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AUDIT

The Corporation of the Town of The Blue Mountains

Audit Findings Report
For the year ended December 31, 2016

KPMG LLP

June, 2017



The contacts at KPMG in connection with this report are:

Matthew Betik, CPA, CA
Audit Engagement Partner

Tel: 519-747-8245
Mobile: 519-500-7038
mbetik@kpmg.ca

Brendan Hall, CPA, CA
Audit Senior Manager

Tel: 519-747-8273
Mobile: 226-339-1804
bdhall@kpmg.ca

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of Committee, in your review of the results of our audit of the consolidated financial statements of the Town of Blue Mountains as at and for the period ended December 31, 2016.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the planning of the engagement.

Status Update

- Legal letters returned to KPMG
- Receipt of signed management representation letter
- Expect to issue a clean audit report dated June 19th, 2017

Adjustments and differences

Refer to the management representation letter for the summary of audit misstatements, which are classified as corrected and uncorrected.

* This Audit Findings Report should not be used for any other purpose or by anyone other than the Town & Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Consolidated Financial Statements

The Town of Blue Mountain's Financial Statements include the following, as required under Public Sector Accounting Standards:

- Proportionate share of Georgian Trail Board of Management- 41%
- Thornbury Business Improvement Area
- The Blue Mountains Attainable Housing Corporation
- Note that these consolidated statements, are prepared in accordance with Public Sector Accounting Standards, and will differ from cash-based budgeting that is performed at the Town of Blue Mountains

Summary Results:

- Annual PSAB surplus generated of \$1.2M, note that PSAB surplus will differ from cash-flow based surplus used for budgeting purposes and tax levy calculation-stems primarily from budgeting for transfers to reserves and acquisition of tangible capital assets
- Net Financial Assets increased by approximately \$2.6M
- Tangible Capital Assets decreased by \$1.5M, resulting from the fact that additions of \$4.8M were less than amortization expense of \$6.2M

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks

Why

Our significant findings from the audit

Fraud risk from management override of controls

In accordance with Canadian Audit Standards, there is the presumption of a risk of management override.

We have not identified additional risks of management override relating to this audit.

- KPMG performed a variety of procedures examining journal entries that were being posted to the general ledger.
- Journal entries were selected using various criteria to identify journal entries that could possibly be related to override activities.
- No issues were identified in our testing performed.

Audit Areas of Focus

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Why	Our significant findings from the audit
Cash & Investments	Significant FS Caption-\$39M	<ul style="list-style-type: none"> • Confirmations were sent to the Town's financial institutions confirming balances; custody over the confirmation submission and receipt process was maintained at all times by KPMG LLP • Reconciling items tested • Cash application control testing performed, to test the operating effectiveness of controls with respect to GL accounts that cash is applied to upon receipt
Payroll	Represents the largest class of expenditures \$9.5M	<ul style="list-style-type: none"> • Control testing performed (Review of payroll journal entries, Individual employee pay in accordance with salary contract/pay scales) • Detailed procedures were performed over payroll expenditures, benefits expense • A retro pay adjustment was recorded in 2016 that pertained to 2016 and prior period which hadn't been accrued for (refer to summary of audit differences schedule) which has the impact of overstating 2016 payroll expenditures by approximately \$80,000, and overstating opening accumulated surplus by the same amount. No impact on accumulated surplus as at 12/31/2016.
Tangible Capital Assets	Significant FS Caption-\$178M	<ul style="list-style-type: none"> • Tested a sample of additions both to capital assets and WIP in fiscal 2015 • Review of expense accounts to ensure that items related to capital assets were not expensed in 2016 • Recalculation of amortization expenses • Item had been erroneously recorded as a disposal in 2016, however the Town was still using the asset and was actually disposed of in 2017 (no cash impact, but had the impact of overstating expenses in 2016). • Management has corrected for the audit adjustment identified by KPMG.
Debt	Significant FS Caption-\$5.1M	<ul style="list-style-type: none"> • Confirmations were sent to the Town's lenders and ensured that confirmation and amortization schedules support the balances recorded by the Town of the Blue Mountains as at December 31, 2016 • Notes to the financial statements outline maturity information and interest rates

