



# Staff Report

## Finance and IT Services

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**Report To:** Committee of the Whole  
**Meeting Date:** May 19, 2020  
**Report Number:** FAF.20.069  
**Subject:** Draft 2019 Financial Statements  
**Prepared by:** Ruth Prince, Director of Finance and IT Services

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### A. Recommendations

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THAT Council receive staff report FAF.20.069, entitled "Draft 2019 Financial Statements";

AND THAT Council approve the allocation of the 2019 taxation year-end surplus of \$35,318 to the Working Capital Reserve.

### B. Overview

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This report presents the 2019 Unaudited Financial Statements of the Town.

### C. Background

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The 2019 Unaudited Financial Statements were prepared by the staff and management of the Town of The Blue Mountains and provided to KPMG for audit review on April 27, 2020. The financial statements are prepared in accordance with the Canadian Public Sector Accounting Standards published by the Canadian Institute of Chartered Accountants, and include the following:

- Consolidated Statement of Financial Position;
- Consolidated Statement of Operations and Accumulated Surplus;
- Consolidated Statement of Changes in Net Financial Assets; and
- Consolidated Statement of Cash Flows.

The financial statements are unaudited and all estimates are subject to change subsequent to the auditor's final review.

### D. Analysis

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Based on the current audit scope and schedule, KPMG has indicated that the 2019 Draft Audited Financial Statements will be presented on June 2, 2020 to the Committee of the Whole. KPMG will communicate any matters arising from the financial statement audit as required under the Canadian Generally Accepted Auditing Standards. At the same time staff will also present any changes or adjustments to the 2019 Unaudited Financial Statements as an outcome of the audit review.

## **E. The Blue Mountains Strategic Plan**

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Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To Be a Financially Responsible Organization

## **F. Environmental Impacts**

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None.

## **G. Financial Impact**

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The following is a summary of some financial highlights from the 2019 Unaudited Financial Statements:

### **Accumulated Surplus**

The unaudited accumulated surplus at December 31, 2019 as shown on the Consolidated Statement of Financial Position is \$219 M, an increase of \$9.4M over an audited \$209 M accumulated surplus in 2018. Below is a summarized breakdown of the accumulated surplus:

	2019	2018
Tangible capital assets at cost less amortization	\$ 185,507,609	\$ 175,452,129
Unfinanced tangible capital assets	(3,604,213)	(2,062,701)
Capital assets financed by long-term liabilities	(3,776,589)	(4,660,801)
Unfunded post-employment benefits	(123,665)	(137,388)
Unfunded operating projects	(104,101)	(94,967)
Unfunded solid waste closure and post closure costs	(6,176,939)	(1,745,414)
General surplus	35,318	84,381
Blue Mountains Attainable Housing Corporation	170,042	249,497
Reserves and Reserve Funds	47,803,182	42,801,290
Accumulated surplus	\$ 219,730,644	\$ 209,886,026

### Operating Results

The Town's 2019 year end position for taxation was a surplus of \$35,318. In light of the current situation and the decline in revenue, Staff is recommending to Council that this surplus be transferred to the Working Capital Reserve.

### User-fee Division Year-ends

Water - \$234,729 surplus transferred to Water Rate Stabilization Reserve

Wastewater - \$24,799 deficit transferred from the Wastewater Rate Stabilization Reserve

Harbour - \$16,055 surplus transferred to Harbour Reserve

Building - \$100,722 surplus transferred to Building Division Rate Stabilization Reserve Fund

### Reserve and Reserve Funds

The Blue Mountains manages its resources to ensure current needs of its citizens are met without jeopardizing the ability for future generations to meet their own needs. Reserve and Reserve Fund management allows the Town to avoid issuance of debt for repair, rehabilitation,

and replacement of existing assets where possible, build up funding for future liabilities and contingency funding for unexpected events. At the end of 2019, the Town's Reserve and Reserve Funds increased by \$5 million over 2018.

### Tangible Capital Assets

During the 2019 year the Town's Tangible Capital Asset (TCA) Net Book Value increased by \$10 million. The recorded \$11.6 million in contributed assets. For 2019, the Town had additions (less any disposals) of \$15,615,970 whereas amortization for the year was \$5,560,490.

### **Condensed Consolidated Statement of Financial Position**

The condensed consolidated statement of financial position highlights key figures such as cash, investments, long term debt, capital assets and accumulated surplus.

