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**TOWN OF GORE BAY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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## **AUDITOR'S REPORT**

To the Members of Council, Inhabitants and Ratepayers of  
the Corporation of the **TOWN OF GORE BAY**

I have audited the consolidated statement of financial position of the Corporation of the **TOWN OF GORE BAY** as at December 31, 2009 and the consolidated statements of financial activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2009 and the results of its financial activities and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Edward A. Jakubo  
Chartered Accountant, Licensed Public Accountant

Sudbury, Ontario  
June 2, 2010

# TOWN OF GORE BAY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2009

	2009	2008
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 2,183,824	\$ 1,844,087
Taxes and grants in lieu receivable	74,266	58,765
Accounts receivable	907,263	995,427
<b>TOTAL ASSETS</b>	<b>3,165,353</b>	<b>2,898,279</b>

## LIABILITIES

Accounts payable and accrued liabilities	82,612	68,183
Solid waste management liabilities (note 14)	52,315	55,775
Deferred revenue	330,363	410,125
Net long-term liabilities	1,959,125	2,007,639
<b>TOTAL LIABILITIES</b>	<b>2,424,415</b>	<b>2,541,722</b>
<b>NET FINANCIAL ASSETS</b>	<b>740,938</b>	<b>356,557</b>

## NON-FINANCIAL ASSETS

Tangible capital assets	12,409,928	12,026,637
Financed capital assets	1,959,125	2,007,639
Inventory	7,826	8,747
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>14,376,879</b>	<b>14,043,023</b>
<b>ACCUMULATED SURPLUS (note 9)</b>	<b>\$ 15,117,817</b>	<b>\$ 14,399,580</b>

Approved on behalf of Council:

\_\_\_\_\_ Mayor

\_\_\_\_\_ Councillor

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

**EDWARD A. JAKUBO, CHARTERED ACCOUNTANT**

# TOWN OF GORE BAY

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 Budget Unaudited	2009 Actual	2008 Actual
<b>REVENUES</b>			
Net taxation/user charges	\$ 1,692,453	\$ 1,684,911	\$ 1,582,170
Government transfers (note 16)	2,291,350	2,278,353	925,731
Other	248,997	172,842	481,417
<b>TOTAL REVENUES</b>	<b>4,232,800</b>	<b>4,136,106</b>	<b>2,989,318</b>
<b>EXPENDITURES</b>			
General government	322,693	372,928	358,458
Protection to persons and property	229,758	230,409	230,608
Transportation services	479,776	713,355	621,058
Environmental services	1,368,545	1,438,876	964,924
Health services	137,680	145,440	124,136
Social and family services	136,362	141,347	142,210
Recreation and culture	281,360	297,215	313,801
Planning and development	82,897	78,299	128,111
<b>TOTAL EXPENDITURES</b>	<b>3,039,071</b>	<b>3,417,869</b>	<b>2,883,306</b>
<b>NET REVENUE</b>	<b>1,193,729</b>	<b>718,237</b>	<b>106,012</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>14,399,580</b>	<b>14,399,580</b>	<b>14,293,568</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 15,593,309</b>	<b>\$ 15,117,817</b>	<b>\$ 14,399,580</b>

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

**EDWARD A. JAKUBO, CHARTERED ACCOUNTANT**

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# TOWN OF GORE BAY

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## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

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FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>2009</b>		<b>2008</b>
	<b>Actual</b>		<b>Actual</b>
Net revenue	\$ 718,237	\$	106,012
Acquisition of tangible capital assets	(1,067,916)		(459,490)
Amortization of tangible capital assets	684,625		550,149
Change in financed tangible capital assets	48,514		46,208
Change in other non-financial assets	921		(219)
Increase in net financial assets	384,381		242,660
Net financial assets, beginning of year	356,557		113,897
Net financial assets, end of year	\$ 740,938	\$	356,557

