

Consolidated Financial Information of

**THE CORPORATION OF THE
TOWN OF THE BLUE MOUNTAINS**

Year ended December 31, 2014

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Financial Information

Year ended December 31, 2014

The Corporation of the Town of The Blue Mountains Financial Statements

Supplementary Financial Information

Museum Statement of Operations

Consolidated Financial Statements of

**THE CORPORATION OF THE TOWN
OF THE BLUE MOUNTAINS**

Year ended December 31, 2014

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Financial Statements

Year ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of The Blue Mountains ("the Entity"), which comprise the consolidated financial position as at December 31, 2014 and the consolidated statement of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of The Blue Mountains as at December 31, 2014, and its consolidated results of operations and the changes in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 29, 2015
Waterloo, Canada

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash (note 2)	\$ 17,318,352	\$ 12,801,435
Temporary investments (note 3)	7,784,306	7,653,774
Taxes receivable	5,420,461	5,552,066
Trade and other receivables	4,077,163	3,443,949
Long-term receivables (note 4)	4,597,923	5,112,660
	<u>39,198,205</u>	<u>34,563,884</u>
Liabilities:		
Accounts payable and accrued liabilities (note 5)	8,396,733	6,946,159
Solid waste closure and post-closure liabilities (note 7)	2,037,685	1,863,346
Post-employment benefits liabilities (note 14)	28,457	34,408
Deferred revenue (page 24)	2,699,929	2,603,441
Long-term liabilities (note 6)	4,769,659	5,594,771
	<u>17,932,463</u>	<u>17,042,125</u>
Net financial assets	21,265,742	17,521,759
Non-financial assets:		
Inventory of supplies	36,579	37,113
Prepaid expenses	360,662	106,498
Tangible capital assets (note 8)	161,756,324	160,192,636
	<u>162,153,565</u>	<u>160,336,247</u>
Accumulated surplus (note 9)	<u>\$ 183,419,307</u>	<u>\$ 177,858,006</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (note 10)	2014 Actual	2013 Actual
Revenue:			
Taxation	\$ 13,053,998	\$ 12,987,892	\$ 12,328,527
Fees and user charges	8,179,761	8,264,086	7,826,561
Grants (note 13)	1,625,800	1,590,281	2,289,515
Other income (note 11)	4,595,800	6,478,300	2,010,488
Obligatory reserve fund	2,318,419	1,422,519	1,024,533
Total revenue	\$ 29,773,778	\$ 30,743,078	\$ 25,479,624
Expenses:			
General government	3,494,561	3,414,194	3,425,535
Protection services	5,843,961	5,381,183	5,165,597
Transportation services	6,083,299	5,672,529	5,534,007
Waste management	1,197,291	1,284,742	1,023,779
Water and wastewater	5,544,061	5,311,474	5,403,601
Health services	104,330	112,802	53,910
Recreation and cultural services	3,222,507	3,006,969	3,106,458
Planning and development	1,197,538	997,884	726,089
Total expenses	26,687,548	25,181,777	24,438,976
Annual surplus (note 10)	3,086,230	5,561,301	1,040,648
Accumulated surplus, beginning of year	177,858,006	177,858,006	176,817,358
Accumulated surplus, end of year	\$ 180,944,236	\$ 183,419,307	\$ 177,858,006

The accompanying notes are an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (note 10)	2014 Actual	2013 Actual
Annual surplus (deficit)	\$ 3,086,230	\$ 5,561,301	\$ 1,040,648
Acquisition of tangible capital assets	(11,670,054)	(7,446,821)	(3,866,085)
Amortization of tangible capital assets	6,315,448	5,849,356	5,714,288
Loss (gain) on disposal of tangible capital assets	-	18,454	(26,001)
Proceeds on disposal of capital assets	-	15,323	70,122
	(5,354,606)	(1,563,688)	1,892,324
Change in inventory of supplies	-	534	(1,235)
Change in prepaid expenses	-	(254,164)	(33,460)
	-	(253,630)	(34,695)
Increase (decrease) in net financial assets	(2,268,376)	3,743,983	2,898,277
Net financial assets, beginning of year	17,521,759	17,521,759	14,623,482
Net financial assets, end of year	\$ 15,253,383	\$ 21,265,742	\$ 17,521,759

