

**STAFF REPORT: Financial and Information Services**

**REPORT TO:** Council  
**MEETING DATE:** July 13, 2009  
**REPORT NO.:** FIS.09.38  
**SUBJECT:** 2008 Financial Statements  
**PREPARED BY:** Robert Cummings, Director of Financial and Information Services and Elizabeth Thompson, Deputy Treasurer

**A. Recommendations**

THAT Council receive Staff Report FIS.09.38 "2008 Financial Statements";

AND THAT Council receive the 2008 Financial Statements of the Town of The Blue Mountains, audited in accordance with the Canadian generally accepted accounting principles by BDO Dunwoody.

**B. Background**

Drafts of the audited 2008 Financial Statements were presented at the Finance and Administration Committee meeting of June 24, 2009 by Traci Smith of BDO Dunwoody LLP. Ms. Smith also provided a verbal update on the Town's Management Letter. The final version of the audited 2008 Financial Statements is attached, as is BDO's Management Letter.

The audited 2008 Financial Statements are identical to the draft 2008 Financial Statements with the exception of note 18 – Segment Information – which was incomplete at the time of the Finance and Administration Committee meeting of June 24, 2009. This note and schedule is a new requirement of municipal financial statements as set out under the Public Sector Accounting Board section 2700. The intent is to disclose information by segments, which can be on the basis of function, of the municipality and their respective financial information.

Similarly, the Management Letter is reflective of Ms. Smith's presentation to the Finance and Administration Committee.

Under section 294.1 of the *Municipal Act*: a municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The treasurer of the municipality shall within 60 days of receiving the audited Financial Statements of the municipality for the previous year,

- i) publish in a newspaper having general circulation in the municipality,
  - a. a copy of the audited financial statements,

- b. the notes to the financial statements,
  - c. the auditor's report, and
  - d. the tax rate information for the current and previous year as contained in the financial review,
- or
- ii) a notice that the information described in subclause (i) will be made available at no cost to any taxpayer or resident of the municipality upon request.

### **C. The Blue Mountains' Strategic Plan**

Ensuring long-term financial sustainability and providing a strong, well managed municipal government.

### **D. Environmental Impacts**

Supporting environmentally sound decisions

### **E. Budget Impact**

The annual audit of the Financial Statements incorporates the full budget comparables as an additional indicator of accountability and transparency to the ratepayers, Council and the public.

### **F. Attached**

1. 2008 Town of The Blue Mountains Financial Statements
2. 2008 Town of The Blue Mountains Management Letter

Respectfully submitted,

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Robert Cummings, Director of Financial  
and Information Services

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Elizabeth Thompson,  
Deputy Treasurer

For more information, please contact:

Elizabeth Thompson  
ethompson@thebluemountains.ca  
519-599-3131 ex 250



**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

July 3, 2009

The Town of The Blue Mountains  
26 Bridge Street  
Box 310  
Thornbury, Ontario  
N0H 2P0

Dear Mayor and Members of Council:

**Re: Audit of the Financial Statements of the Town of The Blue Mountains  
For the year ended December 31, 2008**

During the course of our audit of the financial statements of the Town of The Blue Mountains for the year ended December 31, 2008, we identified matters which may be of interest to the Council. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to the Council in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

### **Independence**

Canadian generally accepted auditing standards (GAAS) require us to communicate to Council, at least annually, all relationships between the Town of The Blue Mountains (and its related entities) and BDO Dunwoody LLP (and its related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute

GAAS requires that we confirm our independence to Council in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we were independent with respect to the Town of The Blue Mountains within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of June 2, 2009.

### **Accounting Standards**

The Canadian Institute of Chartered Accountants (CICA) has recently issued a number of new accounting standards. Most of these standards are fairly complex, require significant judgment and estimates, and may involve increased disclosures. Below, we have briefly outlined those which have the most impact on your municipality:

- **Local Government Reporting Model - Sections PS 1000, 1100 and 1200**

In conjunction with Section PS 3150 Tangible Capital Assets, the revised Sections PS 1000, 1100 and 1200 apply to local governments for fiscal years beginning on or after January 1, 2009.

Sections PS 1000, 1100 and 1200 are currently applicable to federal, provincial and territorial governments. The revised Sections apply to all levels of government. As a result, local governments will be required to:

- ⇒ Prepare a statement of financial position which presents both net debt/net financial assets and accumulated surplus/deficit calculated on a full accrual basis of accounting. When reporting the accumulated surplus/deficit, it will be presented as a single line item.
- ⇒ Prepare a statement of operations which reports the annual surplus/deficit as the difference between revenues and expenses.
- ⇒ Prepare a statement of changes in net debt which highlights the effects of capital spending on net debt.
- ⇒ Prepare a statement of cash flows which provides for a new capital category and allows either the direct or the indirect method to be used.
- ⇒ Present current year budget figures on the statement of operations and the statement of changes in net debt on a basis consistent with that used for actual results.
- ⇒ Funds and reserves are not permitted to be presented on the face of the financial statements. If the government chooses, they may be disclosed in the notes or schedules to the financial statements.

- **Segment Disclosures - PS 2700**

- ⇒ Disclose segments in the summary financial statements.
- ⇒ Segments are defined as a distinguishable activity or group of activities of which it is appropriate to report financial information.
- ⇒ Possible segmentation bases include: Functional classification of activities; Service line; or Accountability and control activities.
- ⇒ Required disclosures include: Basis of identifying segments, nature of segments, activities they encompass and method of allocation to the segment; Segment expenses by major object; Segment revenue by source and type; Aggregate surplus/deficit of entities accounted for using the modified equity method for each segment; and Reconciliation of amounts reported in segments to the amounts reported in the statement of operations.

- **Tangible Capital Assets - Sections PS 3150**

This Section applies to local governments for fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.

This Section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets are a significant economic resource managed by governments and a key component in the delivery of many government programs. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, aircraft, computer hardware and software, dams, canals, and bridges. The Section requires all tangible capital assets to be recognized on the statement of financial position and the related depreciation is to be recognized as an expense of the statement of operations.

## **Responsibilities of the Auditor**

It is important for Council to understand the responsibilities that rest with the municipality and its management and those that belong to the auditor:

- Management is responsible for the preparation of the financial statements, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets and preventing and detecting error and fraud;
- The auditor's responsibility is to express an opinion on the financial statements based on an audit thereof;
- An audit is performed to obtain reasonable, but not absolute, assurance as to whether the financial statements are free of material misstatement and, owing to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed;
- The audit includes:
  - (i) obtaining an understanding of the entity and its environment including internal control in order to plan the audit and to assess the risk that the consolidated financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;
  - (ii) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
  - (iii) assessing the accounting principles used and their application; and
  - (iv) assessing the significant estimates made by management;
- When the auditor's risk assessment includes an expectation of the operating effectiveness of controls, sufficient appropriate audit evidence is obtained through tests of controls to support the assessment, but the scope of the auditor's review of internal control is insufficient to express an opinion as to the effectiveness or efficiency of the entity's controls; and
- We express an opinion as to whether the financial statements present fairly in all material respects, in accordance with Canadian generally accepted accounting principles, the financial position, results of operations and cash flows of the municipality.

## **Audit Approach**

We have been engaged to perform the audit of the financial statements of the Town of The Blue Mountains for the year ended December 31, 2008. We adopted an audit approach that allowed us to issue an audit opinion on the financial statements of the municipality in the most cost effective manner, while still obtaining the assurance necessary to support our audit opinion.