	2019	2018	% Change
A Financial Assets	\$ 80,909,437	\$ 68,556,550	18.02%
B Financial Liabilities	47,000,740	34,356,465	36.80%
C Net Financial Assets (A minus B)	33,908,697	34,200,085	(.085)%
D Non-Financial Assets	185,821,947	175,685,941	5.77%
Accumulated Surplus (C plus D)	\$ 219,730,644	\$ 209,886,026	4.69%

Overall, the Town's accumulated surplus remains strong, with an increase of \$9,844,618 in 2019.

### Net Financial Assets

The Town ended the year with a Net Financial Asset position of \$33 million, a slight decrease from the prior year. The following chart illustrates the five year trend in Net Financial Assets:

2019	2018	2017	2016	2015
\$ 33,908,697	\$ 34,200,085	\$ 31,917,467	\$ 27,362,685	\$ 24,740,299

### Non-Financial Assets

Non-financial assets, primarily consisting of tangible capital assets, increased by \$10 million in 2019. This figure reflects the Town's investment in capital infrastructure. The annual amortization is outpacing the value of new assets being added. The following chart illustrates the five year trend in Non-Financial Assets:

2019	2018	2017	2016	2015
\$ 185,821,947	\$ 175,685,941	\$ 176,023,435	\$ 178,138,668	\$ 179,595,308

Please note these are unaudited statements and all estimates are subject to change subsequent to auditor review.

## **H. In consultation with**

## **I. Public Engagement**

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The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Ruth Prince, Director of Finance and IT Services at [directorfit@thebluemountains.ca](mailto:directorfit@thebluemountains.ca)

## **J. Attached**

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1. 2019 Unaudited Financial Statements

Respectfully Submitted,

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Ruth Prince  
Director of Finance and IT Services

For more information, please contact:  
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Consolidated Financial Information of

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

Year ended December 31, 2019

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

Year ended December 31, 2019

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Financial Statements

Year ended December 31, 2019

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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 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, 2019
- 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, 2019, 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.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

**DATE**

DRAFT

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

## Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Cash (note 2)	\$ 11,035,515	\$ 13,893,024
Temporary investments (note 3)	59,763,610	45,056,924
Taxes receivable	3,313,452	2,496,908
Trade and other receivables	3,416,832	3,199,070
Long-term receivables (note 4)	3,380,028	3,910,624
	<b>80,909,437</b>	<b>68,556,550</b>
<b>Liabilities:</b>		
Accounts Payable and accrued liabilities (note 5)	12,543,784	11,405,413
Solid waste closure and post-closure liabilities (note 7)	6,176,939	1,745,414
Deferred revenue (note 19)	24,503,428	16,544,837
Long-term liabilities (note 6)	3,776,589	4,660,801
	<b>47,000,740</b>	<b>34,356,465</b>
<b>Net financial assets</b>	<b>33,908,697</b>	<b>34,200,085</b>
<b>Non-financial assets:</b>		
Inventory of supplies	81,763	63,867
Prepaid expenses	232,575	169,945
Tangible capital assets (note 8)	185,507,609	175,452,129
	<b>185,821,947</b>	<b>175,685,941</b>
<b>Accumulated surplus (note 9)</b>	<b>\$ 219,730,644</b>	<b>\$ 209,886,026</b>

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, 2019, with comparative information for 2018

	2019 Budget (note 10)	2019 Actual	2018 Actual
<b>Revenue:</b>			
Taxation	\$ 15,708,582	\$ 17,406,378	\$ 15,554,339
Fees and user charges	9,557,978	9,916,408	9,479,188
Grants (note 12)	2,722,454	2,396,872	2,788,260
Other income (note 11)	4,187,200	15,278,606	2,421,723
Obligatory reserve fund	4,743,139	1,335,660	1,959,831
<b>Total revenue</b>	<b>\$ 36,919,353</b>	<b>\$ 46,333,924</b>	<b>\$ 32,203,341</b>
<b>Expenses:</b>			
General government	5,718,778	4,462,431	4,261,224
Protection services	6,461,841	6,702,122	6,225,985
Transportation services	4,030,923	6,713,980	6,384,850
Waste management	1,727,480	6,599,352	1,964,014
Water and wastewater	3,892,583	6,206,039	6,087,147
Health services	127,670	78,207	82,658
Recreation and cultural services	3,378,111	3,885,543	3,640,094
Planning and development	1,782,755	1,841,632	1,612,245
<b>Total expenses</b>	<b>27,120,141</b>	<b>36,489,306</b>	<b>30,258,217</b>
<b>Annual surplus</b>	<b>9,799,212</b>	<b>9,844,618</b>	<b>1,945,124</b>
Accumulated surplus, beginning of year (note 9)	209,886,026	209,886,026	207,940,902
<b>Accumulated surplus, end of year</b>	<b>\$ 219,685,238</b>	<b>\$ 219,730,644</b>	<b>\$ 209,886,026</b>

