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**TOWN OF GORE BAY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of **TOWN OF GORE BAY**, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Gore Bay as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edward A. Jakubo  
Chartered Accountant, Licensed Public Accountant

Sudbury, Ontario  
September 28, 2011

# TOWN OF GORE BAY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

	2010	2009
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 2,192,487	\$ 2,187,601
Taxes and grants in lieu receivable	32,583	74,266
Accounts receivable	1,282,575	911,391
<b>TOTAL ASSETS</b>	<b>3,507,645</b>	<b>3,173,258</b>

## LIABILITIES

Accounts payable and accrued liabilities	393,841	145,101
Solid waste management liabilities (note 15)	49,949	52,315
Deferred revenue	339,711	330,363
Net long-term liabilities	1,908,190	1,959,125
<b>TOTAL LIABILITIES</b>	<b>2,691,691</b>	<b>2,486,904</b>
<b>NET FINANCIAL ASSETS</b>	<b>815,954</b>	<b>686,354</b>

## NON-FINANCIAL ASSETS

Tangible capital assets	12,058,454	12,409,928
Financed capital assets	1,908,190	1,959,125
Inventory	7,692	7,969
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>13,974,336</b>	<b>14,377,022</b>
<b>ACCUMULATED SURPLUS (note 8)</b>	<b>\$ 14,790,290</b>	<b>\$ 15,063,376</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, 2010

	2010 Budget Unaudited	2010 Actual	2009 Actual
<b>REVENUES</b>			
Net taxation/user charges	\$ 1,764,482	\$ 1,856,025	\$ 1,747,567
Government transfers (note 14)	1,111,276	1,283,094	2,401,188
Other	354,081	215,391	165,535
<b>TOTAL REVENUES</b>	<b>3,229,839</b>	<b>3,354,510</b>	<b>4,314,290</b>
<b>EXPENDITURES</b>			
General government	386,299	389,748	372,928
Protection to persons and property	562,324	593,632	230,409
Transportation services	775,246	917,477	713,355
Environmental services	856,672	822,865	1,438,876
Health services	149,402	158,977	145,440
Social and family services	325,310	323,233	331,384
Recreation and culture	416,137	373,027	297,215
Planning and development	62,545	48,637	78,299
<b>TOTAL EXPENDITURES</b>	<b>3,533,935</b>	<b>3,627,596</b>	<b>3,607,906</b>
<b>NET REVENUE/(EXPENDITURES)</b>	<b>(304,096)</b>	<b>(273,086)</b>	<b>706,384</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>15,063,376</b>	<b>15,063,376</b>	<b>14,356,992</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 14,759,280</b>	<b>\$ 14,790,290</b>	<b>\$ 15,063,376</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, 2010

	<b>2010</b>	<b>2009</b>
	<b>Actual</b>	<b>Actual</b>
Net revenue/(expenditures)	\$ (273,086)	\$ 706,384
Acquisition of tangible capital assets	(347,862)	(1,067,916)
Amortization of tangible capital assets	699,335	684,625
Change in financed tangible capital assets	50,935	48,514
Change in other non-financial assets	278	921
Increase in net financial assets	129,600	372,528
Net financial assets, beginning of year	686,354	313,826
Net financial assets, end of year	\$ 815,954	\$ 686,354

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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, 2010