BDO Dunwoody LLP follows a risk based approach. This approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit effort in areas that we believe have a higher risk of being materially misstated and do less audit work in areas that are only low risk.

To assess risk accurately, we need to have a clear understanding of the organization's business and the environment it operates in. Much of our understanding is obtained through discussions with management and their staff.

The following sections provide more detail on our audit approach for the Town of The Blue Mountains for the year.

### ***Audit Scope***

The scope of our audit of the financial statements of the Town of The Blue Mountains for the year ended December 31, 2008 included the following:

- An audit opinion on the consolidated entity
- An audit opinion on the Trust Funds
- An audit opinion on the Library Board
- Auditors' Comments on Supplementary Financial Information for the Museum
- Preparation of the Ontario Financial Information Return

### ***Overall Audit Strategy***

The general audit strategies available to us are a "combined" audit approach or a "substantive" audit approach.

In a combined audit approach, we would obtain our assurance from a combination of tests of controls (compliance procedures) and substantive procedures (such as analysis of data and obtaining direct evidence as to the validity of the items). The combined strategy is more appropriate when there is a large number of transactions and when controls in the municipality are strong. By obtaining some of our assurance from tests of controls, we can reduce the substantive procedures that need to be done. Under a substantive audit approach, all of our audit evidence is obtained through substantive procedures like analysis, confirmation, examination of documentary or electronic evidence, etc.

Based on our knowledge and experience with your municipality, we anticipate using a substantive approach.

### ***Materiality***

Materiality can be defined as follows:

*"A misstatement or the aggregate of all misstatements in financial statements is considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities (the user), would be changed or influenced by such misstatement or the aggregate of all misstatements. Misstatements in financial statements arise from departures from generally accepted accounting principles and include departures from fact, inappropriate determination of accounting estimates, and omissions of necessary information. Misstatements may arise from error or fraud, or from the consequences of an illegal act." (CICA Handbook S.5142, AuG-41)*

Materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express.

Although we are required to determine materiality based on our perception of the needs of users, it is extremely difficult to predict with certainty who those users will be or, indeed, the specific needs of known users. Consequently, the materiality decision ultimately becomes a matter for the auditor's professional judgment. We have identified ratepayers, government agencies and long-term debt holders as the most important users of the organization's financial statements

Canadian generally accepted auditing standards require the use of both quantitative and qualitative factors in determining materiality. For the audit of the Town of The Blue Mountains for the year ended December 31, 2008, we have concluded that a materiality level of \$200,000, based on .75% of expenditures, and adjusted by qualitative factors such as knowledge of your municipality is appropriate for the purposes of the audit.

### **Audit Findings**

There are a number of matters that arose during the audit that we would like to bring to your attention. Each of these matters is summarized briefly below:

#### ***Litigation Proceedings***

We have communicated with the municipality's legal counsel who have indicated that there are material claims outstanding against the municipality. The following outstanding material claims have been disclosed in the financial statements:

- The Town of The Blue Mountains has been named as a defendant in a legal action for damages alleged to total \$3,400,000. 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 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 \$1,000,000 plus 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.

#### ***Likely Aggregate Misstatements***

Likely aggregate misstatements at year end are within our materiality guidelines.

We have reviewed these amounts with management and after considering both quantitative and qualitative factors with respect to the likely aggregate misstatements, we agree with management that the financial statements are not materially misstated.

***Tax Arrears***

An analysis of your tax arrears as at December 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>
Current year	\$ 2,978,135	\$ 1,933,137
One year	630,750	657,131
Two years	264,453	205,815
Three or more years	102,457	51,879
Interest and penalties	<u>289,408</u>	<u>219,501</u>
	4,265,203	3,067,463
Less: Allowance for uncollectable amounts	<u>(34,000)</u>	<u>(34,000)</u>
	<u>\$ 4,231,203</u>	<u>\$ 3,033,463</u>

Tax arrears as a percentage of the total levy for the year is 14.7% compared to a corresponding percentage of 9.8% at the end of 2007. Current year collections as a percentage of current taxation is 89.6%. The increase in taxes receivable is in part a result of significant supplementary billings being prepared in December and not due until 2009.

***Accumulated Net Revenue***

As shown on the Schedule of Current Fund Operations in your financial report, the analysis of the year end accumulated net revenue is as follows:

	<u>2008</u>	<u>2007</u>
General fund	\$ 577,698	\$ 661,564
Thornbury Water System	(313,993)	-
Georgian Trail Board of Management Cemeteries	68,840	56,087
	<u>(36,516)</u>	<u>(2,650)</u>
	<u>\$ 296,029</u>	<u>\$ 715,001</u>

***Reserves and Reserve Funds***

An analysis of your reserves at December 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>
Working capital	\$ 2,510,214	\$ 2,737,014
Contingencies	155,626	198,948
Insurance, sick leave and WSIB	176,927	208,675
Current purposes	840,096	905,396
Capital purposes	<u>6,966,895</u>	<u>5,339,475</u>
	<u>\$ 10,649,758</u>	<u>\$ 9,389,508</u>

An analysis of your reserve funds at December 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Obligatory Reserve Funds</b>		
Development charges	\$ 1,504,170	\$ 5,348,484
Recreational land	691,392	552,754
Federal Gas Tax	227,479	188,210
Parking	27,000	24,000
	<u>2,450,041</u>	<u>6,113,448</u>
<b>Discretionary Reserve Funds</b>		
<b>Capital purposes</b>		
Sewage	9,449,646	8,929,201
Water	2,252,165	2,569,035
General government	22,180	21,511
Roads	584,692	1,525,788
Garbage and recycling	64,681	62,730
Parks and recreation	217,682	318,616
Library	86,327	84,489
Other	15,499	15,032
	<u>12,692,872</u>	<u>13,526,402</u>
	<u>\$ 15,142,913</u>	<u>\$ 19,639,850</u>

Reserves are amounts set aside for specific purposes to ensure the resources to meet the purpose intended are available when required. We understand that part of Council's budgeting process is a review of the reserves. We recommend Council continue to review annually the reserve balances to determine whether amendments or additions are required and whether reserves in certain areas are adequate. The level of reserves and annual contributions required should correspond to the capital requirements outlined in your comprehensive long-term capital plan.

The sewer operations had a surplus for the current year of \$140,096. The surplus was transferred to various reserves and reserve funds for future sewer operations and capital.

The water operations had a surplus for the current year of \$101,695. The surplus was transferred to reserves and reserve funds.

There are many obligatory reserve funds which are in a negative position. This means that the Town has spent more than what has been raised and the Town is borrowing from other reserve funds to finance capital. The negative reserve funds are; general government \$562,180, fire and rescue \$283,092, roads and related area \$1,907,365, Craigeith sewer capacity \$772,506, Thornbury East water \$79,508, Thornbury West water \$84,528, Thornbury West sewer \$691,259, Thornbury East sewer \$80,705, Lora Bay sewers \$1,304,560 and Clarksburg sewer \$364,696. Council should ensure that these reserve fund deficits are addressed in the next development charge summary and reduce capital spending where appropriate.