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

**EDWARD A. JAKUBO, CHARTERED ACCOUNTANT**

# TOWN OF GORE BAY

## Schedule 1

## SCHEDULE OF RESERVES AND RESERVE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 Actual	2008 Actual
<b>REVENUES</b>		
Interest earned	\$ 13,104	\$ 39,359
Other	5,130	4,725
	18,234	44,084
<b>NET TRANSFER TO/FROM OTHER FUNDS</b>		
Transfer (to) from revenue fund	(319,335)	(56,031)
Contribution to reserve fund	528,900	198,640
Total net transfers	209,565	142,609
<b>CHANGE IN RESERVES AND RESERVE FUNDS</b>	227,799	186,693
Reserves and reserve funds balance, beginning of year	1,893,313	1,706,620
<b>RESERVES AND RESERVE FUNDS BALANCE, end of year</b>	2,121,112	1,893,313
Analyzed as follows:		
Reserve funds set aside for specific purposes by Council:		
Working capital	151,500	151,500
Reserves set aside for specific purposes by Council:		
Working capital	97,125	94,811
Sewer and water	625,792	622,377
Sewer	135,916	134,415
Museum	6,511	4,349
Medical centre	25,510	22,435
Library - general	32,972	32,598
Severance	12,424	18,422
Roads	5,163	99,565
Fire	90,139	162,140
Health services - cemetery	11,000	10,000
Water filtration plant - debt repayment	927,060	540,701
Total reserves	1,969,612	1,741,813
<b>TOTAL RESERVES AND RESERVE FUNDS</b>	\$ 2,121,112	\$ 1,893,313

# TOWN OF GORE BAY

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
<b>CASH GENERATED FROM (USED FOR):</b>		
<b>OPERATING</b>		
Net revenues (expenditures)	\$ 718,237	\$ 106,012
Amortization of tangible capital assets	684,625	550,149
Changes in financial assets and liabilities		
- taxes and grants in lieu receivable	(15,501)	9,706
- accounts receivable	88,164	(66,937)
- accounts payable and accrued liabilities	14,429	3,175
- deferred revenue	(79,762)	93,528
- solid waste management liabilities	(3,460)	(3,352)
Changes in other non-financial assets	921	(219)
	1,407,653	692,062
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,067,916)	(459,490)
Reversal of prior period adjustment for debt		185,000
		185,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	339,737	417,572
Opening cash and cash equivalents	1,844,087	1,426,515
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	\$ 2,183,824	\$ 1,844,087

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

**EDWARD A. JAKUBO, CHARTERED ACCOUNTANT**

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 1. ACCOUNTING POLICIES

The consolidated financial statements of the Town of Gore Bay are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) Basis of consolidation

(i) General

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve fund and reserves and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Town and the resulting interest income and expenditures.

(ii) Consolidated entities

The following joint local boards are consolidated:

Western Manitoulin Historical Society Museum Board  
Gordon Cemetery Board  
Gore Bay Union Public Library Board  
Gore Bay Waterworks and Sewerworks

(iii) Accounting for school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school board are not reflected in the town surplus balances of these financial statements.

(iv) Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

(v) Trust funds

Trust funds and their related operations administered by the Town are not consolidated but are reported separately on the "Trust Fund Statement of Continuity and Balance Sheet".

**EDWARD A. JAKUBO, CHARTERED ACCOUNTANT**



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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 1. ACCOUNTING POLICIES (continued)

(vi) Principal charges on long-term debt

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on the long-term liabilities which are charged against operations in the periods in which they are paid.

(vii) Accrual accounting

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

(viii) Tangible capital assets

The historical cost net of accumulated amortization of tangible capital assets is capitalized as a non-financial asset while annual amortization of such assets is recorded as a charge to operations in its respective functional area. Tangible capital assets are amortized over their useful lives on a straight-line basis. The following are the categories of tangible capital assets that the town holds title to along with each category's respective useful life:

Roads	25 years
Water and sewer lines, valves & hydrants	40-50 years
Water treatment plant	25 years
Water pipes	75 years
Moveable equipment	10 years
Buildings	60 years
Fire vehicles	20 years
Parks	20 years
Equipment	10 years
Road signs and lights	15 years
Docks	15 years

(ix) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(x) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 1. ACCOUNTING POLICIES (continued)

#### (xi) Taxation and Related Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, and the amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment roles provided by MPAC. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

#### (xii) Investment Income

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balances.

#### (xiii) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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### 2. ADOPTION OF PUBLIC SECTOR ACCOUNTING RECOMMENDATIONS

The Municipality has adopted the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The adoption of these standards has resulted in the balances reported for cash and temporary investments in these financial statements to include both funds for current purposes and balances held for reserve funds.