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, 2019, with comparative information for 2018

	2019 Budget (note 10)	2019 Actual	2018 Actual
Annual surplus	\$ 9,799,212	\$ 9,844,618	\$ 1,945,124
Acquisition of tangible capital assets	(8,352,900)	(16,879,219)	(6,186,364)
Amortization of tangible capital assets	6,215,081	6,613,307	6,453,196
Loss on disposal of tangible capital assets	-	169,327	137,643
Proceeds on disposal of tangible capital assets	-	41,105	40,492
	(2,137,819)	(10,055,480)	444,967
Change in inventory of supplies	-	(17,896)	(18,773)
Change in prepaid expenses	-	(62,630)	(88,700)
	-	(80,526)	(107,473)
Decrease in net financial assets	7,661,393	(291,388)	2,282,618
Net financial assets, beginning of year	34,200,085	34,200,085	31,917,467
Net financial assets, end of year	\$ 41,861,478	\$ 33,908,697	\$ 34,200,085

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 9,844,618	\$ 1,945,124
Items not involving cash:		
Change in solid waste closure and post-closure liabilities	4,431,525	102,649
Change in post-employment benefit liability	(4,957)	(4,686)
Amortization	6,613,307	6,453,196
Contributed tangible capital assets	(11,648,164)	
Loss on disposal of tangible capital assets	169,327	137,643
	9,405,656	8,633,926
Change in non-cash working capital balances:		
Taxes receivable	(816,545)	136,024
Trade and other receivables	(217,762)	567,316
Prepaid expenses	(62,630)	(88,700)
Inventory of supplies	(17,896)	(18,773)
Accounts payable and accrued liabilities	1,143,328	457,546
Deferred revenue	7,958,591	4,996,205
Net change in cash from operating activities	17,392,743	14,683,544
Capital transactions:		
Cash used to acquire tangible capital assets	(5,231,055)	(6,186,364)
Proceeds on disposal of tangible capital assets	41,105	40,492
Net change in cash from capital transactions	(5,189,950)	(6,145,872)
Investing activities:		
Increase in temporary investments	(14,706,686)	(14,957,179)
Collection of long-term receivables	530,596	591,191
Net change from investing activities	(14,176,090)	(14,365,988)
Financing activities:		
Proceeds from debt issuance	-	591,590
Repayment of long-term liabilities	(884,212)	(477,702)
Net change from financing activities	(884,212)	113,888
Net change in cash	(2,857,509)	(5,714,428)
Cash, beginning of year	13,893,024	19,607,452
Cash, end of year	\$ 11,035,515	\$ 13,893,024

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, 2019

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### 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%
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, 2019

## 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, 2019

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## 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, 2019

## 2. Cash:

	2019	2018
Unrestricted	\$ 11,035,515	\$ 13,275,288
Restricted	-	617,736
	\$ 11,035,515	\$ 13,893,024

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, 2019. The operating facility is due on demand and bears interest at the bank's prime rate less 0.75%.

## 3. Temporary investments:

	2019	2018
High Interest Savings Account, 1.915% to 2.415%	\$ 28,903,648	\$ 24,292,294
Guaranteed Investment Certificates, 1.78% to 2.7%, due 2020 to 2021	30,859,962	20,764,630
	\$ 59,763,610	\$ 45,056,924

Investments have a market value of \$59,763,610 (2018 - \$45,045,924) 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, 2019

## 4. Long-term receivables:

	2019	2018
Water and sewer loans, 5.5% to 18%, due to 2029	\$ 3,302,028	\$ 3,832,624
Loan receivable, North East Grey Health Clinics Inc., interest free, due in full on or before December 31, 2020	78,000	78,000
	\$ 3,380,028	\$ 3,910,624

## 5. Accounts payable and accrued liabilities:

	2019	2018
Trade accounts payable	\$ 4,424,877	\$ 3,442,686
Accrued liabilities	1,186,441	987,307
Developer and other deposits	6,926,687	6,964,684
Post-employment benefits liabilities	5,779	10,736
	\$ 12,543,784	\$ 11,405,413

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

Description	2019	2018
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	\$ 960,000	\$ 1,040,000
Loan payable, 2%, repayable in blended semi-annual payments of \$128,000, due 2027	1,773,028	1,990,047
Loan payable, 3.58%, repayable in blended semi-annual payments of \$18,687, due 2037	492,771	511,987
Loan payable, 0%, repayable in semi-annual principal instalments, repaid in 2019	-	527,177
Loan payable, 3.21% repayable in blended semi-annual payments of \$30,141, due 2033	550,790	591,590
	\$ 3,776,589	\$ 4,660,801

The interest expense included on the consolidated statements of operations and accumulated surplus totals \$125,138 (2018 - \$131,291).