**Capital Expenditures Not Yet Permanently Financed (Unexpended Capital Contributions)**

Capital projects shown as unfinanced (unexpended) as at December 31, 2008 are as follows:

	2008	2007
CAUSE	\$ (196,710)	\$ (196,710)
Fire vehicles	98,262	(6,500)
Police Building	124,069	-
Administration - Area Specific Development Charge Study (Camperdown)	-	2,741
Recreation - parks and trails	14,672	2,087
Recreation - buildings	44,846	-
Craigleith depot rehabilitation	-	8,864
BIA - By-law 2004-82	75,000	90,000
Roads and drainage studies	17,619	38,685
Grand Cyprus/Augusta/Monterra Drainage improvements	13,069	12,675
Highway 26 Left Turn Lane improvements	36,869	35,757
Roads construction - Georgian View Extension	9,922	9,623
- Plan 915 - Charmichael, Kinsey, Plater, Campbell Streets	-	13,058
- Camperdown Road Extension	49,062	107,203
- Lake Drive	20,603	19,981
- Hidden Lake and James Street Extensions	-	8,668
- Arthur Street	4,412	-
Growth-related road improvements - Jozo Weider Boulevard	27,187	106,139
- Mountain Drive	562,354	72,015
- Sunset Boulevard (Lora Bay)	28,080	111,851
Ravena road depot expansion	3,440	3,334
Water treatment - Thornbury	292,510	-
Water reservoir - Thornbury	-	7,519
- Lora Bay	(22,878)	(19,990)
Water storage expansion - Craigleith	-	123,562
Water pumping station - Thornbury (Lora Bay)	-	485,978
Long-term solid waste management solution	-	29,000
Orchard Park drainage improvement	34,320	305,042
Water supply contribution to Collingwood	(878)	(878)
Water service extension - Other	22,020	43,065
Growth-related water improvements - Camperdown	68,541	66,473
- Lora Bay Drive and Sunset Blvd	43,290	89,776
- Mountain Drive	-	209
Water main construction - Alfred Street Loop	1,615	1,615
- Lucille Wheeler	47,039	2,310
- Hwy 26	973,549	972,448
- Swiss Meadows	33,869	33,869
Water buildings	7,024	6,812
Sewer pumping stations -Thornbury	-	1,257,015
Sewer - Beaver River Siphon	-	1,518,264
Sewer Treatment Plant - Phase II	5,252	5,094
Sewer service extension - Lake Drive	35,595	18,063
- Clarksburg	-	26,719
- Georgian View Estates	144,256	129,481
- Lora Bay	115,310	111,832
- Other	31,247	29,149
Growth-related sewer improvements - Lora Bay	82,916	267,210
- Craigleith Road	844,068	823,551
- Hwy 26 (Camperdown)	23,250	175,840
Sewer trunk main - Castle Glen	6,672	6,472
Library	11,790	-
Planning department	64,670	-
Georgian Trail	(15,178)	(8,280)
	<b>\$ 3,782,625</b>	<b>\$ 6,946,691</b>

Council should ensure that financing arrangements, including appropriate by-laws, for all capital projects have been made within the term of Council.

### ***Management Representations***

During the course of an audit, management made many representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

Management's representations included, but were not limited to:

- (a) matters communicated in discussions with us, whether solicited or unsolicited;
- (b) matters communicated electronically to us;
- (c) schedules, analyses and reports prepared by the entity, and management's notations and comments thereon, whether or not in response to a request by us;
- (d) internal and external memoranda or correspondence;
- (e) minutes of meetings of the Board of Directors or similar bodies such as Audit Committees and Compensation Committees;
- (f) a copy of internal financial statements approved by Council; and
- (g) a representation letter from management.

We obtained management's written confirmation of significant representations provided to us during the engagement. Such a confirmation included matters that are:

- (a) directly related to items that are material, either individually or in the aggregate, to the financial statements;
- (b) not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate, to the engagement; or
- (c) relevant to management's judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

### ***Performance Measures***

Most information used to calculate the performance measures falls outside the scope of our audit as it is non-financial in nature. The performance measures contain non-financial data which will need to be gathered by municipal staff. Council and municipal staff should carefully review the performance measures once completed as the information will not be audited by BDO Dunwoody LLP.

### ***Internal Controls***

We obtained a sufficient understanding of internal controls to enable us to plan the audit. In certain areas we assessed control risk below the maximum and obtained sufficient appropriate evidence through tests of control to support that assessment, however, our study and evaluation of internal controls was not sufficient to express an opinion on the effectiveness of the organization's internal control systems.

### *Review of Internal Controls*

Our review of internal controls is undertaken to identify key controls which we rely on to provide some of the audit evidence to support our audit opinion. It is management's role to implement effective controls to protect the assets of the municipality and to ensure accurate financial reporting. It is the role of Council through the Finance Committee to ensure that management has effective internal controls in place. We recommend that management document all systems and test the controls on a regular basis and report their findings to the Finance Committee. These reviews will help improve the safeguarding of assets and accumulate reliable financial reporting.

### *Review of Internal Financial Statements*

Our responsibility as auditors is to express an opinion on the financial statements based on an audit which includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Management is responsible for the preparation of the financial statements and reporting to Council. We recommend that Council approve final financial statements including all funds; revenue, capital, reserves and reserve funds prior to the commencement of our audit. There should be few, if any, journal entries required after the financial statements have been approved. This would ensure Council is receiving reliable information and ensure a more efficient audit.

### *Payroll*

- **Payroll Authorization** - During the course of the controls testing for the audit there were instances noted where timesheets were not approved nor were the payroll deposit reports approved in some instances. These authorizations are crucial to your payroll system as they verify that hours worked by employees exist and that the total payroll is authorized by signing the deposit report. We would suggest that an internal review of your payroll controls be performed to ensure that they are operating as required. As part of this review there should be an approval process for the authorization of supervisor and manager timesheets.
- **Employee Payroll Files** - As part of our testing we examined certain information in employee files to ensure that their rate changes were documented and that other payroll information was up to date. It appears that the information for each employee is not maintained in one location. We would suggest that all payroll information be kept up-to-date in individual files and that any rate changes that affect an individual are documented in that file. Files should also be maintained for seasonal and temporary employees. These employees may come onto payroll in a more permanent capacity at some point and the history maintained in their payroll files could be useful. These temporary and seasonal employees are sometimes hired with rates that are not on the payroll grid. Documentation, possibly a signed contract, should be maintained in the payroll file to support the pay rates of these individuals.
- We understand that a Manager of Human Resources was hired during the year and that the payroll and human resources department and controls are currently being reviewed and new and improved controls are being implemented including many of the above suggestions.

*Information Technology*

- **Passwords** - During discussions with staff it was noted that there may be instances where passwords are being shared. It was discussed that there may be an offering of a course on security sensitivity which would train staff in areas of knowing where security breaches may take place and how to ensure their own information is secure. We support municipal staff in taking this type of training as it encourages the promotion of safekeeping of the financial information within the system.
- **Formal Contingency Plan for Computer System Failure** - There is no written contingency plan describing the operating and data collecting steps to be performed in a case of system failure. If no formal system failure plan exists in the event of a systems failure valuable data could be lost. In addition there may be a significant delay in setting up new systems or repopulating the systems with lost data.

We recommend that the Town define and document formal contingency plans for each department. The plan should include the method of operations to be followed while the system is inoperable, how data should be collected during system down time for later recovery and what steps users must follow once the system is operational to ensure all data collected is accurately entered and the system brought up-to-date.

- We understand that an IS Coordinator was also hired during the year and that the IT department is also being reviewed and new and improved controls are being implemented. We would suggest as part of the review, a formal IT strategic plan be established, reviewed periodically for continued relevance and linked with strategic initiatives. An IT Steering Committee should also be established to identify, approve and prioritize IT initiatives. The IT Steering Committee should monitor its progress against the strategic plan and the results should be reported to Council.