The accompanying notes are an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 5,561,301	\$ 1,040,648
Items not involving cash:		
Change in solid waste closure and post-closure liabilities	174,339	(197,809)
Change in post-employment benefit liability	(5,951)	(4,482)
Amortization	5,849,356	5,714,288
Loss (gain) on disposal of tangible capital assets	18,454	(26,001)
Contributed capital assets	(2,665,400)	(72,524)
	8,932,099	6,454,120
Change in non-cash working capital balances:		
Taxes receivable	131,605	(947,347)
Trade and other receivables	(633,214)	(174,061)
Prepaid expenses	(254,164)	(33,460)
Inventory of supplies	534	(1,235)
Accounts payable and accrued liabilities	1,450,574	(1,262,154)
Deferred revenue	96,488	350,314
Net change in cash from operating activities	9,723,922	4,386,177
Capital transactions:		
Cash used to acquire tangible capital assets	(4,781,421)	(3,793,561)
Proceeds on disposal of capital assets	15,323	70,122
Net change in cash from capital transactions	(4,766,098)	(3,723,439)
Investing activities:		
Decrease (increase) in temporary investments	(130,532)	87,529
Decrease in long-term receivables	514,737	137,019
Net change from investing activities	384,205	224,548
Financing activities:		
Proceeds from debt issuance	-	-
Repayment of long-term liabilities	(825,112)	(820,953)
Net Change from financing activities	(825,112)	(820,953)
Net change in cash and cash equivalents	4,516,917	66,333
Cash and cash equivalents, beginning of year	12,801,435	12,735,102
Cash and cash equivalents, end of year	\$ 17,318,352	\$ 12,801,435

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Summary of Significant Accounting Policies

Year ended December 31, 2014

1. Significant accounting policies:

a) Basis of accounting:

The consolidated financial statements of The Corporation of the Town of The Blue Mountains (the "Town") are representations of management. They have been prepared in accordance with the Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB).

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measureable; expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, post-employment benefits and solid waste landfill closure and post-closure costs. 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.

c) Basis of consolidation:

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

The Blue Mountains Public Library Board	100%
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Thornbury Business Improvement Area	100%
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The Blue Mountains Attainable Housing Corporation	100%
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A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership is reflected in the consolidated financial statements.

The following boards controlled by Council have been consolidated:

Georgian Trail Board of Management	41%
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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Summary of Significant Accounting Policies (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

d) Cash and cash equivalents:

Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily convertible into cash.

e) Temporary investments:

Temporary investments are recorded at the lower of cost or market.

f) Long-term receivables:

Long-term receivables are recorded at cost.

g) Inventory of supplies:

Inventory held for consumption is recorded at the lower of cost and replacement cost. Assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:

Asset	Useful Life - Years
Land improvements	10 to 50 years
Buildings	15 to 50 years
Machinery, equipment and vehicles	5 to 50 years
Water systems	20 to 100 years
Sewer systems	20 to 100 years
Roads	10 to 75 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

h) Post-employment benefits:

The municipality provides post-employment health and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

The contributions to the Ontario Municipal Employee's Retirement System ("OMERS"), a multi-employer defined benefit plan are expensed when contributions are due.

i) County and school board:

The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Summary of Significant Accounting Policies (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

j) 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.

k) Revenue recognition:

Revenues are recognized as follows:

- a. Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.
- b. Fines and donations are recognized when collected.
- c. Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d. Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.
- e. 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.
- f. 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 operations in the year in which it is used for the specified purpose.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements

Year ended December 31, 2014

2. Cash:

	2014	2013
Unrestricted	\$ 17,079,228	\$ 12,548,465
Restricted	239,124	252,970
	<u>\$ 17,318,352</u>	<u>\$ 12,801,435</u>

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

Cash balances are earning interest at a rate of prime less 1.75%.