Taxation Revenue	Significant FS Caption	<ul style="list-style-type: none">• Detailed analytical procedures which included obtaining the MPAC assessment roll and application of by-law enacted tax ratios to test the tax revenue recorded by the Town• Overall assessment growth approximated 5.9%, with the increase primarily driven by an increase in residential assessment for the Town.• Assessment Growth of \$224M in 2016, of which more than 80% is residential• Residential tax rates (% of assessment) which derive approximately \$13M of \$14M of taxation revenue decreased approximately 1.5%, which when assessment growth of 5.9% is taken into consideration, results in an overall increase in overall taxation revenue of more than 4%.
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Landfill Obligation	<ul style="list-style-type: none">• Obtained report and working papers from the Town's engineering expert that calculates the estimated post-closure costs associated with the landfill liability obligation, recorded on the statement of financial position• The Town is required to record a liability on its statement of financial position to reflect the estimated closure and post closure costs that will be incurred upon reaching full capacity• The liability as recorded on the statement of financial position is in the amount of \$1.5M, compared to the previous year of \$1.8M. The decrease is due to the fact that the estimated closure of the facility has been extended by a period of approximately 5 years due to work performed in 2015 and 2016, to create an additional disposal cell.
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Critical accounting estimates and policies

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas.

Estimates

Critical Accounting Estimates	<p>Management's process for identification and making accounting estimates are consistent with prior year.</p> <p>The potential impact of measurement uncertainty on the financial statements has been disclosed in the notes to the financial statements.</p> <p>During the course of our engagement, we did not identify instances of management bias in development of estimates.</p>
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We believe management's process for identifying critical accounting estimates is considered adequate

Significant accounting policies and practices are disclosed in Note 1 to the financial statements

Other matters

Professional standards require us to communicate to the Audit Committee (or other body of governance such as Council) Other Matters, such as identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Company's related parties, significant difficulties encountered during the audit, and disagreements with management.

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Cash / Investments	<ul style="list-style-type: none"> The Town currently has cash and temporary investments amounting to \$39M which are earning interest at various rates consistent with liquid assets (1-2%) The Town should continue to monitor its cash balances and assess its requirements for cash in future periods and whether or not excess funds could generate greater returns if cash is not required in the short-term
Georgian Trail	<ul style="list-style-type: none"> Georgian Trail is proportionately consolidated in the 2016 financial statements based on the Town's 41% interest. Subsequent to the year ended December 31, 2016 the Georgian Trails was dissolved, and has ceased operations, which will be accounted for in the 2017 financial statements. This will not have a material impact in the financial statements.
Other engagements	<ul style="list-style-type: none"> KPMG has conducted the audit of the 2016 financial statements for the Georgian Trail Board of Management, and is currently in the process of completing the audit of the Blue Mountains Public Library Board

Adjustments and differences

Corrected adjustments

Corrected audit misstatements will be included in the management representation letter

Uncorrected differences

Uncorrected audit misstatements will be included in the management representation letter

Adjustments and differences identified during the audit have been categorized as Corrected "adjustments" or Uncorrected "differences." These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

Appendices

Appendix 1: Required communications

Appendix 2: Management Representation Letter

Appendix 3: Independence

Appendix 4: Audit Quality and Risk Management

Appendix 5: Background and professional standards

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report which will be issued upon approval of the financial statements.
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Committee. We will require the management representation letter to be signed to subsequent to the approval of the financial statements, and prior to the issuance of our Auditors' report.

Appendix 2: Management Representation Letter

KPMG LLP
201-115 King Street South
Waterloo, ON N2J 5A3

June 19, 2017

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the Corporation of the Town of The Blue Mountains (“the Entity”) as at and for the period ended December 31, 2016.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

GENERAL:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 10, 2014 for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:

- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
- b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
- c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 6) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 7) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

MISSTATEMENTS:

- 8) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Yours very truly,

CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Ms. Ruth Prince, Director of Finance & IT Services

Mr. Troy Speck, Chief Administrative Officer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian accounting standards for public sector (PSAB), *related party* is defined as:

- Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other.