We wish to thank the Treasury staff for their assistance and co-operation during our audit.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

BDO DUNWOODY LLP  
Chartered Accountants



Traci Smith C.G.A

TS:nb

**The Corporation of the  
Town of The Blue Mountains  
Financial Statements  
For the year ended December 31, 2008**

**The Corporation of the Town of The Blue Mountains  
Financial Statements  
For the year ended December 31, 2008**

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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

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## Auditors' Report

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### **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, 2008 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, 2008 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  
June 3, 2009

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

**December 31** **2008** **2007**

**Assets and Liabilities**

**Financial assets**

Cash (Note 1)	\$ 14,475,685	\$ 17,208,696
Temporary investments (Note 2)	10,180,482	5,769,863
Taxes receivable	4,231,203	3,033,463
Trade and other receivables	4,510,654	6,680,121
Long-term receivables (Note 3)	2,007,671	2,958,691
Other	27,778	4,366
	<b>35,433,473</b>	<b>35,655,200</b>

**Liabilities**

Accounts payable and accrued liabilities (Note 4)	11,553,834	12,880,129
Solid waste closure and post-closure liabilities (Note 6)	1,049,746	942,162
Deferred revenue (Page 21)	4,059,998	6,126,287
Long-term liabilities (Note 5)	5,013,639	5,611,160
	<b>21,677,217</b>	<b>25,559,738</b>

**Net financial assets** **\$ 13,756,256** **\$ 10,095,462**

**Municipal Position**

**Municipal position**

Current fund (Page 22)	\$ 296,029	\$ 715,001
Capital fund (Page 23)	(3,782,625)	(6,946,691)
Reserves and reserve funds (Page 24)	23,342,630	22,915,910
	<b>19,856,034</b>	<b>16,684,220</b>
 Amounts to be recovered (Note 7)	 <b>(6,099,778)</b>	 <b>(6,588,758)</b>
	<b>\$ 13,756,256</b>	<b>\$ 10,095,462</b>

**The Corporation of the Town of The Blue Mountains  
Consolidated Statement of Financial Activities**

<b>For the year ended December 31</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Taxation	\$ 9,456,967	\$ 9,375,024	\$ 8,650,915
Fees and user charges	6,683,690	6,538,651	6,334,656
Canada grants	227,500	92,984	44,780
Ontario grants	2,561,659	2,020,265	3,020,894
Municipal grants	181,000	138,905	35,957
Other income (Note 8)	6,734,745	3,692,248	9,540,339
Obligatory reserve fund revenue recognized	6,604,225	7,607,637	5,134,352
	<b>32,449,786</b>	<b>29,465,714</b>	<b>32,761,893</b>
<b>Expenditures</b>			
<b>Current (Note 9)</b>			
General government	2,449,986	2,736,211	2,165,512
Protection services	4,111,974	3,962,711	3,858,839
Transportation services	2,318,416	2,478,636	2,173,777
Environmental services	3,637,531	3,987,491	3,684,626
Health services	78,825	113,868	111,173
Recreation and cultural services	1,958,209	1,889,003	1,656,125
Planning and development	894,095	908,711	803,569
	<b>15,449,036</b>	<b>16,076,631</b>	<b>14,453,621</b>
<b>Capital</b>			
General government	706,606	470,076	620,830
Protection services	1,025,461	771,453	115,545
Transportation services	4,756,169	2,410,645	3,122,463
Environmental services	10,745,246	4,502,790	5,917,603
Health services	44,000	-	3,000
Recreational and cultural services	1,602,793	1,407,103	673,756
Planning and development	448,894	166,222	96,144
	<b>19,329,169</b>	<b>9,728,289</b>	<b>10,549,341</b>
<b>Total expenditures</b>	<b>34,778,205</b>	<b>25,804,920</b>	<b>25,002,962</b>
<b>Net revenues (expenditures) for the year</b>	<b>(2,328,419)</b>	<b>3,660,794</b>	<b>7,758,931</b>
<b>Change in amounts to be recovered</b>			
New debt issued	4,668,619	-	-
Debt principal repayments	(675,100)	(589,581)	(586,766)
Change in unfunded vacation pay	-	(6,983)	(8,430)
Change in solid waste landfill liability	-	107,584	43,205
	<b>3,993,519</b>	<b>(488,980)</b>	<b>(551,991)</b>
<b>Change in fund balances for the year</b>	<b>\$ 1,665,100</b>	<b>\$ 3,171,814</b>	<b>\$ 7,206,940</b>

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

<b>For the year ended December 31</b>	<b>2008</b>	<b>2007</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue for the year	\$ 3,660,794	\$ 7,758,931
Items not involving cash		
Change in solid waste closure and post-closure liabilities	<u>107,584</u>	<u>43,205</u>
	<b>3,768,378</b>	<b>7,802,136</b>
Changes in non-cash working capital balances		
Taxes receivable	(1,197,740)	(24,241)
Trade and other receivables	2,169,467	(1,296,135)
Other	(23,412)	15,771
Accounts payable and accrued liabilities	(1,326,295)	831,330
Deferred revenue	<u>(2,066,289)</u>	<u>(2,019,704)</u>
	<b>1,324,109</b>	<b>5,309,157</b>
<b>Investing activities</b>		
Decrease (increase) in long-term receivables	951,020	(2,429,586)
<b>Financing activities</b>		
Repayment of long-term liabilities	<u>(597,521)</u>	<u>(553,646)</u>
<b>Net change in cash and cash equivalents</b>	<b>1,677,608</b>	<b>2,325,925</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>22,978,559</b></u>	<u><b>20,652,634</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 24,656,167</b></u>	<u><b>\$ 22,978,559</b></u>
<b>Comprised of:</b>		
Cash	\$ 14,475,685	\$ 17,208,696
Temporary investments	<u>10,180,482</u>	<u>5,769,863</u>
	<u><b>\$ 24,656,167</b></u>	<u><b>\$ 22,978,559</b></u>

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

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# The Corporation of the Town of The Blue Mountains

## Summary of Significant Accounting Policies

December 31, 2008

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### 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, 2008

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### **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 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.

### **Temporary Investments**

Temporary investments are recorded at the lower of cost and market value.

### **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.

### **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 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.

### **Amounts to be Recovered**

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.

### **County and School Board**

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.

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

**December 31, 2008**

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**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**

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.

User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

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

**December 31, 2008**

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### 1. Cash

	2008	2007
Unrestricted	\$ 13,626,262	\$ 12,561,399
Restricted	849,423	4,647,297
	\$ 14,475,685	\$ 17,208,696

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 \$14,465,673 are being held at one chartered bank in five different accounts earning interest at a rate of prime less 1.75%

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### 2. Temporary Investments

	2008	2007
Discount Bonds, 2.105% to 4.02%, due 2009	\$ 2,509,235	\$ 5,705,063
Bankers Acceptance, 2.262% to 2.461%, due 2009	1,491,105	-
Guaranteed Investment Certificate, 2.9% to 4%, due 2009	6,099,000	-
Restricted Guaranteed Investment Certificate Georgian Trail Board of Management	81,142	64,800
	\$ 10,180,482	\$ 5,769,863

Investments have a market value of \$10,200,232 (2007 - \$5,791,372) at the end of the year.