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 3. TANGIBLE CAPITAL ASSETS

The tangible capital assets, valued at cost less accumulated amortization, consist of:

	Cost	Accumulated Amortization	Net 2009	Net 2008
Land	\$ 646,500	\$	\$ 646,500	\$ 646,500
Water treatment plant	5,161,279	825,804	4,335,475	4,541,926
Roads	4,600,038	2,887,791	1,712,247	1,466,192
Buildings	2,739,453	525,867	2,213,586	2,222,681
Water and sewer lines	2,389,897	1,775,703	614,194	670,577
Docks	1,765,845	317,914	1,447,931	1,565,654
Water pipes	1,147,962	362,332	785,630	800,936
Moveable equipment	311,832	123,330	188,502	35,507
Fire Vehicles	244,911	42,251	202,660	7,865
Parks	223,188	18,337	204,851	8,422
Road lights and signs	74,917	31,951	42,966	44,822
Equipment	47,263	31,877	15,386	15,555
	\$ 19,353,085	\$ 6,943,157	\$ 12,409,928	\$ 12,026,637

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### 4. CHANGE IN ACCOUNTING POLICY - TANGIBLE CAPITAL ASSETS

Effective for the 2009 fiscal year, Town of Gore Bay has adopted section 3150, Tangible Capital Assets, of the Public Sector Accounting Board Handbook ("PS 3150"). PS 3150 requires that, for fiscal years beginning on or after January 1, 2009, and for comparative years presented, tangible capital assets to which a town holds title, must be capitalized and amortized over their useful lives.

In order to fulfil the requirements of this section the Town undertook an inventory and valuation of all of its tangible capital assets on hand as of January 1, 2008. The result of this valuation was an increase to the opening accumulated surplus of \$12,117,296. During the 2008 fiscal year, the town acquired \$539,116 of tangible capital assets and recorded amortization of its tangible capital assets in the amount of \$629,775. See note 18 for a reconciliation of opening accumulated surplus.

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Accounts payable - Government of Canada	\$ 17,671	\$ 841
Accounts payable - Province of Ontario	15,796	11,881
Accounts payable - Current	17,582	14,777
	\$ 51,049	\$ 27,499

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### 6. MUNICIPAL DEBT

The debenture payable to the Ontario Infrastructure Projects Corporation is repayable in semi-annual instalments of \$73,449.93 including interest calculated at 4.93%; due October 15, 2031.

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### 7. FUTURE PRINCIPAL AND INTEREST PAYMENTS

Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2010	\$ 50,935	\$ 95,965
2011	53,477	93,423
2012	56,146	90,754
2013	58,948	87,952
2014	61,890	85,010
2015 and subsequent years	1,677,729	819,571
	\$ 1,959,125	\$ 1,272,675

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### 8. PUBLIC SECTOR SALARY DISCLOSURE ACT

For 2009, no employees were paid salaries, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 9. ACCUMULATED SURPLUS AT THE END OF THE YEAR

Accumulated surplus at the end of the year is comprised of the following:

	2009	2008
Invested in tangible capital assets	\$ 12,409,928	\$ 12,026,637
Reserves (Schedule 1)	1,969,612	1,741,813
Reserve funds (Schedule 1)	151,500	151,500
Unfunded landfill liabilities	(52,315)	(55,775)
General operations of prior years	639,092	535,405
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	\$ 15,117,817	\$ 14,399,580

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### 10. ACCUMULATED SURPLUS BY ENTITY

The following represents the consolidated accumulated surplus attributable to each consolidated entity:

	2009	2008
Town of Gore Bay	\$ 13,563,990	\$ 13,312,800
Town of Gore Bay Waterworks and Sewerworks	1,531,494	1,064,306
Gordon Cemetery Board	18,292	20,280
Western Manitoulin Historical Society Museum Board	2,262	1,169
Gore Bay Union Public Library Board	1,779	1,025
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	\$ 15,117,817	\$ 14,399,580

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### 11. CONTRACTUAL OBLIGATION - ONTARIO CLEAN WATER AGENCY

In accordance with a service agreement entered into by the Town with the Ontario Clean Water Agency, the existing sewage system is owned and operated by the Agency, while the Town is obligated to meet all operating costs.

Included in the "Consolidated Statement of Operations" are the 2009 charges from the Agency of \$55,420 (2008 - \$52,315). The "Consolidated Balance Sheet" does not reflect any assets or liabilities pertaining to the sewage system except to the extent of service charges due to (or from) the Ontario Clean Water Agency.

Information received from the Agency as at March 31, 2010, indicates there is no operating deficit for the sewage system and there is no related long-term debt.

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 12. SPECIAL LEVY WATER FILTRATION PLANT

During the year the Town of Gore Bay issued a special levy on the rate payers totalling \$105,497 (2007 - \$701,782). These funds are transferred to the water filtration reserve fund and are used to pay down the debt on the Water Filtration Plant at a rate of \$146,900 per year.