In accordance with Canadian accounts standards for public sector (PSAB), a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Attachment II – Summary of Audit Misstatements Schedules

Summary of Corrected Audit Misstatements

As at and for the year ended December 31, 2016	Income effect	Financial position		
		Assets	Liabilities	Accumulated Surplus
Description of differences greater than \$32,000 individually	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase
To reverse the early recording of a capital asset disposal	67,000	67,000	-	67,000
Credits in tax receivable balance, reclassified to deferred revenue	-	116,000	116,000	-
Total differences	67,000	183,000	116,000	67,000

Summary of Uncorrected Audit Misstatements

As at and for the year ended December 31, 2016	Income effect	Financial position		
		Assets	Liabilities	Equity
Description of differences greater than \$32,000 individually	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase
Retroactive payroll entry pertaining to multiple periods recorded in entirety in 2016, of which \$80K related to periods prior to 2016	80,000	-	-	-
Total differences	80,000	-	-	-

Appendix 3: Independence

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards related to the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions
- We obtained pre-approval of non-audit services, and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services, and we have not made any management decisions or assumed responsibility for such decisions

Appendix 4: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 5: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

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Consolidated Financial Information of

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

Year ended December 31, 2016

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash (note 2)	\$ 17,763,155	\$ 12,686,607
Temporary investments (note 3)	21,502,302	20,431,285
Taxes receivable	3,503,504	3,570,509
Trade and other receivables	3,664,831	4,165,283
Long-term receivables (note 4)	4,920,220	4,039,342
	<u>51,354,012</u>	<u>44,893,026</u>
Liabilities:		
Accounts Payable and accrued liabilities (note 5)	10,076,832	10,344,605
Solid waste closure and post-closure liabilities (note 7)	1,545,624	1,842,486
Post-employment benefits liabilities (note 14)	19,856	23,849
Deferred revenue (page 24)	7,203,166	3,474,051
Long-term liabilities (note 6)	5,145,849	4,467,736
	<u>23,991,327</u>	<u>20,152,727</u>
Net financial assets	27,362,685	24,740,299
Non-financial assets:		
Inventory of supplies	45,342	37,769
Prepaid expenses	144,211	98,392
Tangible capital assets (note 8)	177,949,115	179,459,147
	<u>178,138,668</u>	<u>179,595,308</u>
Accumulated surplus (note 9)	\$ 205,501,353	\$ 204,335,607

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

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget (note 10)	2016 Actual	2015 Actual
Revenue:			
Taxation	\$ 14,325,311	\$ 14,403,369	\$ 13,843,730
Fees and user charges	8,069,781	8,941,654	8,494,269
Grants (note 13)	1,774,599	1,872,387	2,430,573
Other income (note 11)	1,989,108	3,112,695	3,174,397
Obligatory reserve fund	1,949,288	714,318	3,009,788
Total revenue	\$ 28,108,087	\$ 29,044,423	\$ 30,952,757
Expenses:			
General government	3,367,515	3,484,361	3,373,310
Protection services	5,727,055	5,970,020	5,800,150
Transportation services	3,197,665	5,848,444	5,593,628
Waste management	1,600,370	1,825,788	1,105,498
Water and wastewater	3,459,960	5,997,625	5,439,572
Health services	108,480	116,783	109,235
Recreation and cultural services	2,634,010	3,266,206	3,158,449
Planning and development	1,587,865	1,369,450	1,029,627
Total expenses	21,682,920	27,878,677	25,609,469
Annual surplus	6,425,167	1,165,746	5,343,288
Accumulated surplus, beginning of year (note 9)	204,335,607	204,335,607	198,992,319
Accumulated surplus, end of year	\$ 210,760,774	\$ 205,501,353	\$ 204,335,607

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

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget (note 10)	2016 Actual	2015 Actual
Annual surplus	\$ 6,425,167	\$ 1,165,746	\$ 5,343,288
Acquisition of tangible capital assets	(5,716,390)	(4,806,774)	(8,128,332)
Amortization of tangible capital assets	5,700,516	6,215,078	5,968,983
Loss on disposal of tangible capital assets	-	54,997	22,498
Proceeds on disposal of capital assets	-	46,731	7,040
	(15,874)	1,510,032	(2,129,811)
Change in inventory of supplies	-	(7,573)	(1,190)
Change in prepaid expenses	-	(45,819)	262,270
	-	(53,392)	261,080
Increase in net financial assets	6,409,293	2,622,386	3,474,557
Net financial assets, beginning of year	24,740,299	24,740,299	21,265,742
Net financial assets, end of year	\$ 31,149,592	\$ 27,362,685	\$ 24,740,299