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### 3. Long-term Receivables

	2008	2007
Water and sewer loans, 5.5% to 18%, due 2009 to 2025	\$ 1,956,733	\$ 2,899,814
Tile drainage loans, 6% to 8%, due 2009 to 2016	50,938	58,877
	\$ 2,007,671	\$ 2,958,691

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

**December 31, 2008**

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#### 4. Accounts Payable and Accrued Liabilities

	2008	2007
Trade accounts payable	\$ 5,720,808	\$ 3,886,804
Accrued liabilities	806,760	536,881
Developer deposits	5,026,266	8,456,444
	<b>\$ 11,553,834</b>	<b>\$ 12,880,129</b>

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#### 5. Long-Term Liabilities

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

	2008	2007
Loan payable, 4.85%, repayable in annual principal instalments of \$450,000 plus interest, due 2014	\$ 2,700,000	\$ 3,150,000
Loan payable, 4.85%, repayable in blended annual payments of \$83,608, due 2014	422,701	482,283
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	1,840,000	1,920,000
Tile drainage loans payable, 6% to 8%, due from 2009 to 2016	50,938	58,877
	<b>\$ 5,013,639</b>	<b>\$ 5,611,160</b>

The interest expense included on the Consolidated Statement of Financial Activities totals \$278,673 (2007 - \$291,373).

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

2009	\$	615,167
2010	\$	617,770
2011	\$	620,213
2012	\$	624,045
2013	\$	628,073
Thereafter	\$	1,908,371

At December 31, 2008, the municipality had undrawn credit capacity of \$2,500,000 at prime minus 0.75%.

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

**December 31, 2008**

## 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 \$1,049,746 and represents the present value of closure and post-closure costs for 88% of the current site's capacity, using the municipalities average long-term borrowing rate of 5.09%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures for closure and post-closure care are \$1,179,726 leaving an amount to be recognized of \$129,980. The estimated remaining capacity of the site's opened cells are approximately 43,500 cubic metres, which will be filled in 4 year. 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 2008 there were no transfers to this reserve. The transfers from the reserve during the year totalled \$95,129 and included \$43,000 transferred to another reserve and \$52,129 used for capital expenses. The balance of this reserve at December 31, 2008 is \$194,474.

## 7. Amounts To Be Recovered

	2008	2007
Capital outlay financed by long-term liabilities and to be recovered in future years	\$ 4,962,701	\$ 5,552,283
Solid waste closure and post-closure costs	1,049,746	942,162
Unfunded vacation pay payable	87,331	94,313
	\$ 6,099,778	\$ 6,588,758

## 8. Other Income

	2008	2008	2007
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 430,000	\$ 401,819	\$ 415,141
Other fines and penalties	37,000	43,448	41,046
Investment income	160,323	916,331	840,069
Licenses, permits and rents	779,298	400,872	480,479
Donations	22,750	18,741	30,446
Prepaid special charges	5,283,524	1,874,915	7,711,307
Other	21,850	36,122	21,851
	\$ 6,734,745	\$ 3,692,248	\$ 9,540,339

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

December 31, 2008

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### 9. Expenditures by Object

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

	<u>2008</u>	<u>2007</u>
Salaries, wages and employee benefits	\$ 7,609,795	\$ 6,594,966
Materials	4,616,083	4,123,419
Contracted services	3,301,061	3,317,313
Rents and financial expenses	110,767	89,914
Interest on long-term debt	3,947	5,484
Contributions to other organizations	434,978	322,525
	<u>\$ 16,076,631</u>	<u>\$ 14,453,621</u>

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### 10. 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 2008 current service by the Town was \$330,414 (2007 - \$110,508). The contribution rate for 2008 was 6.5% to 10.7% depending on age and income level (2007 - 6.5% to 10.7%).

OMERS and the Town are currently in negotiations to determine past service amounts for Town employees who were not offered enrolment in OMERS when the Town of Thornbury and the Township of Collingwood amalgamated in 1998 and for Town employees hired subsequent to amalgamation by the Town of the Blue Mountains. As of December 31, 2008 The Town of the Blue Mountains has accrued a liability of \$583,385 for past service contributions based on preliminary information regarding current active employees who may be affected by the omission period from 1998 to 2007. No amount has been accrued for possible liability that may relate to employees during the omission period who are no longer employed by the Town of the Blue Mountains. The Town has also accrued \$320,590 in estimated interest costs which may be owing to OMERS for the omission period. Management believes this cost will be recovered through insurance less \$25,000 deductible.

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, 2008. At that time the plan reported a \$0.3 billion deficit (2007 - \$0.1 billion actuarial surplus), based on actuarial liabilities of \$50.1 billion (2007 - \$46.8 billion) and actuarial assets of \$49.8 billion (2007 - \$46.9 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.

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

**December 31, 2008**

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### 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 2008 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.

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### 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>2008</u>	<u>2007</u>
School Boards	\$ 8,185,262	\$ 8,120,785
County of Grey	<u>11,380,863</u>	<u>10,780,623</u>
	<u>\$ 19,566,125</u>	<u>\$ 18,901,408</u>

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### 13. Trust Funds

The trust funds administered by the municipality amounting to \$249,354 (2007 - \$246,368) 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, 2008, the trusts fund balances are as follows:

	<u>2008</u>	<u>2007</u>
Cemetery Care and Maintenance funds	\$ 249,354	\$ 243,221
Ontario Home Renewal Program	-	3,147
	<u>\$ 249,354</u>	<u>\$ 246,368</u>

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# The Corporation of the Town of The Blue Mountains

## Notes to Financial Statements

December 31, 2008

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### 14. Contractual Commitments

- (a) 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.
- (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 \$188,233 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.

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### 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, 2008 amount to \$4,813,479.

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# The Corporation of the Town of The Blue Mountains

## Notes to Financial Statements

December 31, 2008

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### 16. Contingencies

- (a) The Town of The Blue Mountains has been named as a defendant in a legal action for damages alleged to total \$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.

The Town of The Blue Mountains has been named as defendant in a separate legal action totalling \$1,000,000 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 \$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) 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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### 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, 2008.

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# The Corporation of the Town of The Blue Mountains

## Notes to Financial Statements

December 31, 2008

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### 18. 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.

#### **Sewer and Water**

This service provides the municipality's drinking water. They process and clean sewage and ensure the municipality's water system meets all Provincial standards.

#### **Environmental**

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

#### **Health**

Health services include contributions to support local Hospitals. Health services also includes the operations of local cemeteries.

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# The Corporation of the Town of The Blue Mountains

## Notes to Financial Statements

December 31, 2008

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### **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, arenas, community centres, museums and a harbour. The municipality also provides library services and recreational programs.

### **Planning and Development**

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

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 net surplus for the year.

#### **OMPF Grants**

Allocated to segments based on the net surplus for the year.