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### 13. TAX RATES

The following table provides a comparison of the current and previous year tax rates:

	2009 Tax Rates (%)		2008 Tax Rates (%)	
	Town Purposes	School Board Purposes	Town Purposes	School Board Purposes
Residential and Farm	0.014940	0.002520	0.014271	0.002640
Multi-residential	0.014940	0.002520	0.014271	0.002640
Commercial Occupied	0.013446	0.013717	0.012843	0.014125
Industrial Occupied	0.013446	0.009532	0.012843	0.009738
Farmlands	0.003735	0.000630	0.003568	0.000660

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### 14. SOLID WASTE MANAGEMENT LIABILITIES

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining useful life of the landfill sites based on usage. The Town's landfill site was closed in 1995 and is currently undergoing post-closure care including monitoring, site inspection and maintenance.

The reported liability is based on estimates and assumptions with respect to events extending over terms using the best information available to management. An increase in actual expenditures over the past three years has resulted in a significant change to the estimated total expenditure and estimated liability and is being recognized prospectively, as a change in estimate with the impact of the increase in expenditure being fully included in environmental services on the 2008 statement of financial activities.

Estimated total expenditures represent the sum of the discounted future cash flows for post-closure care activities. The estimated discounted landfill post-closure care expenditures are calculated to be \$52,315 (2008 - \$55,775), which have been fully recognized as the landfill site is closed using a 30 year Government Bond rate of 5.75% (2008 - 5.75%) minus an inflation rate of 2.29% (2008 - 2.26%), representing the 10-year average of the Consumer Price Index from 2000 to 2009.

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 15. CHANGE IN ACCOUNTING POLICY - SOLID WASTE LIABILITIES

During the current fiscal year, the Town of Gore Bay began to recognize its future liabilities with regard to the monitoring of the closed landfill site mentioned in note 8. As opening surplus will be adjusted for tangible capital assets, the Town decided to recognize this change in policy retrospectively resulting in a decrease in accumulated surplus at January 1, 2008 in the amount of \$59,127. See note 18 for a reconciliation of opening accumulated surplus.

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### 16. GOVERNMENT TRANSFERS

	2009	2008
<b>Operating</b>		
<b>Province of Ontario</b>		
Ontario Municipal Partnership Fund	\$ 414,800	\$ 409,900
Transportation	140,648	40,035
General	20,780	19,053
<b>Government of Canada</b>	7,241	6,675
<b>Other municipalities</b>	2,598	25,864
<b>Total operating</b>	<b>586,067</b>	<b>501,527</b>
<b>Capital</b>		
<b>Province of Ontario</b>		
Infrastructure Stimulus Fund	341,701	203,977
Building Canada Fund	368,020	30,227
<b>Other municipalities</b>	98,049	
	807,770	234,204
<b>Government of Canada</b>		
Infrastructure Stimulus Fund	235,888	190,000
Potable Water Program	432,218	
Building Canada Fund	216,410	
	884,516	190,000
<b>Total capital</b>	<b>1,692,286</b>	<b>424,204</b>
<b>Total Government Transfers</b>	<b>\$ 2,278,353</b>	<b>\$ 925,731</b>

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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2009

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### 17. PRIOR YEAR INTERNAL FINANCING

The 2008 unconsolidated financial statements presented for the Town of Gore Bay showed internal financing amounting to \$505,000, an amount that was eliminated on consolidation.

Effective for fiscal years ending December 31, 2009 and those years presented for comparative purposes current, capital, reserve and reserve fund balances can no longer be presented separately in the financial statements. As such, the internal financing can no longer be presented and no consolidation adjustment is required for the current year. However, as a prior period adjustment was made on the 2008 financial statement in the amount of \$185,000 this amount for 2007 must be reversed and therefore forms an adjustment to the opening accumulated surplus as shown in note 18.

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### 18. ADJUSTMENTS TO OPENING ACCUMULATED SURPLUS

	<b>2008</b>
<b>Municipal Position on previous financial statements:</b>	
Town of Gore Bay, January 1st	\$ 2,050,399
<b>Adjustments:</b>	
Tangible capital assets (Note 4)	12,117,296
Landfill liability (Note 15)	(59,127)
Reversal of prior year adjustment (Note 17)	185,000
<b>Accumulated surplus, January 1st</b>	<b>\$ 14,293,568</b>

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### 19. COMPARATIVE FIGURES

Certain of the 2008 figures have been restated to conform with the 2009 presentation.

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