	\$ 8,721,475	\$ 8,650,915	\$ 7,960,639
Fees and user charges	6,410,964	6,334,656	5,086,264
Canada grants	1,100	2,660	2,317
Ontario grants	1,767,550	1,794,804	2,046,896
Municipal grants	25,000	35,957	32,702
Other	1,495,960	1,285,668	1,745,948
Transfers from (to) obligatory reserve funds	-	290,910	(222,321)
	<u>18,422,049</u>	<u>18,395,570</u>	<u>16,652,445</u>
Expenditures			
General government	2,101,310	2,165,512	1,825,020
Protection services	3,809,058	3,858,839	3,290,447
Transportation services	2,085,875	2,173,777	1,828,078
Environmental services	3,450,488	3,684,626	3,279,010
Health services	82,530	111,173	96,824
Recreation and cultural services	1,547,105	1,656,125	1,461,837
Planning and development	807,046	803,569	789,127
	<u>13,883,412</u>	<u>14,453,621</u>	<u>12,570,343</u>
Net revenues for the year	<u>4,538,637</u>	<u>3,941,949</u>	<u>4,082,102</u>
Financing and transfers			
Change in solid waste landfill liability	-	43,205	63,891
Change in unfunded vacation pay	-	(8,429)	54,924
Transfers to capital fund operations	(3,125,964)	(1,413,912)	(1,920,029)
Transfers to reserves and reserve funds	(1,718,260)	(2,570,584)	(1,935,994)
	<u>(4,844,224)</u>	<u>(3,949,720)</u>	<u>(3,737,208)</u>
Change in fund balance for the year	(305,587)	(7,771)	344,894
Current fund, beginning of the year	<u>722,772</u>	<u>722,772</u>	<u>377,878</u>
Current fund, end of the year	<u>\$ 417,185</u>	<u>\$ 715,001</u>	<u>\$ 722,772</u>
Analyzed as follows:			
Available to offset (be recovered from) future revenue requirements:			
General area taxation	\$ 661,564	\$ 675,717	
Recreation, community centres and arenas	56,087	40,041	
Cemeteries	(2,650)	7,014	
	<u>\$ 715,001</u>	<u>\$ 722,772</u>	

The Corporation of the Town of The Blue Mountains Schedule of Capital Fund Operations

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenue			
Canada grants	\$ 75,000	\$ 42,120	\$ 13,006
Ontario grants	251,000	1,226,090	611,956
Municipal grants	100,000	-	-
Prepaid special charges	3,652,628	7,711,307	11,544,809
Other	115,000	31,060	150,801
Obligatory reserve fund revenue recognized	-	4,843,442	2,388,183
	<u>4,193,628</u>	<u>13,854,019</u>	<u>14,708,755</u>
Expenditures			
General government	1,677,125	620,830	502,331
Protection services	563,650	115,545	516,580
Transportation services	6,675,398	3,122,463	2,220,445
Environmental services	15,212,427	5,917,603	17,088,735
Health services	21,500	3,000	12,964
Recreation and cultural services	1,904,525	673,756	1,174,735
Planning and development	164,140	96,144	66,838
	<u>26,218,765</u>	<u>10,549,341</u>	<u>21,582,628</u>
Net revenues (expenditures) for the year	<u>(22,025,137)</u>	<u>3,304,678</u>	<u>(6,873,873)</u>
Financing and transfers			
New debt issued	8,185,193	-	2,000,000
Debt principal repayments	60,875	(586,766)	(504,189)
Transfers from current fund operations	3,125,964	1,413,912	1,920,029
Transfers from reserves and reserve funds	9,706,424	162,548	1,026,285
	<u>21,078,456</u>	<u>989,694</u>	<u>4,442,125</u>
Change in fund balance for the year	<u>(946,681)</u>	<u>4,294,372</u>	<u>(2,431,748)</u>
Capital fund, beginning of the year	<u>(11,241,063)</u>	<u>(11,241,063)</u>	<u>(8,809,315)</u>
Capital fund, end of the year	<u>\$ (12,187,744)</u>	<u>\$ (6,946,691)</u>	<u>\$ (11,241,063)</u>

The Corporation of the Town of The Blue Mountains Schedule of Reserves and Reserve Funds

