

Consolidated Financial Information of

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

Year ended December 31, 2018

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

Year ended December 31, 2018

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Financial Statements

Year ended December 31, 2018

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KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

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 consolidated financial statements of The Corporation of the Town of The Blue Mountains (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its results of consolidated operations, its changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 25, 2019

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash (note 2)	\$ 13,893,024	\$ 19,607,452
Temporary investments (note 3)	45,056,924	30,099,745
Taxes receivable	2,496,908	2,632,932
Trade and other receivables	3,199,070	3,766,386
Long-term receivables (note 4)	3,910,624	4,501,815
	<u>68,556,550</u>	<u>60,608,330</u>
Liabilities:		
Accounts Payable and accrued liabilities (note 5)	11,405,413	10,952,553
Solid waste closure and post-closure liabilities (note 7)	1,745,414	1,642,765
Deferred revenue (note 19)	16,544,837	11,548,632
Long-term liabilities (note 6)	4,660,801	4,546,913
	<u>34,356,465</u>	<u>28,690,863</u>
Net financial assets	34,200,085	31,917,467
Non-financial assets:		
Inventory of supplies	63,867	45,094
Prepaid expenses	169,945	81,245
Tangible capital assets (note 8)	175,452,129	175,897,096
	<u>175,685,941</u>	<u>176,023,435</u>
Accumulated surplus (note 9)	\$ 209,886,026	\$ 207,940,902

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, 2018, with comparative information for 2017

	2018 Budget (note 10)	2018 Actual	2017 Actual
Revenue:			
Taxation	\$ 15,516,582	\$ 15,554,339	\$ 15,226,904
Fees and user charges	8,970,004	9,479,188	8,912,294
Grants (note 12)	2,755,299	2,788,260	2,241,381
Other income (note 11)	2,085,919	2,421,723	3,280,135
Obligatory reserve fund	2,074,515	1,959,831	1,876,992
Total revenue	\$ 31,402,319	\$ 32,203,341	\$ 31,537,706
Expenses:			
General government	3,873,105	4,261,224	4,069,688
Protection services	6,201,085	6,225,985	6,028,800
Transportation services	3,684,155	6,384,850	6,040,532
Waste management	1,609,390	1,964,014	1,873,404
Water and wastewater	3,793,265	6,087,147	5,772,732
Health services	126,070	82,658	100,554
Recreation and cultural services	3,001,630	3,640,094	3,558,594
Planning and development	1,600,995	1,612,245	1,653,853
Total expenses	23,889,695	30,258,217	29,098,157
Annual surplus	7,512,624	1,945,124	2,439,549
Accumulated surplus, beginning of year (note 9)	207,940,902	207,940,902	205,501,353
Accumulated surplus, end of year	\$ 215,453,526	\$ 209,886,026	\$ 207,940,902

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, 2018, with comparative information for 2017

	2018 Budget (note 10)	2018 Actual	2017 Actual
Annual surplus	\$ 7,512,624	\$ 1,945,124	\$ 2,439,549
Acquisition of tangible capital assets	(11,690,740)	(6,186,364)	(4,720,502)
Amortization of tangible capital assets	6,215,078	6,453,196	6,315,010
Loss on disposal of tangible capital assets	-	137,643	389,953
Proceeds on disposal of capital assets	-	40,492	67,558
	(5,475,662)	444,967	2,052,019
Change in inventory of supplies	-	(18,773)	248
Change in prepaid expenses	-	(88,700)	62,966
	-	(107,473)	63,214
Increase in net financial assets	2,036,962	2,282,618	4,554,782
Net financial assets, beginning of year	31,917,467	31,917,467	27,362,685
Net financial assets, end of year	\$ 33,954,429	\$ 34,200,085	\$ 31,917,467