	2010 Actual	2009 Actual
<b>REVENUES</b>		
Interest earned	\$ 15,608	\$ 13,104
Other	1,105	5,130
	16,713	18,234
<b>NET TRANSFER TO/FROM OTHER FUNDS</b>		
Transfer (to) from revenue fund	(4,600)	(319,335)
Contribution to reserve fund	47,624	528,900
Total net transfers	43,024	209,565
<b>CHANGE IN RESERVES AND RESERVE FUNDS</b>		
Reserves and reserve funds balance, beginning of year	2,138,632	1,910,833
<b>RESERVES AND RESERVE FUNDS</b>		
<b>BALANCE</b> , end of year	2,198,369	2,138,632
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	98,344	97,125
Sewer and water	704,592	625,792
Sewer	167,617	135,916
Museum	8,151	6,511
Homes for the aged	17,520	17,520
Medical centre	6,651	25,510
Library - general	33,340	32,972
Severance	17,580	12,424
Roads	5,227	5,163
Fire	13,762	90,139
Health services - cemetery	6,400	11,000
Water filtration plant - debt repayment	967,685	927,060
Total reserves	2,046,869	1,987,132
<b>TOTAL RESERVES AND RESERVE FUNDS</b>	<b>\$ 2,198,369</b>	<b>\$ 2,138,632</b>

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# TOWN OF GORE BAY

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## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

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	2010	2009
<b>CASH GENERATED FROM (USED FOR):</b>		
<b>OPERATING</b>		
Net revenues (expenditures)	\$ (273,086)	\$ 706,384
Amortization of tangible capital assets	699,335	684,625
Changes in financial assets and liabilities		
- taxes and grants in lieu receivable	41,683	(15,501)
- accounts receivable	(371,184)	88,164
- accounts payable and accrued liabilities	248,740	23,265
- deferred revenue	9,348	(79,762)
- solid waste management liabilities	(2,366)	(3,460)
Changes in other non-financial assets	278	921
	352,748	1,404,636
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(347,862)	(1,067,916)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	4,886	336,720
Opening cash and cash equivalents	2,187,601	1,850,881
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		
	\$ 2,192,487	\$ 2,187,601

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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, 2010

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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  
Manitoulin Centennial Manor

(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, 2010

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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, 2010

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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, 2010

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### 3. TANGIBLE CAPITAL ASSETS

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

	Cost	Accumulated Amortization	Net 2010	Net 2009
Land	\$ 646,500	\$	\$ 646,500	\$ 646,500
Water treatment plant	5,161,279	1,032,255	4,129,024	4,335,475
Roads	4,659,738	3,074,181	1,585,557	1,712,247
Buildings	2,899,264	574,188	2,325,076	2,213,586
Water and sewer lines	2,389,897	1,832,086	557,811	614,194
Docks	1,828,687	439,826	1,388,861	1,447,931
Water pipes	1,147,962	377,638	770,324	785,630
Moveable equipment	311,832	150,112	161,720	188,502
Fire Vehicles	244,911	53,692	191,219	202,660
Parks	243,368	30,505	212,863	204,851
Road lights and signs	77,096	37,092	40,004	42,966
Equipment	90,413	40,918	49,495	15,386
	\$ 19,700,947	\$ 7,642,493	\$ 12,058,454	\$ 12,409,928

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### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Accounts payable - Government of Canada	\$ 68,804	\$ 17,671
Accounts payable - Province of Ontario	67,410	67,206
Accounts payable - Current	257,627	60,224
	\$ 393,841	\$ 145,101

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### 5. 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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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2010

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### 6. FUTURE PRINCIPAL AND INTEREST PAYMENTS

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

	Principal	Interest
2011	\$ 53,477	\$ 93,423
2012	56,146	90,754
2013	58,948	87,952
2014	61,890	85,010
2015	64,980	81,920
2016 and subsequent years	1,612,749	737,651
	<u>\$ 1,908,190</u>	<u>\$ 1,176,710</u>

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### 7. PUBLIC SECTOR SALARY DISCLOSURE ACT

For 2010, no employees were paid salaries, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

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

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

	2010	2009
Invested in tangible capital assets	\$ 12,058,454	\$ 12,409,928
Reserves (Schedule 1)	2,046,869	1,987,132
Reserve funds (Schedule 1)	151,500	151,500
Unfunded landfill liabilities	(49,949)	(52,315)
General operations	583,416	567,131
	<u>\$ 14,790,290</u>	<u>\$ 15,063,376</u>

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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, 2010

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### 9. ACCUMULATED SURPLUS BY ENTITY