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenue			
Investment income	\$ -	\$ 512,303	\$ 389,277
Other revenue	-	-	3,189
	-	512,303	392,466
Net transfers from (to) other funds			
Transfer from current fund operations	1,718,260	2,570,584	1,935,994
Transfer to capital fund operations	(9,706,424)	(162,548)	(1,026,285)
Transfer from obligatory reserve funds	-	-	3,499
	(7,988,164)	2,408,036	913,208
Change in fund balance for the year	(7,988,164)	2,920,339	1,305,674
Reserves and reserve funds, beginning of the year	19,995,571	19,995,571	18,689,897
Reserves and reserve funds, end of the year	\$ 12,007,407	\$ 22,915,910	\$ 19,995,571
Analyzed as follows:			
Reserves set aside for specific purpose by Council:			
Working funds	\$ 2,737,014	\$ 3,225,889	
Contingencies	198,948	151,123	
Insurance, sick leave and WSIB	208,675	116,619	
Current purposes	905,396	873,587	
Capital purposes	5,339,475	4,465,886	
	9,389,508	8,833,104	
Reserve funds set aside for specific purpose by Council:			
Capital purposes	13,526,402	11,162,467	
Reserves and reserve funds, end of the year	\$ 22,915,910	\$ 19,995,571	

**The Corporation of the
Town of The Blue Mountains
Trust Funds
Financial Statements
For the year ended December 31, 2007**



BDO Dunwoody LLP
Chartered Accountants
and Advisors

1717 2nd Avenue East
P.O. Box 397
Owen Sound, Ontario Canada N4K 5P7
Telephone: (519) 376-6110
Fax: (519) 376-4741

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, 2007 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, 2007 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 10, 2008

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

December 31, 2007

	Total	Cemetery Care and Maintenance	Ontario Home Renewal Program
Assets			
Cash	\$ 2,583	\$ 1,543	\$ 1,040
Accrued interest	4	-	4
Investments (Note 2)	237,644	237,644	-
Loans receivable (Note 3)	2,997	-	2,997
Due from Town	4,034	4,034	-
	\$ 247,262	\$ 243,221	\$ 4,041
Liabilities			
Due to Town	\$ 91	\$ -	\$ 91
Due to Province of Ontario	803	-	803
	894	-	894
Fund balance	246,368	243,221	3,147
	\$ 247,262	\$ 243,221	\$ 4,041

Statement of Continuity

For the year ended December 31, 2007

	Total	Cemetery Care and Maintenance	Ontario Home Renewal Program
Balance , beginning of the year	\$ 234,516	\$ 230,852	\$ 3,664
Receipts			
Monument fees	500	500	-
Share of plot sales	6,720	6,720	-
Capital gains	5,172	5,172	-
Loan interest	330	-	330
	12,722	12,392	330
Expenditures			
Administration fees	44	-	44
Contributions to cemetery	23	23	-
Transfer to Province of Ontario	803	-	803
	870	23	847
Balance , end of the year	\$ 246,368	\$ 243,221	\$ 3,147

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
Trust Funds
Notes to Financial Statements**

December 31, 2007

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 Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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 \$237,644 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, 2007

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, 2007 comprise repayable loans of \$2,997 (2006 - \$3,546) and forgivable loans of \$Nil (2006 - \$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.

**The Blue Mountains Public
Library Board
Financial Statements
For the year ended December 31, 2007**



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and Advisors

1717 2nd Avenue East
P.O. Box 397
Owen Sound, Ontario Canada N4K 5P7
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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 Blue Mountains Public Library Board as at December 31, 2007 and the consolidated statement of financial activities for the year then ended. These financial statements are the responsibility of the Board'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 Blue Mountains Public Library Board as at December 31, 2007 and the results of its financial activities for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 10, 2008

**The Blue Mountains Public Library Board
Consolidated Statement of Financial Position**

December 31	2007	2006
Assets and Liabilities		
Financial assets		
Temporary investments (Note 1)	\$ 84,490	\$ 69,766
Municipal Position		
Reserves and reserve funds	\$ 84,490	\$ 69,776

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

The Blue Mountains Public Library Board Consolidated Statement of Financial Activities

For the year ended December 31	2007	2007	2006
	Budget	Actual	Actual
Revenue			
Canada grants	\$ 1,100	\$ 2,660	\$ 2,317
Ontario grants	21,000	31,327	42,060
Municipal grants - Town of The Blue Mountains	423,375	462,268	557,994
Donations	-	12,730	3,187
Fundraising	28,500	4,878	32,747
Interest	-	3,088	3,956
Other	18,350	18,169	24,150
	<u>492,325</u>	<u>535,120</u>	<u>666,411</u>
Expenditures			
Current			
Books, magazines, newspapers and videos	31,320	39,921	39,714
Communications	5,650	10,192	7,035
Equipment maintenance	5,000	6,704	2,371
Fundraising	-	1,496	22,173
Insurance	7,560	5,074	7,549
Miscellaneous	500	350	548
Office and printing	6,325	9,326	12,630
Personnel	850	1,113	-
Premises maintenance	21,125	30,310	19,207
Professional fees	25,100	1,414	10,278
Programs	-	1,754	19,959
Salaries and benefits	306,590	312,017	297,105
Training and travel	3,650	2,226	4,037
Utilities	16,500	21,600	18,263
	<u>430,170</u>	<u>443,497</u>	<u>460,869</u>
Capital			
Books, videos and tapes	2,500	1,104	2,012
Equipment	17,155	31,393	16,673
Furniture, fixtures and computers	4,100	4,480	11,453
Land	5,000	17,021	190,210
Branch library	52,500	22,911	14,845
	<u>81,255</u>	<u>76,909</u>	<u>235,193</u>
Total expenditures	<u>511,425</u>	<u>520,406</u>	<u>696,062</u>
Change in fund balances for the year	<u>\$ (19,100)</u>	<u>\$ 14,714</u>	<u>\$ (29,651)</u>