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,945,124	\$ 2,439,549
Items not involving cash:		
Change in solid waste closure and post-closure liabilities	102,649	97,141
Change in post-employment benefit liability	(4,686)	(4,434)
Amortization	6,453,196	6,315,010
Loss on disposal of tangible capital assets	137,643	389,953
	8,633,926	9,237,219
Change in non-cash working capital balances:		
Taxes receivable	136,024	870,572
Trade and other receivables	567,316	(101,555)
Prepaid expenses	(88,700)	62,966
Inventory of supplies	(18,773)	248
Accounts payable and accrued liabilities	457,546	860,299
Deferred revenue	4,996,205	4,345,466
Net change in cash from operating activities	14,683,544	15,275,215
Capital transactions:		
Cash used to acquire tangible capital assets	(6,186,364)	(4,720,502)
Proceeds on disposal of capital assets	40,492	67,558
Net change in cash from capital transactions	(6,145,872)	(4,652,944)
Investing activities:		
Increase in temporary investments	(14,957,179)	(8,597,443)
Collection of long-term receivables	591,191	418,405
Net change from investing activities	(14,365,988)	(8,179,038)
Financing activities:		
Proceeds from debt issuance	591,590	-
Repayment of long-term liabilities	(477,702)	(598,936)
Net change from financing activities	113,888	(598,936)
Net change in cash	(5,714,428)	1,844,297
Cash, beginning of year	19,607,452	17,763,155
Cash, end of year	\$ 13,893,024	\$ 19,607,452

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, 2018

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 measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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%
Thornbury Business Improvement Area	100%
The Blue Mountains Attainable Housing Corporation	100%

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Summary of Significant Accounting Policies (continued)

Year ended December 31, 2018

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.

h) Tangible capital 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.

i) 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.

j) 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, 2018

1. Significant accounting policies (continued):

k) 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.

l) 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.

m) Liability for Contaminated Sites:

PS 3260 requires that a liability for a contaminated site be recognized when, as at the financial reporting date, all of the following criteria are met with respect to a site or partial site:

- a. An environmental standard exists;
- b. Contamination exceeds the environmental standard;
- c. The government:
 - I. is directly responsible; or
 - II. accepts responsibility;
- d. it is expected that future economic benefits will be given up; and
- e. a reasonable estimate of the amount can be made.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements

Year ended December 31, 2018

2. Cash:

	2018	2017
Unrestricted	\$ 13,275,288	\$ 18,797,409
Restricted	617,736	810,043
	<u>\$ 13,893,024</u>	<u>\$ 19,607,452</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 1.85%.

The municipality has an available operating facility of \$1,000,000 which was not drawn upon at December 31, 2018. The operating facility is due on demand and bears interest at the bank's prime rate less 0.75%.

3. Temporary investments:

	2018	2017
High Interest Savings Account, 1.915% to 2.415%	\$ 24,292,294	\$ -
Guaranteed Investment Certificates, 1.78% to 3.2%, due 2019 to 2020	\$ 20,764,630	\$ 30,099,745
	<u>\$ 45,056,924</u>	<u>\$ 30,099,745</u>

Investments have a market value of \$45,056,924 (2017 - \$30,099,745) 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, 2018

4. Long-term receivables:

	2018	2017
Water and sewer loans, 5.5% to 18%, due to 2029	\$ 3,832,624	\$ 4,423,815
Tile drainage loans, 6% to 8%, due to 2016	-	-
Loan receivable, North East Grey Health Clinics Inc., interest free, due in full on or before December 31, 2020	78,000	78,000
	\$ 3,910,624	\$ 4,501,815

5. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable	\$ 3,442,686	\$ 4,277,379
Accrued liabilities	987,307	488,759
Developer and other deposits	6,964,684	6,170,993
Post-employment benefits liabilities	10,736	15,422
	\$ 11,405,413	\$ 10,952,553

6. Long-term liabilities:

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

	2018	2017
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	\$ 1,040,000	\$ 1,120,000
Loan payable, 2%, repayable in blended semi-annual payments of \$128,000, due 2027	1,990,047	2,202,728
Loan payable, 3.58%, repayable in blended semi-annual payments of \$18,687, due 2037	511,987	530,532
Loan payable, 0%, repayable in semi-annual principal instalments, due from 2019 to 2020	527,177	693,653
Loan payable, 3.21% repayable in blended semi-annual payments of \$30,141, due 2033	591,590	-
	\$ 4,660,801	\$ 4,546,913

The interest expense included on the consolidated statements of operations and accumulated surplus totals \$131,291 (2017 - \$165,556).