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 6. Long-term liabilities (continued):

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

2019	\$	362,075
2020		367,263
2021		372,540
2022		377,942
2023		383,458
Thereafter		1,913,311
	\$	3,776,589

## 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 186,090 cubic meters, which will be filled in 27 years (2046). Post-closure care is estimated to continue for a period of 50 years.

Site closure costs in 2046 are estimated at \$1,305,995. Post closure costs including monitoring and maintenance are estimated at approximately \$243,560 per year, or \$12,345,000 over the 50 year monitoring period. The liability for the landfill site is recorded at \$6,176,939 (2018 - \$1,745,414) and represents the present value of closure and post-closure costs for 67% of the site's capacity, using the municipality's average long-term borrowing rate of 3.48%.

The Town has a landfill reserve to help fund a portion of the liability. During 2019, there was \$41,000 transferred to this reserve. The balance of this reserve at December 31, 2019 is \$355,858.

During 2019 revised estimates of closure and post closure costs were made to account for management of leachate via haulage (versus forcemain), increased Town Wastewater Plant treatment fees, and added odour related leachate pre-treatment costs.

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 8. Tangible capital assets

2019	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning 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
Additions	1,656,441	172,166	45,056	1,399,839	2,536,218	2,217,996	7,336,731	1,514,772	16,879,219
Disposals	-	-	-	(489,728)	(179,251)	-	(575,125)	(19,145)	(1,263,249)
Transfers	-	171,835	394,143	51,667	115,349	-	45,069	(778,063)	-
Cost, end of year	23,781,606	10,901,026	29,302,878	32,772,647	47,465,438	62,872,765	93,477,803	2,242,603	302,816,766
Accumulated amortization, beginning of year	-	4,718,698	11,966,724	15,198,718	15,713,824	14,942,619	49,208,084	-	111,748,667
Amortization	-	500,618	763,778	1,627,901	586,003	751,664	2,383,343	-	6,613,307
Disposals	-	-	-	(480,177)	(62,059)	-	(510,581)	-	(1,052,817)
Accumulated amortization, end of year	-	5,219,316	12,730,502	16,346,442	16,237,768	15,694,283	51,080,846	-	117,309,157
Net carrying amount, end of year	<b>\$23,781,606</b>	<b>\$5,681,710</b>	<b>\$16,572,376</b>	<b>\$16,426,205</b>	<b>\$31,227,670</b>	<b>\$47,178,482</b>	<b>\$42,396,957</b>	<b>\$2,242,603</b>	<b>\$185,507,609</b>

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 8. Tangible capital assets (continued):

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	<b>\$22,125,165</b>	<b>\$5,838,327</b>	<b>\$16,896,955</b>	<b>\$16,612,151</b>	<b>\$29,279,298</b>	<b>\$45,712,150</b>	<b>\$37,463,044</b>	<b>\$1,525,039</b>	<b>\$175,452,129</b>

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 8. Tangible capital assets (continued):

The net book value of tangible capital assets, not being amortized because they are under construction, is \$2,242,603 (2018 - \$1,525,039).

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 2019, nil interest (2018 - \$0) was capitalized to tangible capital assets during the year.

## 9. Accumulated surplus:

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

	2019	2018
Invested in tangible capital assets:		
Tangible capital assets at cost less amortization	\$ 185,507,609	\$ 175,452,129
Unfinanced tangible capital assets	(3,604,213)	(2,062,701)
Tangible capital assets financed by long-term liabilities and to be funded in future years (note 6)	(3,776,589)	(4,660,801)
Total invested in tangible capital assets	178,126,807	168,728,627
Unfunded vacation and post-employment benefits	(123,665)	(137,388)
Unfunded projects	(104,101)	(94,967)
Unfunded solid waste closure and post-closure costs	(6,176,939)	(1,745,414)
General surplus	35,318	84,381
Attainable Housing Corporation	170,042	249,497
	171,927,462	167,084,736
Reserves and reserve funds	47,803,182	42,801,290
Accumulated surplus	\$ 219,730,644	\$ 209,886,026

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 9. Accumulated surplus (continued):

	2019	2018
Reserves:		
Working funds	\$ 3,967,894	\$ 2,427,345
Insurance, sick leaves and WSIB	504,176	454,142
Current purposes	3,943,210	3,520,276
Capital purposes	1,612,938	1,188,696
	10,028,218	7,590,459
Reserve Funds:		
Capital purposes	37,774,964	35,210,831
	\$ 47,803,182	\$ 42,801,290



# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 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 2019 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.