The municipality has an available operating facility of \$1,000,000 which was not drawn upon at December 31, 2014. The operating facility is due on demand and bears interest at the bank's prime rate less 0.75%.

3. Temporary investments:

	2014	2013
Business Advantage Plus savings account, 1.35%	\$ 1,836,204	\$ 2,263,239
Guaranteed Investment Certificates, 1.45% to 2.10%, due 2014	5,948,102	5,390,535
	<u>\$ 7,784,306</u>	<u>\$ 7,653,774</u>

Investments have a market value of \$7,784,306 (2013 - \$7,653,774) at the end of the year.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

4. Long-term receivables:

	2014	2013
Water and sewer loans, 3.1% to 5.11%, due 2014 to 2029	\$ 3,657,981	\$ 4,311,048
Tile drainage loans, 6% to 8%, due 2014 to 2016	11,216	16,343
Loan receivable, North East Grey Health Clinics Inc., interest free, due in full on or before December 31, 2015	165,000	165,000
Loan receivable, Marsh Street Community Centre interest free, due in full on or before August 31, 2022	15,965	17,965
Loan receivable Grey Condo 28 Internal Servicing repayments to be established upon By-law passage in 2015	747,761	602,304
	\$ 4,597,923	\$ 5,112,660

5. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable	\$ 2,807,788	\$ 1,556,779
Accrued liabilities	838,214	658,359
Developer and other deposits	4,750,731	4,731,021
	\$ 8,396,733	\$ 6,946,159

6. Long-term liabilities:

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

	2014	2013
Loan payable, 4.85%, repayable in annual principal instalments of \$450,000 plus interest, due 2014	\$ -	\$ 450,000
Loan payable, 4.85%, repayable in blended annual payments of \$83,608, due 2014	\$ -	\$ 77,433
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	\$ 1,360,000	\$ 1,440,000
Loan payable, 2%, repayable in blended semi-annual payments of \$128,000, due 2027	2,816,064	3,012,525
Loan payable, 3.58%, repayable in blended semi-annual principal instalments of \$18,687, due 2037	582,378	598,470
Tile drainage loans payable, 6% to 8%, due from 2014 to 2016	11,217	16,343
	\$ 4,769,659	\$ 5,594,771

The interest expense included on the consolidated statements of operations and accumulated surplus totals \$193,903 (2013 - \$205,847).

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

6. Long-term liabilities (continued):

Principal payments estimated for the next 5 fiscal years, and thereafter, if not demanded, are as follows:

2015	\$	302,213
2016		307,148
2017		306,446
2018		311,284
2019		316,230
Thereafter		3,226,338
	\$	4,769,659

7. 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, ongoing environmental monitoring, site inspection and maintenance.

The landfill post closure liability is based on the estimated remaining capacity of the site's opened cells. The remaining capacity of the site's opened cells are estimated at 211,917 cubic meters, which will be filled in 18 years (2033). Post-closure care is estimated to continue for a period of 50 years.

Site closure costs in 2033 are estimated at \$1,133,661. Post closure costs including monitoring and maintenance are estimated at approximately \$105,000 per year, or \$5,449,000 over the 50 year monitoring period. The liability for the landfill site is recorded at \$2,037,685 (2013 - \$1,863,346) and represents the present value of closure and post-closure costs for 63% of the site's capacity, using the municipality's average long-term borrowing rate of 4.23%.