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Long-term liabilities (continued):

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

2019	\$	620,621
2020		625,665
2021		367,265
2022		372,542
2023		377,944
Thereafter		2,296,764
		<hr/> \$4,660,801

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 193,590 cubic meters, which will be filled in 24 years (2042). Post-closure care is estimated to continue for a period of 50 years.

Site closure costs in 2042 are estimated at \$1,305,995. Post closure costs including monitoring and maintenance are estimated at approximately \$108,950 per year, or \$5,229,700 over the 50 year monitoring period. The liability for the landfill site is recorded at \$1,745,414 (2017 - \$1,642,765) and represents the present value of closure and post-closure costs for 64% of the site's capacity, using the municipality's average long-term borrowing rate of 4.44%.

The Town has a landfill reserve to help fund a portion of the liability. During 2018, there was \$41,000 transferred to this reserve. The balance of this reserve at December 31, 2018 is \$314,858.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Tangible capital assets

2018	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning of year	\$21,850,968	\$10,354,458	\$28,065,351	\$29,215,847	\$44,967,310	\$60,630,637	\$86,308,341	\$1,354,383	\$282,747,295
Additions	274,197	91,001	387,345	1,830,087	25,812	24,132	810,701	2,743,089	6,186,364
Disposals	-	-	(138,535)	(1,115,634)	-	-	(478,694)	-	(1,732,863)
Transfers	-	111,566	549,518	1,880,569	-	-	30,780	(2,572,433)	-
Cost, end of year	22,125,165	10,557,025	28,863,679	31,810,869	44,993,122	60,654,769	86,671,128	1,525,039	287,200,796
Accumulated amortization, beginning of year	-	4,219,005	11,332,079	14,726,595	15,140,490	14,202,627	47,229,403	-	106,850,199
Amortization	-	499,693	743,389	1,514,694	573,334	739,992	2,382,094	-	6,453,196
Disposals	-	-	(108,744)	(1,042,571)	-	-	(403,413)	-	(1,554,728)
Accumulated amortization, end of year	-	4,718,698	11,966,724	15,198,718	15,713,824	14,942,619	49,208,084	-	111,748,667
Net carrying amount, end of year	\$22,125,165	\$5,838,327	\$16,896,955	\$16,612,151	\$29,279,298	\$45,712,150	\$37,463,044	\$1,525,039	\$175,452,129

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Tangible capital assets (continued):

2017	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning of year	\$21,580,064	\$10,300,650	\$27,402,850	\$28,222,620	\$44,392,648	\$60,564,106	\$85,351,798	\$1,859,455	\$279,674,191
Additions	270,904	53,808	446,776	1,493,852	574,709	114,656	1,057,912	707,885	4,720,502
Disposals	-	-	(13,977)	(545,245)	(30,396)	(48,080)	(960,303)	(49,397)	(1,647,398)
Transfers	-	-	229,702	44,620	30,349	(45)	858,934	(1,163,560)	-
Cost, end of year	21,850,968	10,354,458	28,065,351	29,215,847	44,967,310	60,630,637	86,308,341	1,354,383	282,747,295
Accumulated amortization, beginning of year	-	3,726,645	10,619,510	13,827,587	14,583,509	13,513,804	45,454,021	-	101,725,076
Amortization	-	492,360	715,085	1,395,978	587,377	736,903	2,387,307	-	6,315,010
Disposals	-	-	(2,516)	(496,970)	(30,396)	(48,080)	(611,925)	-	(1,189,887)
Accumulated amortization, end of year	-	4,219,005	11,332,079	14,726,595	15,140,490	14,202,627	47,229,403	-	106,850,199
Net carrying amount, end of year	\$21,850,968	\$6,135,453	\$16,733,272	\$14,489,252	\$29,826,820	\$46,428,010	\$39,078,938	\$1,354,383	\$175,897,096

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Tangible capital assets (continued):

The net book value of tangible capital assets, not being amortized because they are under construction, is \$1,525,039 (2017 - \$1,354,384).