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

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,165,746	\$ 5,343,288
Items not involving cash:		
Change in solid waste closure and post-closure liabilities	(296,862)	(195,199)
Change in post-employment benefit liability	(3,993)	(4,608)
Amortization	6,215,078	5,968,983
Loss on disposal of tangible capital assets	54,997	22,498
	7,134,966	11,134,962
Change in non-cash working capital balances:		
Taxes receivable	67,005	1,849,952
Trade and other receivables	500,452	(88,120)
Prepaid expenses	(45,819)	262,270
Inventory of supplies	(7,573)	(1,190)
Accounts payable and accrued liabilities	(267,773)	1,947,872
Deferred revenue	3,729,115	774,122
Net change in cash from operating activities	11,110,373	15,879,868
Capital transactions:		
Cash used to acquire tangible capital assets	(4,806,774)	(8,128,332)
Proceeds on disposal of capital assets	46,731	7,040
Net change in cash from capital transactions	(4,760,043)	(8,121,292)
Investing activities:		
Increase in temporary investments	(1,071,017)	(12,646,979)
Decrease (increase) in long-term receivables	(880,878)	558,581
Net change from investing activities	(1,951,895)	(12,088,398)
Financing activities:		
Proceeds from debt issuance	984,953	-
Repayment of long-term liabilities	(306,840)	(301,923)
Net Change from financing activities	678,113	(301,923)
Net change in cash	5,076,548	(4,631,745)
Cash, beginning of year	12,686,607	17,318,352
Cash, end of year	\$ 17,763,155	\$ 12,686,607

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, 2016

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%

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, 2016

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.

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Summary of Significant Accounting Policies (continued)

Year ended December 31, 2016

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.

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements

Year ended December 31, 2016

2. Cash:

	2016	2015
Unrestricted	\$ 17,145,585	\$ 12,074,277
Restricted	617,570	612,330
	<u>\$ 17,763,155</u>	<u>\$ 12,686,607</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, 2016. The operating facility is due on demand and bears interest at the bank's prime rate less 0.75%.

3. Temporary investments:

	2016	2015
Business Advantage Plus savings account, 1.35%	\$ -	\$ 1,461,608
Guaranteed Investment Certificates, 1.45% to 2.15%, due 2017	21,502,302	18,969,677
	<u>\$ 21,502,302</u>	<u>\$ 20,431,285</u>

Investments have a market value of \$21,502,302 (2015 - \$20,431,285) at the end of the year.

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

4. Long-term receivables:

	2016	2015
Water and sewer loans, 3.1% to 6%, due 2019 to 2029	\$ 4,803,003	\$ 3,038,871
Tile drainage loans, 6% to 8%, due to 2017	1,252	6,379
Loan receivable, North East Grey Health Clinics Inc., interest free, due in full on or before December 31, 2020	104,000	130,000
Loan receivable, Marsh Street Community Centre interest free, due in full on or before August 31, 2022	11,965	13,966
Loan receivable Grey Condo 28 Internal Servicing	-	850,126
	\$ 4,920,220	\$ 4,039,342

5. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable	\$ 2,664,247	\$ 3,116,910
Accrued liabilities	985,320	874,037
Developer and other deposits	6,427,265	6,353,658
	\$ 10,076,832	\$ 10,344,605

6. Long-term liabilities:

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

	2016	2015
Loan payable, 5.11%, repayable in semi-annual principal instalments of \$40,000 plus interest, due 2031	\$ 1,200,000	\$ 1,280,000
Loan payable, 2%, repayable in blended semi-annual payments of \$128,000, due 2027	2,411,213	2,615,651
Loan payable, 3.58%, repayable in blended semi-annual payments of \$18,687, due 2037	548,431	565,706
Tile drainage loans payable, 6% to 8%, due 2016	1,252	6,379
Loan payable, 0%, due from 2017 to 2020, repayable in semi-annual principal instalments	984,953	-
	\$ 5,145,849	\$ 4,467,736

The interest expense included on the consolidated statements of operations and accumulated surplus totals \$165,556 (2015 - \$165,072).