The Town has a landfill reserve to help fund a portion of the liability. During 2014, there were no transfers to or from this reserve. The balance of this reserve at December 31, 2014 is \$194,474.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

8. Tangible capital assets

2014	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning of year	\$ 5,974,779	\$ 6,158,961	\$ 27,055,782	\$ 25,044,358	\$ 43,485,038	\$ 57,353,398	\$ 79,622,688	\$ 1,368,487	\$ 246,063,491
Additions	-	33,388	338,804	524,327	606,793	1,752,378	1,801,903	2,389,228	7,446,821
Disposals	-	-	-	(139,698)	-	-	(363,727)	(8,269)	(511,694)
Transfers	-	21,164	-	165,283	-	715,840	-	(902,287)	-
Cost, end of year	5,974,779	6,213,513	27,394,586	25,594,270	44,091,831	59,821,616	81,060,864	2,847,159	252,998,618
Accumulated amortization, beginning of year	-	2,668,192	8,852,439	11,110,676	12,791,859	11,306,360	39,141,329	-	85,870,855
Amortization	-	229,330	805,605	1,266,112	590,862	732,405	2,225,042	-	5,849,356
Disposals	-	-	-	(132,355)	-	-	(345,562)	-	(477,917)
Accumulated amortization, end of year	-	2,897,522	9,658,044	12,244,433	13,382,721	12,038,765	41,020,809	-	91,242,294
Net carrying amount, end of year	\$ 5,974,779	\$ 3,315,991	\$ 17,736,542	\$ 13,349,837	\$ 30,709,110	\$ 47,782,851	\$ 40,040,055	\$ 2,847,159	\$ 161,756,324

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

8. Tangible capital assets (continued):

2013	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning of year	\$ 5,974,779	\$ 6,140,077	\$ 26,458,926	\$ 24,732,255	\$ 43,214,926	\$ 56,799,466	\$ 78,924,300	\$ 1,034,878	\$ 243,279,607
Additions	-	18,884	338,143	1,161,145	193,372	156,584	783,779	1,164,178	3,866,085
Disposals	-	-	(17,170)	(926,679)	-	-	(138,352)	-	(1,082,201)
Transfers	-	-	225,883	77,637	76,740	397,348	52,961	(830,569)	-
Cost, end of year	5,974,779	6,158,961	27,055,782	25,044,358	43,485,038	57,353,398	79,622,688	1,368,487	246,063,491
Accumulated amortization, beginning of year	-	2,439,105	8,174,949	10,708,201	12,206,411	10,606,360	37,059,621	-	81,194,647
Amortization	-	229,087	694,660	1,285,033	585,448	700,000	2,220,060	-	5,714,288
Disposals	-	-	(17,170)	(882,558)	-	-	(138,352)	-	(1,038,080)
Accumulated amortization, end of year	-	2,668,192	8,852,439	11,110,676	12,791,859	11,306,360	39,141,329	-	85,870,855
Net carrying amount, end of year	\$ 5,974,779	\$ 3,490,769	\$ 18,203,343	\$ 13,933,682	\$ 30,693,179	\$ 46,047,038	\$ 40,481,359	\$ 1,368,487	\$ 160,192,636

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

8. Tangible capital assets (continued):

The net book value of tangible capital assets, not being amortized because they are under construction, is \$2,847,159 (2013 - \$1,368,487).

The municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

\$15,597 (2013 - \$2,985) in interest was capitalized to tangible capital assets during the year.

9. Accumulated surplus:

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

	2014	2013
Invested in tangible capital assets:		
Tangible capital assets at cost less amortization	\$ 161,756,324	\$ 160,192,636
Unfinanced capital assets	(3,925,837)	(3,967,931)
Capital assets financed by long-term liabilities and to be funded in future years (note 6)	(4,758,443)	(5,578,428)
Total invested in capital assets	153,072,044	150,646,277
Unfunded vacation and post-employment benefits	(172,465)	(154,408)
Unfunded projects	(209,734)	(278,260)
Unfunded solid waste closure and post-closure costs	(2,037,685)	(1,863,346)
General surplus	1,103,953	519,355
Building inspection deficit	-	-
Cemeteries	-	-
Recreation, community centres and arenas	91,199	81,369
	151,847,312	148,950,987
Reserves and reserve funds	31,571,995	28,907,019
Accumulated surplus	\$ 183,419,307	\$ 177,858,006