The Town 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.

In 2018, zero interest (2017 - \$0) was capitalized to tangible capital assets during the year.

9. Accumulated surplus:

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

	2018	2017
Invested in tangible capital assets:		
Tangible capital assets at cost less amortization	\$ 175,452,129	\$ 175,897,096
Unfinanced tangible capital assets	(2,062,701)	(2,494,951)
Tangible capital assets financed by long-term liabilities and to be funded in future years (note 6)	(4,660,801)	(4,546,913)
Total invested in tangible capital assets	168,728,627	168,855,232
Unfunded vacation and post-employment benefits	(137,388)	(122,382)
Unfunded projects	(94,967)	(239,257)
Unfunded solid waste closure and post-closure costs	(1,745,414)	(1,642,765)
General surplus	84,381	60,999
Attainable Housing Corporation	249,497	236,540
	167,084,736	167,148,367
Reserves and reserve funds	42,801,290	40,792,535
Accumulated surplus	\$ 209,886,026	\$ 207,940,902

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Accumulated surplus (continued):

	2018	2017
Reserves:		
Working funds	\$ 2,427,345	\$ 2,437,742
Insurance, sick leaves and WSIB	454,142	380,222
Current purposes	3,520,276	2,908,203
Capital purposes	1,188,696	1,940,070
	7,590,459	7,666,237
Reserve Funds:		
Capital purposes	35,210,831	33,126,298
	\$ 42,801,290	\$ 40,792,535

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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 2018 budget amounts 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.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus	\$ 7,512,624	\$ 1,945,124	\$ 2,439,549
Amortization	6,215,078	6,453,196	6,315,010
Change in unfunded liabilities	-	117,655	(18,656)
Change in unfunded operating expenses	-	(144,290)	24,120
Change in other surpluses	-	(12,957)	(194,782)
	13,727,702	8,358,728	8,565,241
Net transfers to reserves	(4,118,697)	(2,008,755)	(3,420,933)
Tangible capital asset acquisitions, disposals and write-downs	(11,690,740)	(6,008,229)	(4,262,991)
Capital projects not funded	2,433,950	(432,250)	(276,258)
Proceeds from long-term liabilities	-	591,591	-
Long-term liabilities principal repayments	(352,215)	(477,703)	(597,684)
	-	23,382	7,375
Prior year general surplus	-	60,999	53,624
General surplus (note 9)	\$ -	\$ 84,381	\$ 60,999
Revenues	31,402,319	32,203,341	31,537,706
Expenses	23,889,695	30,258,217	29,098,157
Annual surplus	\$ 7,512,624	\$ 1,945,124	\$ 2,439,549

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Other income:

	2018	2017
Tax penalty and interest	\$ 362,542	\$ 413,535
Other fines and penalties	59,047	53,242
Investment income	875,025	660,420
Licenses, permits and rents	1,202,500	1,394,855
Donations	24,583	25,204
Developer contributions	84,611	22,508
Contributed capital assets	5,471	12,361
Loss on disposal of capital assets	(137,643)	(389,953)
Local Improvements	-	326,364
Other	(54,413)	761,599
	<u>\$ 2,421,723</u>	<u>\$ 3,280,135</u>

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

12. Grants:

	2018	2017
Operating:		
Province of Ontario		
Ontario Municipal Partnership Fund (OMPF)	\$ 1,269,300	\$ 1,151,300
Conditional Roads	30,911	451,642
Conditional Other	259,833	213,618
	1,560,044	1,816,560
Government of Canada		
Other	228,343	98,996
Other municipalities		
Conditional Roads	1,856	3,888
Conditional Other	840	-
Total operating grants	\$ 1,791,083	\$ 1,919,444
Capital:		
Province Ontario		
Conditional Roads	\$ 97,241	\$ -
Conditional Sewer and Water	255,139	107,312
Conditional Other	134,520	-
Government of Canada		
Conditional Sewer and Water	510,277	214,625
Total capital grants	\$ 997,177	\$ 321,937
Total grants	\$ 2,788,260	\$ 2,241,381

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

13. 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 96 members of staff for 2018 current service was \$808,611 (2017 - \$759,032). The contribution rate for 2018 was 9% to 14.6% and 9.2% to 15.8% for firefighters depending on age and income level (2017 – 14.6% to 15.8%).