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Long-term liabilities (continued):

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

2017	\$	503,436
2018		508,274
2019		513,220
2020		518,276
2021		523,445
Thereafter		2,579,198
		<hr/>
		\$5,145,849

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 210,415 cubic meters, which will be filled in 30 years (2045). Post-closure care is estimated to continue for a period of 50 years.

Site closure costs in 2045 are estimated at \$1,425,462. Post closure costs including monitoring and maintenance are estimated at approximately \$109,940 per year, or \$5,625,000 over the 50 year monitoring period. The liability for the landfill site is recorded at \$1,545,624 (2015 - \$1,842,486) and represents the present value of closure and post-closure costs for 62% 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 2016, there were no transfers to or from this reserve. The balance of this reserve at December 31, 2016 is \$155,176.

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Tangible capital assets

2016	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning of year	\$ 21,547,791	\$ 9,783,273	\$ 27,781,393	\$ 26,725,720	\$ 44,392,648	\$ 60,444,099	\$ 84,032,078	\$ 1,857,400	\$ 276,564,402
Additions	-	132,524	80,267	2,239,571	-	(9,953)	1,107,587	1,256,778	4,806,774
Disposals	-	-	(458,810)	(979,765)	-	-	(255,383)	(3,027)	(1,696,985)
Transfers	32,273	384,853	-	237,094	-	129,960	467,516	(1,251,696)	-
Cost, end 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
Accumulated amortization, beginning of year	-	3,247,189	10,361,648	13,429,763	13,980,812	12,771,224	43,314,619	-	97,105,255
Amortization	-	479,456	708,615	1,336,611	602,697	742,580	2,345,119	-	6,215,078
Disposals	-	-	(450,753)	(938,787)	-	-	(205,717)	-	(1,595,257)
Accumulated amortization, end of year	-	3,726,645	10,619,510	13,827,587	14,583,509	13,513,804	45,454,021	-	101,725,076
Net carrying amount, end of year	\$ 21,580,064	\$ 6,574,005	\$ 16,783,340	\$ 14,395,033	\$ 29,809,139	\$ 47,050,302	\$ 39,897,777	\$ 1,859,455	\$ 177,949,115

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Tangible capital assets (continued):

2015	Land	Land Improvements	Buildings	Machinery, equipment and vehicles	Water System	Sewer System	Roads	Work in progress	Total
Cost, beginning of year	\$ 21,547,791	\$ 6,213,513	\$ 27,394,586	\$ 25,594,270	\$ 44,091,831	\$ 59,821,616	\$ 81,060,864	\$ 2,847,159	\$ 268,571,630
Additions	-	76,218	92,880	1,109,310	300,817	476,444	2,971,214	3,101,449	8,128,332
Disposals	-	-	-	(135,560)	-	-	-	-	(135,560)
Transfers	-	3,493,542	293,927	157,700	-	146,039	-	(4,091,208)	-
Cost, end of year	21,547,791	9,783,273	27,781,393	26,725,720	44,392,648	60,444,099	84,032,078	1,857,400	276,564,402
Accumulated amortization, beginning of year	-	2,897,522	9,658,044	12,244,433	13,382,721	12,038,765	41,020,809	-	91,242,294
Amortization	-	349,667	703,604	1,291,352	598,091	732,459	2,293,810	-	5,968,983
Disposals	-	-	-	(106,022)	-	-	-	-	(106,022)
Accumulated amortization, end of year	-	3,247,189	10,361,648	13,429,763	13,980,812	12,771,224	43,314,619	-	97,105,255
Net carrying amount, end of year	\$ 21,547,791	\$ 6,536,084	\$ 17,419,745	\$ 13,295,957	\$ 30,411,836	\$ 47,672,875	\$ 40,717,459	\$ 1,857,400	\$ 179,459,147

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Tangible capital assets (continued):

The net book value of tangible capital assets, not being amortized because they are under construction, is \$1,859,456 (2015 - \$1,857,400).

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 2016, zero interest (2015 - \$16,088) was capitalized to tangible capital assets during the year.