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

9. Accumulated surplus (continued):

	2014	2013
Reserves:		
Working funds	\$ 2,295,872	\$ 2,260,171
Insurance, sick leaves and WSIB	293,858	225,095
Current purposes	1,202,629	1,164,299
Capital purposes	4,643,316	4,598,382
	8,435,675	8,247,947
Reserve Funds:		
Capital purposes	23,136,320	20,659,072
	\$ 31,571,995	\$ 28,907,019

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

10. Budgets:

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and changes in net debt for comparative purposes. The 2014 budget amounts for The Corporation of the Town of The Blue Mountains approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2014 Budget	2014 Actual	2013 Actual
Annual surplus (deficit)	\$ 3,086,230	\$ 5,561,301	\$ 1,040,648
Amortization	6,315,448	5,849,356	5,714,288
Change in unfunded liabilities	(80,000)	192,397	(199,547)
Change in unfunded operating expenses	20,200	(68,526)	227,128
Change in other surpluses	-	(9,829)	(87,374)
	9,341,878	11,524,699	6,695,143
Net transfers to reserves	(786,229)	(2,664,975)	(2,168,451)
Capital acquisitions, disposals and write-down	(11,670,054)	(7,413,044)	(3,821,964)
Capital projects not funded	(252,000)	(42,094)	375,860
Proceeds from long-term debt	4,188,620	-	-
Debt principal repayments	(822,215)	(819,988)	(814,034)
	-	584,598	266,554
Prior year general surplus	-	519,355	252,801
General surplus (note 9)	\$ -	\$ 1,103,953	\$ 519,355
Revenues	29,773,778	30,743,078	25,479,624
Expenses	26,687,548	25,181,777	24,438,976
Annual surplus (deficit)	\$ 3,086,230	\$ 5,561,301	\$ 1,040,648

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Other income:

	2014 Actual	2013 Actual
Penalties and interest on taxation	\$ 695,127	\$ 670,573
Other fines and penalties	76,247	63,451
Investment income	532,766	495,963
Licenses, permits and rents	524,091	489,546
Donations	28,443	34,560
Developer contributions	1,768,485	17,118
Contributed capital assets	2,665,400	72,524
Gain/ (Loss) on disposal of capital assets	(18,454)	26,001
Local Improvements	-	9,196
Other	206,195	131,556
	\$ 6,478,300	\$ 2,010,488

12. Government business partnerships:

Georgian Trail Board of Management:

Georgian Trail Board of Management is a joint board under the shared control of The Corporation of the Town of The Blue Mountains, the Town of Collingwood, and the Municipality of Meaford. The consolidated financial statements include the municipality's 41% proportionate interest of the following:

	2014	2013
Financial assets	\$ 244,608	\$ 215,881
Liabilities	14,819	10,234
Net financial assets	229,789	205,647
Prepaid expenses	285	277
Accumulated surplus	\$ 230,074	\$ 205,924
Revenues	\$ 63,305	\$ 63,563
Expenses	39,155	37,444
Annual surplus (deficit)	\$ 24,150	\$ 26,119

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

13. Grants:

	2014 Actual	2013 Actual
Operating:		
Province of Ontario		
Ontario Municipal Partnership Fund (OMPF)	\$ 1,287,800	\$ 1,515,000
Conditional Roads	47,615	44,740
Other	197,832	189,937
	1,533,247	1,749,677
Government of Canada		
Other	5,654	3,484
Other municipalities		
Conditional Roads	15,420	26,031
Total operating grants	\$ 1,554,321	\$ 1,779,192
Capital:		
Province Ontario		
Conditional Other	\$ 562	\$ 144,132
Government of Canada		
Conditional Other	-	366,191
Other municipalities		
Conditional other	35,398	-
Total capital grants	35,960	510,323
Total grants	\$ 1,590,281	\$ 2,289,515