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

December 31, 2008

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Eliminations	2008 Total
<b>Revenue</b>										
Taxation	\$ 1,368,758	\$ 3,519,663	\$ 2,444,211	\$ -	\$ 488,842	\$ 97,768	\$ 1,173,221	\$ 684,379	\$ -	\$ 9,776,842
Fees and user charges	17,828	37,695	221,825	4,931,342	451,018	35,214	693,558	150,171	-	6,538,651
Specific grants	10,399	67,166	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	953,961	654,460	1,325,012	7,066,197	48,427	10,262	799,334	40,414	-	10,898,067
Transfers from other funds	439,283	89,827	717,481	916,506	52,129	-	210,813	1,589	(2,427,628)	-
	<b>3,025,849</b>	<b>4,974,691</b>	<b>5,244,845</b>	<b>12,914,045</b>	<b>1,314,396</b>	<b>160,074</b>	<b>3,257,089</b>	<b>1,002,353</b>	<b>(2,427,628)</b>	<b>29,465,714</b>
<b>Expenses</b>										
Salaries and benefits	2,028,164	1,275,796	1,110,563	1,224,127	216,769	14,180	1,147,084	600,095	-	7,616,778
Interest on debt	-	-	-	-	-	-	-	3,947	-	3,947
Materials and supplies	68,912	530,688	795,186	1,963,792	294,953	34,139	678,196	142,633	-	4,508,499
Contracted services	154,504	2,033,592	391,687	59,669	565,169	50,303	23,742	22,395	-	3,301,061
Other transfers	20,000	252,968	-	-	-	26,000	(127)	136,137	-	434,978
Rents and financial expenses	30,089	32,590	3,402	38,312	1,111	720	4,508	35	-	110,767
Capital	470,076	771,453	2,410,645	4,267,288	235,502	-	1,407,103	166,222	-	9,728,289
Transfers to other funds	234,202	279,157	486,426	1,359,132	-	10,100	43,821	34,503	(2,447,341)	-
Debt repayments	-	-	-	589,581	-	-	-	-	-	589,581
	<b>3,005,947</b>	<b>5,176,244</b>	<b>5,197,909</b>	<b>9,501,901</b>	<b>1,313,504</b>	<b>135,442</b>	<b>3,304,327</b>	<b>1,105,967</b>	<b>(2,447,341)</b>	<b>26,293,900</b>
<b>Net surplus (deficit)</b>	<b>\$ 19,902</b>	<b>\$ (201,553)</b>	<b>\$ 46,936</b>	<b>\$ 3,412,144</b>	<b>\$ 892</b>	<b>\$ 24,632</b>	<b>\$ (47,238)</b>	<b>\$ (103,614)</b>	<b>\$ 19,713</b>	<b>\$ 3,171,814</b>

# The Corporation of the Town of The Blue Mountains

## Notes to Financial Statements

December 31, 2007

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Eliminations	2007 Total
<b>Revenue</b>										
Taxation	\$ 906,606	\$ 2,447,835	\$ 2,991,799	\$ -	\$ 634,624	\$ 90,661	\$ 1,269,248	\$ 725,285	\$ -	\$ 9,066,058
Fees and user charges	20,611	70,264	66,726	5,017,904	367,903	44,686	637,984	108,578	-	6,334,656
Specific grants	-	45,966	738,033	499,990	31,673	-	97,923	3,224	-	1,416,809
OMP grant	168,482	454,902	555,991	-	117,938	16,848	235,875	134,786	-	1,684,822
Other revenue	842,774	1,096,914	4,083,133	7,737,098	2,218	10,275	435,614	52,523	-	14,259,549
Transfers from other funds	608,380	306,268	-	946,514	99,118	-	47,053	12,236	(2,019,569)	-
	<u>2,546,853</u>	<u>4,421,149</u>	<u>8,435,682</u>	<u>14,201,506</u>	<u>1,283,474</u>	<u>162,470</u>	<u>2,723,697</u>	<u>1,036,632</u>	<u>(2,019,569)</u>	<u>32,761,894</u>
<b>Expenses</b>										
Salaries and benefits	1,553,260	1,262,824	930,790	1,127,821	177,929	-	994,816	555,957	-	6,603,397
Interest on debt	105	-	-	-	-	-	-	5,379	-	5,484
Materials and supplies	39,317	542,141	455,200	2,014,106	203,369	29,864	600,625	195,592	-	4,080,214
Contracted services	131,586	1,940,490	547,399	119,082	502,195	47,308	12,639	16,614	-	3,317,313
Other transfers	-	235,772	-	-	-	45,000	2,279	39,474	-	322,525
Rents and financial expenses	4,760	23,785	12,334	30,687	622	1,200	16,526	-	-	89,914
Capital	620,830	115,545	3,122,463	5,655,179	262,424	3,000	673,756	96,144	-	10,549,341
Transfers to other funds	96,188	(256,243)	1,811,068	1,824,697	80,776	10,100	225,622	53,577	(3,845,785)	-
Debt repayments	-	-	-	586,766	-	-	-	-	-	586,766
	<u>2,446,046</u>	<u>3,864,314</u>	<u>6,879,254</u>	<u>11,358,338</u>	<u>1,227,315</u>	<u>136,472</u>	<u>2,526,263</u>	<u>962,737</u>	<u>(3,845,785)</u>	<u>25,554,954</u>
<b>Net surplus (deficit)</b>	\$ 100,807	\$ 556,835	\$ 1,556,428	\$ 2,843,168	\$ 26,159	\$ 25,998	\$ 197,434	\$ 73,895	\$ 1,826,216	\$ 7,206,940

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

For the year ended December 31 2008

	Opening	Contributions Received/ Transfers from Reserves and Investment Reserve Funds Income	Revenue Recognized/ Transfers to Revenue Fund	Ending
<b>Obligatory Reserve Funds</b>				
Development charges	\$ 5,348,483	\$ 3,408,017	\$ (7,366,857)	\$ 1,504,170
Recreational land	552,755	296,141	(174,607)	691,392
Parking	24,000	3,000	-	27,000
Federal Gas Tax	188,210	99,364	(66,173)	227,479
	<u>6,113,448</u>	<u>3,806,522</u>	<u>(7,607,637)</u>	<u>2,450,041</u>
<b>Other</b>				
Provincial grant	-	1,588,383	-	1,588,383
Hall deposits	1,200	400	(1,200)	400
Harbour deposits	10,300	11,919	(10,300)	11,919
Other	1,339	9,255	(1,339)	9,255
	<u>12,839</u>	<u>1,609,957</u>	<u>(12,839)</u>	<u>1,609,957</u>
	<u>\$ 6,126,287</u>	<u>\$ 5,416,479</u>	<u>\$ (7,620,476)</u>	<u>\$ 4,059,998</u>

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

<b>For the year ended December 31</b>	2008 Budget	2008 Actual	2007 Actual
<b>Revenue</b>			
Taxation	\$ 9,456,967	\$ 9,375,024	\$ 8,650,915
Fees and user charges	6,683,690	6,538,651	6,334,656
Canada grants	7,500	8,016	2,660
Ontario grants	1,870,740	1,806,533	1,794,804
Municipal grants	1,000	55,452	35,957
Other	1,438,721	1,409,393	1,285,668
Transfers from obligatory reserve funds	-	6,078	290,910
	<u>19,458,618</u>	<u>19,199,147</u>	<u>18,395,570</u>
<b>Expenditures</b>			
General government	2,449,986	2,736,211	2,165,512
Protection services	4,111,974	3,962,711	3,858,839
Transportation services	2,318,416	2,478,636	2,173,777
Environmental services	3,637,531	3,987,491	3,684,626
Health services	78,825	113,868	111,173
Recreation and cultural services	1,958,209	1,889,003	1,656,125
Planning and development	894,095	908,711	803,569
	<u>15,449,036</u>	<u>16,076,631</u>	<u>14,453,621</u>
<b>Net revenues for the year</b>	<u>4,009,582</u>	<u>3,122,516</u>	<u>3,941,949</u>
<b>Financing and transfers</b>			
Change in unfunded vacation pay	-	(6,983)	(8,429)
Change in solid waste landfill liability	-	107,584	43,205
Transfers to capital fund operations	(2,725,646)	(1,598,123)	(1,413,912)
Transfers to reserves and reserve funds	(1,583,936)	(2,043,966)	(2,570,584)
	<u>(4,309,582)</u>	<u>(3,541,488)</u>	<u>(3,949,720)</u>
<b>Change in fund balance for the year</b>	(300,000)	(418,972)	(7,771)
<b>Current fund, beginning of the year</b>	<u>715,001</u>	<u>715,001</u>	<u>722,772</u>
<b>Current fund, end of the year</b>	<u>\$ 415,001</u>	<u>\$ 296,029</u>	<u>\$ 715,001</u>
<b>Analyzed as follows:</b>			
<b>Available to offset (be recovered from) future revenue requirements:</b>			
General area taxation	\$ 577,698	\$ 661,564	
Recreation, community centres and arenas	68,840	56,087	
Cemeteries	(36,516)	(2,650)	
Building inspection	(313,993)	-	
	<u>\$ 296,029</u>	<u>\$ 715,001</u>	