	2019 Budget	2019 Actual	2018 Actual
Annual surplus	\$ 9,799,212	\$ 9,844,618	\$ 1,945,124
Amortization	6,215,081	6,613,307	6,453,196
Change in unfunded liabilities	-	4,417,802	117,655
Change in unfunded operating expenses	-	9,134	(144,290)
Change in other surpluses	-	79,455	(12,957)
	16,014,293	20,964,316	8,358,728
Net transfers to reserves	(8,769,563)	(5,001,892)	(2,008,755)
Tangible capital asset acquisitions, disposals and write-downs	(8,352,900)	(16,668,787)	(6,008,229)
Capital projects not funded	1,992,382	1,541,512	(432,250)
Proceeds from long-term liabilities issuance	-	-	591,591
Long-term liabilities principal repayments	(884,212)	(884,212)	(477,703)
	-	(49,063)	23,382
Prior year general surplus	-	84,381	60,999
General surplus (note 9)	\$ -	\$ 35,318	\$ 84,381
Revenues	-	46,333,923	32,203,341
Expenses	-	36,489,305	30,258,217
Annual surplus	\$ -	\$ 9,844,618	\$ 1,945,124

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 11. Other income:

	2019	2018
Tax penalty and interest	\$ 372,093	\$ 362,542
Other fines and penalties	80,420	59,047
Investment income	1,233,953	875,025
Licenses, permits and rents	1,226,416	1,202,500
Donations	9,825	24,583
Developer contributions	49,924	84,611
Contributed tangible capital assets	11,648,164	5,471
Loss on disposal of capital assets	(169,327)	(137,643)
Other	827,138	(54,413)
	<b>\$ 15,278,606</b>	<b>\$ 2,421,723</b>

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 12. Grants:

		2019	2018
Operating:			
Province of Ontario			
Unconditional Grants		\$ 1,933,847	\$ 1,269,300
Conditional Roads		49,214	30,911
Conditional Other		240,630	259,833
		2,223,691	1,560,044
Government of Canada			
Other		40,152	228,343
Other municipalities			
Conditional Roads		1,676	1,856
Conditional Other		5,816	840
Total operating grants		\$ 2,271,335	\$ 1,791,083
Capital:			
Province Ontario			
Conditional Roads		\$ -	\$ 97,241
Conditional Sewer and Water		-	255,139
Conditional Other		125,537	134,520
Government of Canada			
Conditional Sewer and Water		-	510,277
Total capital grants		\$ 125,537	\$ 997,177
Total grants		\$ 2,396,872	\$ 2,788,260

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 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 113 members of staff for 2019 current service was \$886,435 (2018 - \$808,611). The contribution rate for 2018 was 9.0% to 14.6% and 9.2% to 15.8% for firefighters depending on age and income level (2018 –9.0% to 14.6% and 9.2% 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, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion actuarial deficit).

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 14. Trust funds:

The trust funds administered by the municipality amounting to \$393,096 (2018 - \$380,876) 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, 2019 the trust fund balances are as follows:

	2019	2018
Cemetery Care and Maintenance funds	\$ 393,096	\$ 380,876

## 15. Contractual commitments:

- (a) The Town has entered into contracts totaling \$3,017,780 to upgrade and extend road, sewer and water services and purchase equipment. A total of \$2,730,395 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:

2020	\$	2,292,512
2021		1,125,972
2022		925,710
2023		259,560
2024 - 2029		842,426
Total	\$	5,446,180

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

2020	\$	100,378
2021		99,930
2022		90,682
2023		91,541
2024		93,396
Total	\$	475,927

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 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, 2019 amount to \$20,106,484 (2018 - \$14,742,698).

## 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, 2019

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## 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.