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

14. Post-employment benefit:

The municipality provides certain retirement benefits to retired employees who met certain requirements upon retirement. The municipality pays for the cost of extended health benefits and life insurance for the retired employees. The post-employment benefit at December 31 includes the following component:

	2014	2013
Retirement benefits	\$ 28,457	\$ 34,408

The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 3.69%. For health and life insurance costs, a 2.12% annual rate of increase was assumed for 2013 and forwards.

15. Pension agreements:

The municipality makes contributions to the Ontario Municipality Employees Retirement Systems Fund (OMERS), which is a multi-employer plan, on behalf 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 employer amount contributed to OMERS on behalf of 101 members of staff for 2014 current service was \$626,951 (2013 - \$608,940). The contribution rate for 2014 was 9% to 14.6% and 9.3% to 15.9% for firefighters depending on age and income level (2013 – 9.3% to 15.9%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2014. At that time, the plan reported a \$7 billion actuarial deficit (2013 - \$8.6 billion actuarial deficit).

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

16. Trust funds:

The trust funds administered by the municipality amounting to \$312,279 (2013 - \$297,453) 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, 2014 the trust fund balances are as follows:

	2014	2013
Cemetery Care and Maintenance funds	\$ 312,279	\$ 297,453

17. Contractual commitments:

- (a) The Corporation of the Town of The Blue Mountains has entered into contracts totalling \$7,569,381 to upgrade and extend road, sewer and water services and purchase equipment. A total of \$5,103,680 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) The Corporation of the Town of The Blue Mountains has entered into agreements with various contractors for water, winter maintenance, garbage and recycling collection services for the following amounts:

2015	\$	1,572,683
2016		1,189,251
2017		659,504
2018		616,335
2019 - 2025		5,378,827
Total	\$	9,416,600

- (c) The Corporation of the Town of The Blue Mountains has entered into lease agreements with various contractors for vehicles and equipment for the following amounts:

2015	\$	77,399
2016		47,487
2017		6,460
2018		2,800
2019		2,199
Total	\$	136,345

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

18. Subdivision agreements:

As part of various subdivision agreements, the Town 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 Town at December 31, 2014 amount to \$10,529,654 (2013 - \$3,873,668).

19. Contingencies:

OMERS has notified The Corporation of the Town of The Blue Mountains that the Town may be required to pay OMERS contributions for an omission period from 1998 to 2007. The effect on expenses, if any, will be recorded in the fiscal year in which it can be determined.

The Town is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of likely outcome. The Town does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable. It is the opinion of management that exposure to property, liability and accident claims is adequately covered by the Town's insurance coverage.

20. Segmented information:

The Town of the Blue Mountains is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

(a) General government:

This item relates to the revenues and expense that relate to the governance and operation of the municipality itself and cannot be directly attributed to a specific segment.

(b) Protection to persons and property services:

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

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

20. Segmented information (continued):

(c) Transportation services:

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

(d) Waste management:

Waste management consists of providing solid waste collection, landfill and disposal services. It also consists of environmental initiatives.

(e) Water and wastewater:

Water and wastewater consist of providing collection, distribution and treatment services. It also ensures the municipality's water system meets all Provincial standards.

(f) Health services:

Health services include contributions to the operations of local cemeteries.