9. Accumulated surplus:

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

	2016	2015
Invested in tangible capital assets:		
Tangible capital assets at cost less amortization	\$ 177,949,115	\$ 179,459,147
Unfinanced tangible capital assets	(2,771,209)	(4,617,487)
Tangible capital assets financed by long-term liabilities and to be funded in future years (note 6)	(5,144,597)	(4,461,357)
Total invested in tangible capital assets	170,033,309	170,380,303
Unfunded vacation and post-employment benefits	(238,179)	(179,853)
Unfunded projects	(215,137)	(212,371)
Unfunded solid waste closure and post-closure costs	(1,545,624)	(1,842,486)
General surplus	53,624	670,185
Recreation, community centres and arenas	41,758	99,659
	168,129,751	168,915,437
Reserves and reserve funds	37,371,602	35,420,170
Accumulated surplus	\$ 205,501,353	\$ 204,335,607

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Accumulated surplus (continued):

	2016	2015
Reserves:		
Working funds	\$ 2,424,900	\$ 2,567,416
Insurance, sick leaves and WSIB	321,637	336,777
Current purposes	2,108,233	2,032,782
Capital purposes	5,239,181	5,551,407
	10,093,951	10,488,382
Reserve Funds:		
Capital purposes	27,277,651	24,931,788
	\$ 37,371,602	\$ 35,420,170

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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 2016 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.

	2016 Budget	2016 Actual	2015 Actual
Annual surplus	\$ 6,425,167	\$ 1,165,746	\$ 5,343,288
Amortization	5,700,516	6,215,078	5,968,983
Change in unfunded liabilities	-	(238,536)	(187,811)
Change in unfunded operating expenses	-	2,766	2,637
Change in other surpluses	-	57,901	(8,460)
	12,125,683	7,202,955	11,118,637
Net transfers to reserves	(1,086,728)	(1,951,432)	(3,848,175)
Tangible capital asset acquisitions, disposals and write-downs	(5,716,390)	(4,705,046)	(8,098,794)
Capital projects not funded	(23,943)	(1,846,278)	691,650
Proceeds from long-term liabilities	-	984,953	-
Long-term liabilities principal repayments	(301,715)	(301,713)	(297,086)
	4,996,907	(616,561)	(433,768)
Prior year general surplus	-	670,185	1,103,953
General surplus (note 9)	\$ 4,996,907	\$ 53,624	\$ 670,185
Revenues	28,108,087	29,044,423	30,952,757
Expenses	21,682,920	27,878,677	25,609,469
Annual surplus	\$ 6,425,167	\$ 1,165,746	\$ 5,343,288

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Other income:

	2016	2015
Working funds	\$ 489,570	\$ 597,227
Other fines and penalties	56,224	64,837
Investment income	572,608	520,708
Licenses, permits and rents	954,026	734,535
Donations	7,531	26,777
Developer contributions	196,473	1,204,898
Contributed capital assets	2,251	-
Loss on disposal of capital assets	(54,997)	(22,498)
Local Improvements	704,414	-
Other	184,595	47,913
	\$ 3,112,695	\$ 3,174,397

12. Government business partnerships:

Georgian Trail Board of Management:

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

	2016	2015
Financial assets	\$ 111,399	\$ 257,548
Liabilities	2,800	6,970
Net financial assets	108,599	250,578
Prepaid expenses	-	285
Accumulated surplus	108,599	250,863
Revenues	12,360	66,066
Expenses	154,624	45,277
Annual surplus (deficit)	\$ (142,264)	\$ 20,789

The Town of The Blue Mountains, Town of Collingwood and the Municipality of Meaford have each approved that the Georgian Trail Board of Management be dissolved, and that the assets be distributed to the Municipalities. Each individual municipality will be responsible for the maintenance of the trail within their respective municipal boundaries in accordance with agreed upon specifications. The dissolution of the Georgian Trail Board of Management is expected to be completed in 2017.