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

<b>For the year ended December 31</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	Budget	Actual	Actual
<b>Revenue</b>			
Canada grants	\$ 220,000	\$ 84,968	\$ 42,120
Ontario grants	690,919	213,732	1,226,090
Municipal grants	180,000	83,453	-
Prepaid special charges	5,283,524	1,874,915	7,711,307
Other	12,500	13,090	31,060
Obligatory reserve fund revenue recognized	6,604,225	7,601,559	4,843,442
	<u>12,991,168</u>	<u>9,871,717</u>	<u>13,854,019</u>
<b>Expenditures</b>			
General government	706,606	470,076	620,830
Protection services	1,025,461	771,453	115,545
Transportation services	4,756,169	2,410,645	3,122,463
Environmental services	10,745,246	4,502,790	5,917,603
Health services	44,000	-	3,000
Recreation and cultural services	1,602,793	1,407,103	673,756
Planning and development	448,894	166,222	96,144
	<u>19,329,169</u>	<u>9,728,289</u>	<u>10,549,341</u>
<b>Net revenues (expenditures) for the year</b>	<u>(6,338,001)</u>	<u>143,428</u>	<u>3,304,678</u>
<b>Financing and transfers</b>			
New debt issued	4,668,619	-	-
Debt principal repayments	(675,100)	(589,581)	(586,766)
Transfers from current fund operations	2,725,646	1,598,123	1,413,912
Transfers from reserves and reserve funds	2,585,150	2,012,096	162,548
	<u>9,304,315</u>	<u>3,020,638</u>	<u>989,694</u>
<b>Change in fund balance for the year</b>	2,966,314	3,164,066	4,294,372
<b>Capital fund, beginning of the year</b>	<u>(6,946,691)</u>	<u>(6,946,691)</u>	<u>(11,241,063)</u>
<b>Capital fund, end of the year</b>	<u>\$ (3,980,377)</u>	<u>\$ (3,782,625)</u>	<u>\$ (6,946,691)</u>

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

<b>For the year ended December 31</b>	2008 Budget	2008 Actual	2007 Actual
<b>Revenue</b>			
Investment income	\$ -	\$ 392,354	\$ 512,303
Other revenue	-	2,496	-
	-	<b>394,850</b>	512,303
<b>Net transfers from (to) other funds</b>			
Transfer from current fund operations	1,583,936	<b>2,043,966</b>	2,570,584
Transfer to capital fund operations	(2,585,150)	<b>(2,012,096)</b>	(162,548)
	(1,001,214)	<b>31,870</b>	2,408,036
<b>Change in fund balance for the year</b>	(1,001,214)	<b>426,720</b>	2,920,339
<b>Reserves and reserve funds, beginning of the year</b>	22,915,910	<b>22,915,910</b>	19,995,571
<b>Reserves and reserve funds, end of the year</b>	\$ 21,914,696	<b>\$ 23,342,630</b>	\$ 22,915,910

**Analyzed as follows:**

**Reserves set aside for specific purpose by Council:**

Working funds	\$ 2,510,214	\$ 2,737,014
Contingencies	155,626	198,948
Insurance, sick leave and WSIB	176,927	208,675
Current purposes	840,096	905,396
Capital purposes	<b>6,966,895</b>	5,339,475

**10,649,758**      9,389,508

**Reserve funds set aside for specific purpose by Council:**

Capital purposes	<b>12,692,872</b>	13,526,402
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**Reserves and reserve funds, end of the year**      **\$ 23,342,630**      \$ 22,915,910

**The Corporation of the  
Town of The Blue Mountains  
Trust Funds  
Financial Statements  
For the year ended December 31, 2008**



**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

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## Auditors' Report

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**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, 2008 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, 2008 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  
June 3, 2009

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

**December 31, 2008**

	Total	Cemetery Care and Maintenance	Ontario Home Renewal Program
<b>Assets</b>			
Cash	\$ 4,928	\$ 1,531	\$ 3,397
Accrued interest	5	-	5
Investments (Note 2)	245,720	245,720	-
Due from Town	2,103	2,103	-
	<b>\$ 252,756</b>	<b>\$ 249,354</b>	<b>\$ 3,402</b>
<b>Liabilities</b>			
Due to Town	\$ 356	\$ -	\$ 356
Due to Province of Ontario	3,046	-	3,046
	<b>3,402</b>	<b>-</b>	<b>3,402</b>
<b>Fund balance</b>	<b>249,354</b>	<b>249,354</b>	<b>-</b>
	<b>\$ 252,756</b>	<b>\$ 249,354</b>	<b>\$ 3,402</b>

**Statement of Continuity**

**For the year ended December 31, 2008**

	Total	Cemetery Care and Maintenance	Ontario Home Renewal Program
<b>Balance, beginning of the year</b>	<b>\$ 246,370</b>	<b>\$ 243,223</b>	<b>\$ 3,147</b>
<b>Receipts</b>			
Monument fees	850	850	-
Share of plot sales	3,260	3,260	-
Capital gains	12,296	12,296	-
Loan interest	256	-	256
	<b>16,662</b>	<b>16,406</b>	<b>256</b>
<b>Expenditures</b>			
Administration fees	357	-	357
Contributions to cemetery	10,275	10,275	-
Transfer to Province of Ontario	3,046	-	3,046
	<b>13,678</b>	<b>10,275</b>	<b>3,403</b>
<b>Balance, end of the year</b>	<b>\$ 249,354</b>	<b>\$ 249,354</b>	<b>\$ -</b>

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

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

**December 31, 2008**

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**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.

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**2. Investments**

The total investments of \$245,720 reported on the balance sheet at cost have a market value of \$247,724 at the end of the year.

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

**December 31, 2008**

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**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, 2008 comprise repayable loans of \$Nil (2007 - \$2,997) and forgivable loans of \$Nil (2007 - \$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.

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**The Blue Mountains Public  
Library Board  
Financial Statements  
For the year ended December 31, 2008**



**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

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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, 2008 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, 2008 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  
June 3, 2009

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

<b>December 31</b>	<b>2008</b>	<b>2007</b>
<b>Assets and Liabilities</b>		
<b>Financial assets</b>		
Temporary investments (Note 1)	\$ 74,537	\$ 84,490
<b>Municipal Position</b>		
Unfinanced capital fund	\$ (11,790)	\$ -
Reserves and reserve funds	86,327	84,490
	<b>\$ 74,537</b>	<b>\$ 84,490</b>