(g) Recreational and cultural services:

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

(h) Planning and development:

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

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

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

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

- OMPF grants:

Allocated to segments based on the actuals for the year.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

20. Segmented information (continued):

2014	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	\$ 2,354,113	\$ 3,350,568	\$ 3,911,259	\$ 885,841	\$ -	\$ 77,779	\$ 1,760,107	\$ 648,225	\$12,987,892
Fees and user charges	33,239	230,139	138,529	371,486	6,489,455	26,257	769,401	205,580	8,264,086
Specific grants	8,866	12,642	64,594	109,328	948	-	87,611	18,492	302,481
OMPF grant	233,419	332,222	387,817	87,835	-	7,712	174,521	64,274	1,287,800
Other revenue	1,295,250	561,215	1,537,735	28,347	2,923,615	8,587	123,551	-	6,478,300
Transfers from obligatory reserve	41,442	37,374	46,959	457,267	783,450	-	56,027	-	1,422,519
	\$ 3,966,329	\$ 4,524,160	\$ 6,086,893	\$ 1,940,104	\$ 10,197,468	\$ 120,335	\$ 2,971,218	\$ 936,571	\$ 30,743,078
Expenses									
Salaries and benefits	\$ 2,220,147	\$ 1,730,424	\$ 1,431,401	\$ 237,080	\$ 1,373,626	\$ 27,354	\$ 1,528,148	\$ 623,777	\$ 9,171,957
Interest on debt	61,775	21,366	237	-	101,807	-	3,067	1,232	189,484
Materials and supplies	378,484	345,779	1,148,122	368,988	1,615,674	35,296	733,729	92,693	4,718,765
Contracted services	343,099	2,707,793	643,280	635,994	161,346	7,123	78,607	251,837	4,829,079
Other transfers	-	314,030	-	-	-	30,000	-	25,558	369,588
Rent and financials	9,361	1,982	6,509	1,066	21,528	5,177	7,638	285	53,546
Amortization	401,328	259,809	2,442,980	41,614	2,037,493	7,852	655,780	2,502	5,849,358
	\$ 3,414,194	\$ 5,381,183	\$ 5,672,529	\$ 1,284,742	\$ 5,311,474	\$ 112,802	\$ 3,006,969	\$ 997,884	\$ 25,181,777
Total Annual surplus (deficit)	\$ 552,135	\$ (857,023)	\$ 414,364	\$ 655,362	\$ 4,885,994	\$ 7,533	\$ (35,751)	\$ (61,313)	\$ 5,561,301

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

20. Segmented information (continued):

2013	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	\$ 2,367,746	\$ 3,220,820	\$ 3,825,134	\$ 707,641	\$ -	\$ 37,263	\$ 1,706,021	\$ 463,902	\$ 12,328,527
Fees and user charges	69,708	80,036	260,841	307,906	6,058,558	28,138	769,180	252,194	7,826,561
Specific grants	360,854	13,042	70,979	108,128	255	-	221,257	-	774,515
OMPF grant	290,962	395,793	470,054	86,959	-	4,579	209,646	57,007	1,515,000
Other revenue	1,225,013	517,092	71,621	15,566	45,067	8,683	127,396	50	2,010,488
Transfers from obligatory reserve	19,806	122,331	60,790	-	727,110	-	94,496	-	1,024,533
	\$ 4,334,089	\$ 4,349,114	\$ 4,759,419	\$ 1,226,200	\$ 6,830,990	\$ 78,663	\$ 3,127,996	\$ 773,153	\$ 25,479,624
Expenses									
Salaries and benefits	\$ 2,238,956	\$ 1,704,737	\$ 1,324,745	\$ 290,444	\$ 1,343,553	\$ 21,160	\$ 1,503,356	\$ 441,515	\$ 8,868,466
Interest on debt	62,831	21,801	-	-	131,236	-	-	1,689	217,557
Materials and supplies	476,106	458,569	1,137,165	83,453	1,746,654	18,800	782,966	104,716	4,808,429
Contracted services	202,673	2,429,301	630,467	604,179	169,873	4,120	250,646	147,236	4,438,495
Other transfers	-	294,912	-	-	-	-	-	27,346	322,258
Rent and financials	19,324	1,538	17,274	946	19,670	2,255	7,741	735	69,483
Amortization	425,645	254,739	2,424,356	44,757	1,992,615	7,575	561,749	2,852	5,714,288
	\$ 3,425,535	\$ 5,165,597	\$ 5,534,007	\$ 1,023,779	\$ 5,403,601	\$ 53,910	\$ 3,106,458	\$ 726,089	\$ 24,438,976
Annual surplus (deficit)	\$ 908,554	\$ (816,483)	\$ (774,588)	\$ 202,421	\$ 1,427,389	\$ 24,753	\$ 21,538	\$ 47,064	\$ 1,040,648