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, 2018. At that time, the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit).

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

14. Trust funds:

The trust funds administered by the municipality amounting to \$380,876 (2017 - \$358,570) 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, 2018 the trust fund balances are as follows:

	2018	2017
Cemetery Care and Maintenance funds	\$ 380,876	\$ 358,570

15. Contractual commitments:

- (a) The Town has entered into contracts totaling \$5,719,817 to upgrade and extend road, sewer and water services and purchase equipment. A total of \$4,682,654 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 Town has entered into agreements with various contractors for water, winter maintenance, garbage and recycling collection services for the following amounts:

2019	\$	867,959
2020		873,659
2021		872,111
2022		725,480
2023 - 2028		1,343,445
Total	\$	4,682,654

- (c) The Town has entered into lease agreements with various vendors for equipment for the following amounts:

2019	\$	98,728
2020		100,378
2021		99,930
2022		90,683
2023		92,436
Total	\$	482,155

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

16. 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, 2018 amount to \$14,742,698 (2017 - \$10,240,842).

17. Claims and Lawsuits:

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts.

These claims may be covered by the Town's insurance up to a maximum of \$50 million in coverage for any one occurrence and in the annual aggregate for products and completed operations during the policy period.

Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

18. Segmented information:

The Town 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.

(c) Transportation services:

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

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

18. Segmented information (continued):

(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 Town's citizens. The Town 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 Consolidated Financial Statements (continued)

Year ended December 31, 2018

18. Segmented information (continued):

2018	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	\$ 2,928,836	\$ 3,732,806	\$ 4,401,925	\$ 1,351,984	\$ -	\$ 57,195	\$ 2,178,884	\$ 902,709	\$ 15,554,339
Fees and user charges	34,472	237,069	19,578	562,471	7,028,312	8,567	843,978	744,741	9,479,188
Specific grants	840	15,565	371,268	242,726	766,250	-	82,662	39,651	1,518,962
OMPF grant	239,003	304,613	359,216	110,328	-	4,667	177,806	73,665	1,269,298
Other revenue	932,739	1,183,755	138,851	31,829	21,670	24,544	63,847	24,488	2,421,723
Transfers from obligatory reserve	430,260	206,633	354,357	105,279	448,062	-	365,240	50,000	1,959,831
	\$ 4,566,150	\$ 5,680,441	\$ 5,645,195	\$ 2,404,617	\$ 8,264,294	\$ 94,973	\$ 3,712,417	\$ 1,835,254	\$ 32,203,341
Expenses									
Salaries and benefits	\$ 2,670,582	\$ 2,446,770	\$ 1,692,099	\$ 342,134	\$ 1,766,142	\$ 20,718	\$ 1,952,016	\$ 1,168,183	\$ 12,058,644
Interest on debt	42,515	18,681	-	-	52,445	-	17,650	-	131,291
Materials and supplies	494,669	331,015	1,141,138	188,250	1,564,102	20,496	741,340	224,082	4,705,092
Contracted services	312,633	2,726,628	884,094	1,050,712	403,546	2,750	190,978	207,351	5,778,692
Other transfers	30,022	384,428	-	-	900	34,000	-	9,679	459,029
Rent and financials	237,596	23,469	31,972	46,019	198,682	3,187	131,348	-	672,273
Amortization	473,207	294,994	2,635,547	336,899	2,101,330	1,507	606,762	2,950	6,453,196
	\$ 4,261,224	\$ 6,225,985	\$ 6,384,850	\$ 1,964,014	\$ 6,087,147	\$ 82,658	\$ 3,640,094	\$ 1,612,245	\$ 30,258,217
Total Annual surplus (deficit)	\$ 304,926	\$ (545,544)	\$ (739,655)	\$ 440,603	\$ 2,177,147	\$ 12,315	\$ 72,323	\$ 223,009	\$ 1,945,124