- Unconditional 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, 2019

## 18. Segmented information (continued):

2019	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
<b>Revenue</b>									
Taxation	\$ 2,719,876	\$ 3,407,871	\$ 4,092,208	\$ 4,014,186	\$ -	\$ 47,668	\$ 2,173,992	\$ 950,577	\$ 17,406,378
Fees and user charges	39,774	288,213	24,706	586,345	7,266,963	9,042	873,278	828,087	9,916,408
Specific grants	1,978	40,957	165,579	209,335	175	-	42,901	2,100	463,025
Unconditional grants	302,178	378,614	454,644	445,976	-	5,296	241,530	105,609	1,933,847
Other revenue	1,389,505	1,221,350	7,046,645	4,520	5,106,935	43,462	458,045	8,144	15,278,606
Transfers from obligatory reserve	591,648	37,321	118,015	431	290,337	-	297,908	-	1,335,660
	\$ 5,044,959	\$ 5,374,326	\$ 11,901,797	\$ 5,260,793	\$ 12,664,410	\$ 105,468	\$ 4,087,654	\$ 1,894,517	\$ 46,333,924
<b>Expenses</b>									
Salaries and benefits	\$ 2,793,249	\$ 2,829,383	\$ 1,998,090	\$ 371,886	\$ 1,801,603	\$ 21,134	\$ 2,118,583	\$ 1,278,562	\$ 13,212,490
Interest on debt	38,382	18,106	-	-	50,529	-	18,120	-	125,137
Materials and supplies	428,217	334,684	1,282,331	248,615	1,602,253	25,069	775,976	157,601	4,854,746
Contracted services	606,202	2,775,199	704,395	1,158,894	377,372	5,680	238,990	386,211	6,252,943
Other transfers	52,353	401,730	7,500	-	-	20,000	-	5,214	486,797
Rent and financials	50,502	37,238	34,687	4,478,643	205,550	4,692	123,492	9,082	4,943,886
Amortization	493,526	305,782	2,686,977	341,314	2,168,732	1,632	610,382	4,962	6,613,307
	\$ 4,462,431	\$ 6,702,122	\$ 6,713,980	\$ 6,599,352	\$ 6,206,039	\$ 78,207	\$ 3,885,543	\$ 1,841,632	\$ 36,489,306
<b>Total Annual surplus (deficit)</b>	\$ 582,528	\$ (1,327,796)	\$ 5,187,817	\$ (1,338,559)	\$ 6,458,371	\$ 27,261	\$ 202,111	\$ 52,885	\$ 9,844,618



# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 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
<b>Revenue</b>									
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
Unconditional 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
<b>Expenses</b>									
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
<b>Annual surplus (deficit)</b>	<b>\$ 304,926</b>	<b>\$ (545,544)</b>	<b>\$ (739,655)</b>	<b>\$ 440,603</b>	<b>\$ 2,177,147</b>	<b>\$ 12,315</b>	<b>\$ 72,323</b>	<b>\$ 223,009</b>	<b>\$ 1,945,124</b>

# THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 19. Deferred revenue:

	Opening	Contributions received	Investment Income	Revenue recognized	Ending
Obligatory reserve funds:					
Development Charges	\$ 13,405,800	\$ 7,284,110	\$ 402,414	\$ (1,311,590)	\$ 19,780,734
Recreational land	772,167	650	18,494	-	791,311
Parking revenues	32,914	-	799	-	33,713
Federal gas tax	73,413	422,474	5,027	(24,070)	476,844
	\$ 14,284,295	\$ 7,707,234	\$ 426,734	\$ (1,335,660)	\$ 21,082,603
Other:					
Provincial grants	\$ 583,401	\$ 3,857,500	\$ -	\$ (3,041,973)	\$ 1,398,928
STA	102,070	20,655	-	-	122,725
Harbour deposits	15,551	8,400	-	(4,800)	19,151
Developer contributions	1,227,715	39,600	-	(40,230)	1,227,085
Engineering fees	239,524	325,912	-	-	565,436
Other	92,281	91,721	-	(96,502)	87,500
	\$ 2,260,542	\$ 4,343,788	\$ -	\$ (3,183,505)	\$ 3,420,825
	\$ 16,544,837	\$ 12,051,022	\$ 426,734	\$ (4,519,165)	\$ 24,503,428

## 20. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial and market impact. Markets are prone to volatility and the COVID-19 virus has presented many uncertainties and is threatening the outlook for future global trade and GDP as well as disrupting the abilities of some organizations to operate.

At this time these factors present uncertainty over future cash flows and may cause significant changes to the operations and financial position of the organization. An estimate of the financial effect is not practicable at this time.