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2014

21. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Schedule of Deferred Revenue

Year ended December 31, 2014

	Opening	Contributions received	Investment Income	Revenue recognized	Ending
Obligatory reserve funds:					
Development Charges	\$ 93,361	\$ 1,222,883	\$ 7,274	\$ (949,663)	\$ 373,855
Recreational land	1,004,583	25,100	12,628	-	1,042,311
Parking revenues	31,069	-	391	-	31,460
Federal gas tax	815,738	192,443	9,606	(472,856)	544,931
	<u>\$ 1,944,751</u>	<u>\$ 1,440,426</u>	<u>\$ 29,899</u>	<u>\$(1,422,519)</u>	<u>\$ 1,992,557</u>
Other:					
Provincial grants	\$ -	\$ -	\$ -	\$ -	\$ -
Hall deposits	-	-	-	-	-
Harbour deposits	10,050	3,700	-	(4,150)	9,600
Developer contributions	361,639	-	-	(87,836)	273,803
BVCS	-	-	-	-	-
Engineering fees	227,789	-	-	-	227,789
Other	59,212	229,023	-	(92,055)	196,180
	<u>\$ 658,690</u>	<u>\$ 232,723</u>	<u>\$ -</u>	<u>\$(184,041)</u>	<u>\$ 707,372</u>
	<u>\$ 2,603,441</u>	<u>\$ 1,673,149</u>	<u>\$ 29,899</u>	<u>\$(1,606,560)</u>	<u>\$ 2,699,929</u>

Supplementary Financial Information

**THE CORPORATION OF THE
TOWN OF THE BLUE MOUNTAINS**

Year ended December 31, 2014



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AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

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

We have audited the consolidated financial statements of The Corporation of the Town of The Blue Mountains (the "Town"), which comprise the consolidated statements of financial position as at December 31, 2014, the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated June 29, 2015 which contained an unmodified opinion on those consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. The supplementary financial information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary financial information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

The supplementary financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

Restriction on distribution and use

The supplementary financial information is prepared to assist the Town's management to meet the requirements of the Ontario Ministry of Tourism and Culture. As a result, the supplementary financial information may not be suitable for another purpose. Our report is intended solely for the Town's management and the Ontario Ministry of Tourism and Culture and should not be distributed to or used by parties other than the Town's management or the Ontario Ministry of Tourism and Culture.

Chartered Professional Accountants, Licensed Public Accountants

June 29, 2015
Waterloo, Canada

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Museum Statement of Operations

(See Auditors' Comments on Supplementary Financial Information)

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenues:		
Grants	\$ -	\$ 13,405
Donations	444	328
Admission, program fees and membership	294	198
Sundry	445	270
Rent	5,000	5,000
	<u>6,183</u>	<u>19,201</u>
Expenditures		
Exhibits and programs	43,117	29,993
Operating supplies	6,486	6,411
Maintenance of premises and utilities	17,237	13,130
Professional services	1,025	1,018
Salaries and benefits	-	18,535
	<u>67,865</u>	<u>69,087</u>
Annual deficit	(61,682)	(49,886)
Funded by the Town of The Blue Mountains	61,682	49,886
	<u>\$ -</u>	<u>\$ -</u>