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

18. Segmented information (continued):

2017	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	\$ 2,782,782	\$ 3,744,915	\$ 4,231,406	\$ 1,309,169	\$ -	\$ 70,438	\$ 2,169,666	\$ 918,528	\$ 15,226,904
Fees and user charges	41,283	255,758	31,915	571,873	6,642,868	15,401	794,711	558,485	8,912,294
Specific grants	-	10,542	586,943	134,232	321,937	-	34,827	1,600	1,090,081
OMPF grant	210,403	283,152	319,935	98,986	-	5,326	164,048	69,450	1,151,300
Other revenue	725,513	1,363,230	118,547	11,689	357,371	26,967	439,642	237,176	3,280,135
Transfers from obligatory reserve	384,042	77,921	128,484	-	355,269	-	929,900	1,376	1,876,992
	\$ 4,144,023	\$ 5,735,518	\$ 5,417,230	\$ 2,125,949	\$ 7,677,445	\$ 118,132	\$ 4,532,794	\$ 1,786,615	\$ 31,537,706
Expenses									
Salaries and benefits	\$ 2,413,246	\$ 2,265,675	\$ 1,540,872	\$ 307,424	\$ 1,596,284	\$ 36,514	\$ 1,972,494	\$ 973,327	\$ 11,105,836
Interest on debt	46,929	19,429	-	-	58,100	-	-	-	124,458
Materials and supplies	498,856	278,622	1,107,173	110,943	1,427,610	19,020	689,503	154,555	4,286,282
Contracted services	350,171	2,781,412	747,478	1,076,549	340,539	1,810	156,838	471,253	5,926,050
Other transfers	95,751	361,537	-	-	1,600	34,500	-	8,088	501,476
Rent and financials	224,579	46,207	64,091	45,427	260,282	4,094	150,236	44,129	839,045
Amortization	440,154	275,918	2,580,918	333,061	2,088,317	4,617	589,524	2,501	6,315,010
	\$ 4,069,686	\$ 6,028,800	\$ 6,040,532	\$ 1,873,404	\$ 5,772,732	\$ 100,555	\$ 3,558,595	\$ 1,653,853	\$ 29,098,157
Annual surplus (deficit)	\$ 74,337	\$ (293,282)	\$ (623,302)	\$ 252,545	\$ 1,904,713	\$ 17,577	\$ 974,199	\$ 132,762	\$ 2,439,549

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

19. Deferred revenue:

	Opening	Contributions received	Investment Income	Revenue recognized	Ending
Obligatory reserve funds:					
Development Charges	\$ 9,470,163	\$ 5,327,878	\$ 146,869	\$(1,539,110)	\$ 13,405,800
Recreational land	1,020,025	13,976	12,363	(274,197)	772,167
Parking revenues	32,474	-	440	-	32,914
Federal gas tax	13,792	205,534	611	(146,524)	73,413
	<u>\$10,536,454</u>	<u>\$ 5,547,388</u>	<u>\$ 160,284</u>	<u>\$ (1,959,831)</u>	<u>\$14,284,295</u>
Other:					
Provincial grants	\$ 11,877	\$ 597,438	\$ -	\$ (25,914)	\$ 583,401
STA	188,254	-	-	(86,184)	102,070
Harbour deposits	11,951	9,000	-	(5,400)	15,551
Developer contributions	339,482	950,267	-	(62,034)	1,227,715
Engineering fees	391,769	-	-	(152,245)	239,524
Other	68,845	126,538	-	(103,102)	92,281
	<u>\$ 1,012,178</u>	<u>\$ 1,683,243</u>	<u>\$ -</u>	<u>\$ (434,878)</u>	<u>\$ 2,260,542</u>
	<u>\$11,548,632</u>	<u>\$ 7,230,631</u>	<u>\$ 160,284</u>	<u>\$ (2,394,710)</u>	<u>\$ 16,544,837</u>