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

13. Grants:

	2016	2015
Operating:		
Province of Ontario		
Ontario Municipal Partnership Fund (OMPF)	\$ 1,143,100	\$ 1,124,300
Conditional Roads	40,459	280,921
Conditional Other	166,531	179,171
	1,350,090	1,584,392
Government of Canada		
Other	14,922	15,128
Other municipalities		
Conditional Roads	11,781	742,335
Conditional Other	120,657	-
Total operating grants	\$ 1,497,450	\$ 2,341,855
Capital:		
Province Ontario		
Conditional Roads	\$ 238,556	\$ -
Conditional Other	661	42,696
Government of Canada		
Conditional Other	135,720	46,022
Other municipalities		
Conditional other	-	-
Total capital grants	374,937	88,718
Total grants	\$ 1,872,387	\$ 2,430,573

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2016

14. Post-employment benefit:

The Town provides certain retirement benefits to retired employees who met certain requirements upon retirement. The Town 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:

	2016	2015
Retirement benefits	\$ 19,856	\$ 23,849

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 2017 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 94 members of staff for 2016 current service was \$700,401 (2015 - \$643,840). The contribution rate for 2016 was 9% to 14.6% and 9.3% to 15.9% for firefighters depending on age and income level (2015 – 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, 2016. At that time, the plan reported a \$7 billion actuarial deficit \$5,720,000 (2015 - \$7 billion actuarial deficit).

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2016

16. Trust funds:

The trust funds administered by the municipality amounting to \$342,822 (2015 - \$325,582) 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, 2016 the trust fund balances are as follows:

	2016	2015
Cemetery Care and Maintenance funds	\$ 342,822	\$ 325,582

17. Contractual commitments:

- (a) The Town has entered into contracts totalling \$4,022,150 to upgrade and extend road, sewer and water services and purchase equipment. A total of \$1,628,100 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:

2017	\$	921,943
2018		716,667
2019		590,812
2020		587,943
2021 - 2027		5,350,435
Total	\$	8,167,800

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

2017	\$	90,017
2018		87,655
2019		91,584
2020		100,520
2021		101,620
Total	\$	471,396

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2016

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, 2016 amount to \$9,685,752 (2015 - \$10,250,074).

19. 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.

THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2016

19. 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 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.

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2016

19. Segmented information (continued):

2016	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	\$ 2,474,036	\$ 3,828,442	\$ 4,152,628	\$ 1,298,512	\$ -	\$ 82,921	\$ 2,015,130	\$ 551,700	\$ 14,403,369
Fees and user charges	52,410	208,774	15,782	451,798	6,910,907	9,795	782,068	510,120	8,941,654
Specific grants	1,328	14,062	293,899	130,932	999	-	289,021	(954)	729,287
OMPF grant	196,348	303,838	329,567	103,054	-	6,581	159,927	43,785	1,143,100
Other revenue	1,001,187	961,605	256,441	25,472	805,635	23,726	38,586	43	3,112,695
Transfers from obligatory reserve	387,686	65,350	74,951	-	154,310	-	21,496	10,525	714,318
	\$ 4,112,995	\$ 5,382,071	\$ 5,123,268	\$ 2,009,768	\$ 7,871,851	\$ 123,023	\$ 3,306,228	\$ 1,115,219	\$ 29,044,423
Expenses									
Salaries and benefits	\$ 2,409,862	\$ 2,196,481	\$ 1,525,072	\$ 279,963	\$ 1,480,296	\$ 36,138	\$ 1,720,864	\$ 942,839	\$ 10,591,515
Interest on debt	51,541	17,630	-	-	63,034	-	-	634	132,839
Materials and supplies	23,097	314,743	1,015,563	125,757	1,967,285	28,609	705,318	117,941	4,298,313
Contracted services	436,736	2,795,906	718,105	1,057,785	150,188	5,389	114,537	295,569	5,574,215
Other transfers	34,820	348,999	-	-	1,000	35,000	(4,843)	5,088	420,064
Rent and financials	100,670	38,333	65,720	48,522	237,320	3,795	147,416	4,877	646,653
Amortization	427,635	257,928	2,523,984	313,761	2,098,502	7,852	582,914	2,502	6,215,078
	\$ 3,484,361	\$ 5,970,020	\$ 5,848,444	\$ 1,825,788	\$ 5,997,625	\$ 116,783	\$ 3,266,206	\$ 1,369,450	\$ 27,878,677
Total Annual surplus (deficit)	\$ 628,634	\$ (587,949)	\$ (725,176)	\$ 183,980	\$ 1,874,226	\$ 6,240	\$ 40,022	\$ (254,231)	\$ 1,165,746

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Notes to Financial Statements (continued)