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

	2010	2009
Town of Gore Bay	\$ 13,202,586	\$ 13,559,490
Town of Gore Bay Waterworks and Sewerworks	1,604,010	1,531,494
Gordon Cemetery Board	17,790	18,292
Western Manitoulin Historical Society Museum Board	1,644	2,264
Gore Bay Union Public Library Board	1,418	1,779
Manitoulin Centennial Manor	(37,158)	(49,943)
	<hr/> \$ 14,790,290	<hr/> \$ 15,063,376

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### 10. 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 2010 charges from the Agency of \$52,779 (2009 - \$50,749). 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, 2011, indicates there is no operating deficit for the sewage system and there is no related long-term debt.

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### 11. SPECIAL LEVY WATER FILTRATION PLANT

During the year the Town of Gore Bay issued a special levy on the rate payers totalling \$88,464 (2009 - \$95,682). 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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# TOWN OF GORE BAY

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## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED DECEMBER 31, 2010

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### 12. TAX RATES

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

	2010		2009	
	Tax Rates (%)		Tax Rates (%)	
	Town Purposes	School Board Purposes	Town Purposes	School Board Purposes
Residential and Farm	0.015514	0.002410	0.014940	0.002520
Multi-residential	0.015514	0.002410	0.014940	0.002520
Commercial Occupied	0.013962	0.013234	0.013446	0.013717
Industrial Occupied	0.013962	0.009333	0.013446	0.009532
Farmlands	0.003878	0.000603	0.003735	0.000630

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### 13. EXPENDITURES BY OBJECT

As required by Section 1700 of the Public Sector Accounting Board reporting requirements, these financial statements report on expenditures by functions. The Township's expenditures by object are as follows:

	2010	2009
Salaries, wages and benefits	\$ 700,561	\$ 612,117
Materials, services, rents and financial items	1,764,975	1,997,866
Transfers to other governments and the public	367,292	214,992
Interest on long-term debt	95,433	98,386
Amortization of tangible capital assets	699,335	684,545
Total	\$ 3,627,596	\$ 3,607,906

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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, 2010

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### 14. GOVERNMENT TRANSFERS

	2010	2009
<b>Operating</b>		
<b>Province of Ontario</b>		
Ontario Municipal Partnership Fund	\$ 436,000	\$ 414,800
Transportation		140,648
General	213,208	143,615
<b>Government of Canada</b>	61,421	7,241
<b>Other municipalities</b>	18,632	2,598
<b>Total operating</b>	<b>729,261</b>	<b>708,902</b>
<b>Capital</b>		
<b>Province of Ontario</b>		
Infrastructure Stimulus Fund	112,286	341,701
Building Canada Fund	38,984	368,020
Transportation	73,471	
Parks and Recreation	3,000	
<b>Other municipalities</b>	56,143	98,049
	283,884	807,770
<b>Government of Canada</b>		
Infrastructure Stimulus Fund	112,286	235,888
Potable Water Program	91,002	432,218
Transportation	27,676	
Building Canada Fund	38,985	216,410
	269,949	884,516
<b>Total capital</b>	<b>553,833</b>	<b>1,692,286</b>
<b>Total Government Transfers</b>	<b>\$ 1,283,094</b>	<b>\$ 2,401,188</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, 2010

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### 15. 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.

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 \$49,949 (2009 - \$52,315), which have been fully recognized as the landfill site is closed using a 30 year Government Bond rate of 4.56% (2009 - 5.75%) minus an inflation rate of 2.23% (2009 - 2.29%), representing the 10-year average of the Consumer Price Index from 2001 to 2010.

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### 16. COMPARATIVE FIGURES

Certain of the 2009 figures have been restated to conform with the 2010 presentation. This includes the proportionate consolidation of the Town of Gore Bay's interest of Manitoulin Centennial Manor resulting in a decrease to prior year general surplus of \$8,836 and an increase to reserve funds of \$17,520.

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