## The Blue Mountains Public Library Board Consolidated Statement of Financial Activities

<b>For the year ended December 31</b>	2008	2008	2007
	Budget	Actual	Actual
<b>Revenue</b>			
Canada grants	\$ 2,500	\$ 2,628	\$ 2,660
Ontario grants	21,000	21,868	31,327
Municipal grants - Town of The Blue Mountains	526,173	481,659	460,828
Donations	-	7,741	12,730
Fundraising	1,500	3,079	4,878
Interest	-	2,583	3,088
Other	16,850	16,939	18,169
	<b>568,023</b>	<b>536,497</b>	<b>533,680</b>
<b>Expenditures</b>			
<b>Current</b>			
Administration	11,000	12,298	12,680
Books and materials	31,750	40,791	37,644
Communications	10,900	6,481	10,192
Equipment maintenance	15,500	15,345	6,300
Financial related expenses	7,977	7,557	5,288
Furniture and fixtures	-	889	404
Operating expenses	2,000	2,559	2,277
Personnel	850	1,070	1,113
Premises maintenance	28,100	19,958	28,902
Professional fees	4,500	1,935	1,414
Salaries and benefits	353,861	341,739	312,017
Training and travel	5,200	2,928	2,226
Utilities	20,780	21,548	21,600
	<b>492,418</b>	<b>475,098</b>	<b>442,057</b>
<b>Capital</b>			
Books, videos and tapes	3,500	4,713	1,104
Equipment	12,905	15,069	31,393
Furniture, fixtures and computers	13,200	1,746	4,480
Parking lot expansion	-	3,866	17,021
Branch library	20,000	4,258	18,911
Integrated library system	34,000	37,290	-
Brick work	-	610	-
Marketing plan	4,000	3,800	4,000
	<b>87,605</b>	<b>71,352</b>	<b>76,909</b>
<b>Total expenditures</b>	<b>580,023</b>	<b>546,450</b>	<b>518,966</b>
<b>Change in fund balances for the year</b>	<b>\$ (12,000)</b>	<b>\$ (9,953)</b>	<b>\$ 14,714</b>

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

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# The Blue Mountains Public Library Board

## Summary of Significant Accounting Policies

**December 31, 2008**

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### **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.

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## The Blue Mountains Public Library Board Summary of Significant Accounting Policies

**December 31, 2008**

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**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.

**Revenue Recognition**

Revenues are reported on the accrual basis of accounting and are recognized as follows:

- a) Grants are recorded as revenue when corresponding expenses have been incurred in accordance with the grant applications.
  - b) All other revenues are recorded upon sale of goods or provision of services and when collection is reasonably assured.
-

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

December 31, 2008

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### 1. Temporary Investments

	<u>2008</u>	<u>2007</u>
Unrestricted	<u>\$ 74,537</u>	<u>\$ 84,490</u>

Investments have a market value of \$74,537 (2007 - \$84,490) at the end of the year.

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### 2. Tangible Capital Assets

For the year ended December 31, 2009 the Library 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, 2008.

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### 3. Comparative Figures

The comparative amounts have been reclassified to conform to the current year financial statements presentation.

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## The Blue Mountains Public Library Board Schedule of Current Fund Operations

<b>For the year ended December 31</b>	2008 Budget	2008 Actual	2007 Actual
<b>Revenue</b>			
Canada grants	\$ 2,500	\$ 2,628	\$ 2,660
Ontario grants	21,000	21,868	25,227
Municipal grant - Town of The Blue Mountains	489,173	469,196	420,096
Fundraising	1,500	3,079	4,878
Other	16,850	16,939	18,169
	<b>531,023</b>	<b>513,710</b>	<b>471,030</b>
<b>Expenditures</b>			
Administration	11,000	12,298	12,680
Books and materials	31,750	40,791	37,644
Communications	10,900	6,481	10,192
Equipment maintenance	15,500	15,345	6,300
Financial related expenses	7,977	7,557	5,288
Furniture and fixtures	-	889	404
Operating expenses	2,000	2,559	2,277
Personnel	850	1,070	1,113
Premises maintenance	28,100	19,958	28,902
Professional fees	4,500	1,935	1,414
Salaries and benefits	353,861	341,739	312,017
Training and travel	5,200	2,928	2,226
Utilities	20,780	21,548	21,600
	<b>492,418</b>	<b>475,098</b>	<b>442,057</b>
<b>Net revenue for the year</b>	<b>38,605</b>	<b>38,612</b>	<b>28,973</b>
<b>Financing and transfers</b>			
Transfers to capital fund operations	(38,605)	(38,612)	(28,973)
<b>Change in fund balance for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current fund, beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current fund, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## The Blue Mountains Public Library Board Schedule of Capital Fund Operations

<b>For the year ended December 31</b>	2008 Budget	2008 Actual	2007 Actual
<b>Revenue</b>			
Ontario grants	\$ -	\$ -	\$ 6,100
Municipal grants - Town of The Blue Mountains	37,000	12,463	40,732
Donations	-	5,245	10,000
	<u>37,000</u>	<u>17,708</u>	<u>56,832</u>
<b>Expenditures</b>			
Books, videos and tapes	3,500	4,713	1,104
Equipment	12,905	15,069	31,393
Furniture, fixtures and computers	13,200	1,746	4,480
Parking lot expansion	-	3,866	17,021
Branch library	20,000	4,258	18,911
Integrated library system	34,000	37,290	-
Brick work	-	610	-
Marketing plan	4,000	3,800	4,000
	<u>87,605</u>	<u>71,352</u>	<u>76,909</u>
<b>Net expenditures for the year</b>	<u>(50,605)</u>	<u>(53,644)</u>	<u>(20,077)</u>
<b>Financing and transfers</b>			
Transfers from current fund operations	38,605	38,612	28,973
Transfers from (to) capital reserve	3,500	3,242	(8,896)
	<u>42,105</u>	<u>41,854</u>	<u>20,077</u>
<b>Change in fund balance for the year</b>	(8,500)	(11,790)	-
<b>Capital fund, beginning of the year</b>	-	-	-
<b>Capital fund, end of the year</b>	<u>\$ (8,500)</u>	<u>\$ (11,790)</u>	<u>\$ -</u>

**The Blue Mountains Public Library Board  
Schedule of Reserve Funds**

<b>For the year ended December 31</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Donations	\$ -	\$ 2,496	\$ 2,730
Interest	-	2,583	3,088
	-	5,079	5,818
<b>Net transfers from (to) other funds</b>			
Transfers from (to) capital fund operations	(3,500)	(3,242)	8,896
<b>Change in balance for the year</b>	<b>(3,500)</b>	<b>1,837</b>	<b>14,714</b>
<b>Reserve funds, beginning of the year</b>	<b>84,490</b>	<b>84,490</b>	<b>69,776</b>
<b>Reserve funds, end of the year</b>	<b>\$ 80,990</b>	<b>\$ 86,327</b>	<b>\$ 84,490</b>
<b>Analyzed as follows:</b>			
Capital purposes		\$ 86,327	\$ 84,490



**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

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## **Auditors' Comments on Supplementary Financial Information**

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### **To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Blue Mountains**

We have audited the financial statements of the Corporation of the Town of the Blue Mountains Museum as at December 31, 2008 and reported thereon dated June 3, 2009. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial information taken as a whole.

We do not express a separate audit opinion on the individual schedule of supplemental financial information.

*BDO Dunwoody LLP*

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario  
June 3, 2009

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**The Corporation of the Town of The Blue Mountains  
Museum Statement of Revenues and Expenditures**

**For the year ended December 31**

**2008**

**Revenues**

Donations	\$ 128
Rent	2,500
Admission	203
Sundry	554
	<hr/>
	<b>3,385</b>

**Expenditures**

Exhibits and programs	4,831
Operating supplies	34,020
Maintenance	9,474
Salaries and benefits	62,398
	<hr/>
	<b>110,723</b>

**Excess of expenditures over revenues** **(107,338)**

**Funded by the Town of the Blue Mountains** **107,338**

**\$ -**

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