Year ended December 31, 2016

19. Segmented information (continued):

2015	General government	Protection services	Transportation services	Waste management	Water and wastewater	Health Services	Recreation and cultural services	Planning and development	Total
Revenue									
Taxation	\$ 2,435,690	\$ 3,840,880	\$ 4,038,864	\$ 798,222	\$ -	\$ 78,873	\$ 1,956,275	\$ 694,926	\$ 13,843,730
Fees and user charges	35,228	215,494	34,651	420,964	6,651,523	35,994	751,258	349,157	8,494,269
Specific grants	15,342	10,877	294,840	847,219	538	-	137,457	-	1,306,273
OMPF grant	197,812	311,932	328,011	64,826	-	6,406	158,876	56,437	1,124,300
Other revenue	1,109,128	740,205	1,153,301	10,133	104,867	17,934	38,829	-	3,174,397
Transfers from obligatory reserve	-	37,350	620,118	309,423	245,904	-	1,780,139	16,854	3,009,788
	\$ 3,793,200	\$ 5,156,738	\$ 6,469,785	\$ 2,450,787	\$ 7,002,832	\$ 139,207	\$ 4,822,834	\$ 1,117,374	\$ 30,952,757
Expenses									
Salaries and benefits	\$ 2,182,952	\$ 1,983,809	\$ 1,400,013	\$ 235,665	\$ 1,423,094	\$ 30,895	\$ 1,630,102	\$ 646,130	\$ 9,532,660
Interest on debt	55,163	20,677	514	-	68,303	-	2,637	924	148,218
Materials and supplies	188,914	387,765	1,133,742	20,581	1,655,021	26,207	749,111	89,332	4,250,673
Contracted services	426,741	2,847,118	547,229	682,550	216,706	10,698	206,651	260,396	5,198,089
Other transfers	-	306,540	-	-	-	30,660	-	30,343	367,543
Rent and financials	101,780	885	6,359	1,150	21,139	2,923	9,067	-	143,303
Amortization	417,760	253,356	2,505,771	165,552	2,055,309	7,852	560,881	2,502	5,968,983
	\$ 3,373,310	\$ 5,800,150	\$ 5,593,628	\$ 1,105,498	\$ 5,439,572	\$ 109,235	\$ 3,158,449	\$ 1,029,627	\$ 25,609,469
Annual surplus (deficit)	\$ 419,890	\$ (643,412)	\$ 876,157	\$ 1,345,289	\$ 1,563,260	\$ 29,972	\$ 1,664,385	\$ 87,747	\$ 5,343,288

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THE CORPORATION OF THE TOWN OF THE BLUE MOUNTAINS

Schedule of Deferred Revenue

Year ended December 31, 2016

	Opening	Contributions received	Contributions returned	Investment Income	Revenue recognized	Ending
Obligatory reserve funds:						
Development Charges	\$ 1,295,794	\$ 4,206,023	-	\$ 24,582	\$ (714,318)	\$ 4,812,081
Recreational land	1,137,233	67,791	-	10,319	-	1,215,343
Parking revenues	31,776	-	-	295	-	32,071
Federal gas tax	271,842	196,192	-	2,526	-	470,560
	<u>\$ 2,736,645</u>	<u>\$ 4,470,006</u>	<u>-</u>	<u>\$ 37,722</u>	<u>\$ (714,318)</u>	<u>\$ 6,530,055</u>
Other:						
Provincial grants	\$ 16,250	\$ 5,000	-	\$ -	\$ (15,881)	\$ 5,369
Harbour deposits	10,450	4,050	-	-	(7,049)	7,451
Developer contributions	341,179	-	(20,000)	-	(11,349)	309,830
Engineering fees	227,789	-	-	-	-	227,789
Other	141,738	122,672	-	-	(141,738)	122,672
	<u>\$ 737,406</u>	<u>\$ 131,722</u>	<u>(20,000)</u>	<u>\$ -</u>	<u>\$ (176,017)</u>	<u>\$ 673,111</u>
	<u>\$ 3,474,051</u>	<u>\$ 4,601,728</u>	<u>(20,000)</u>	<u>\$ 37,722</u>	<u>\$ (890,335)</u>	<u>\$ 7,203,166</u>