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

The Blue Mountains Public Library Board Summary of Significant Accounting Policies

December 31, 2007

Management Responsibility

The consolidated financial statements of The Blue Mountains Public Library Board are the representations of management. They have been prepared in accordance with 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.

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 expenditures during the reporting period. 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 expenditures of the current fund, capital fund, reserves and reserve funds of The Blue Mountains Public Library Board. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The Blue Mountains Public Library Board has been consolidated with the financial statements of the Corporation of the Town of The Blue Mountains.

Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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 consolidated statement of financial position reflects all of the financial assets and liabilities of the Board. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Capital Assets

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition.

**The Blue Mountains Public Library Board
Notes to Financial Statements**

December 31, 2007

1. Temporary Investments

	<u>2007</u>	2006
Unrestricted	\$ 84,490	\$ 69,766

Investments have a market value of \$84,490 (2006 - \$69,776) at the end of the year.

The Blue Mountains Public Library Board Schedule of Current Fund Operations

For the year ended December 31	2007	2007	2006
	Budget	Actual	Actual
Revenue			
Canada grants	\$ 1,100	\$ 2,660	\$ 2,317
Ontario grants	21,000	25,227	31,560
Municipal grant - Town of The Blue Mountains	394,375	421,536	375,038
Fundraising	28,500	4,878	32,747
Other	18,350	18,169	24,150
	<u>463,325</u>	<u>472,470</u>	<u>465,812</u>
Expenditures			
Books, magazines, newspapers and videos	31,620	39,921	39,714
Communications	5,650	10,192	7,035
Equipment maintenance	5,000	6,704	2,371
Fundraising	-	1,496	22,173
Insurance	7,560	5,074	7,549
Miscellaneous	500	350	548
Office and printing	6,325	9,326	12,630
Personnel	850	1,113	-
Premises maintenance	21,125	30,310	19,207
Professional fees	25,100	1,414	10,278
Programs	-	1,754	19,959
Salaries and benefits	306,590	312,017	297,105
Training and travel	3,650	2,226	4,037
Utilities	16,500	21,600	18,263
	<u>430,470</u>	<u>443,497</u>	<u>460,869</u>
Net revenue for the year	32,855	28,973	4,943
Financing and transfers			
Transfers to capital fund operations	(32,855)	(28,973)	(4,943)
Change in fund balance for the year	-	-	-
Current fund, beginning of the year	-	-	-
Current fund, end of the year	\$ -	\$ -	\$ -

The Blue Mountains Public Library Board Schedule of Capital Fund Operations

For the year ended December 31	2007	2007	2006
	Budget	Actual	Actual
Revenue			
Ontario grants	\$ -	\$ 6,100	\$ 10,500
Municipal grants - Town of The Blue Mountains	29,000	40,732	182,956
Donations	-	10,000	-
	<u>29,000</u>	<u>56,832</u>	<u>193,456</u>
Expenditures			
Books, videos and tapes	2,500	1,104	2,012
Equipment	17,155	31,393	16,673
Furniture, fixtures and computers	4,100	4,480	11,453
Parking lot expansion	5,000	17,021	190,210
Branch library	35,600	22,911	14,845
	<u>64,355</u>	<u>76,909</u>	<u>235,193</u>
Net expenditures for the year	<u>(35,355)</u>	<u>(20,077)</u>	<u>(41,737)</u>
Financing and transfers			
Transfers from current fund operations	32,855	28,973	4,943
Transfers from capital reserve	2,500	(8,896)	36,794
	<u>35,355</u>	<u>20,077</u>	<u>41,737</u>
Change in fund balance for the year	-	-	-
Capital fund, beginning of the year	-	-	-
Capital fund, end of the year	\$ -	\$ -	\$ -

The Blue Mountains Public Library Board Schedule of Reserve Funds

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenue			
Donations	\$ -	\$ 2,730	\$ 3,187
Interest	-	3,088	3,956
	-	5,818	7,143
Net transfers to other funds			
Transfers from capital fund operations	(2,500)	8,896	(36,794)
Change in balance for the year	(2,500)	14,714	(29,651)
Reserve funds, beginning of the year	69,776	69,776	99,427
Reserve funds, end of the year	\$ 67,276	\$ 84,490	\$ 69,776
Analyzed as follows:			
Capital purposes		\$ 84,490	\$ 69,776