
TOWN OF GORE BAY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, 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, 2011 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
July 12, 2012

TOWN OF GORE BAY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	2011	2010
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 3,709,576	\$ 2,192,487
Taxes and grants in lieu receivable	51,271	32,583
Accounts receivable	997,354	1,282,575
TOTAL ASSETS	4,758,201	3,507,645

LIABILITIES

Accounts payable and accrued liabilities	300,224	226,084
Solid waste management liabilities (note 16)	47,277	49,949
Deferred revenue	1,304,523	339,711
Loan payable (note 12)	161,588	167,757
Net long-term liabilities	1,854,713	1,908,190
TOTAL LIABILITIES	3,668,325	2,691,691
NET FINANCIAL ASSETS	1,089,876	815,954

NON-FINANCIAL ASSETS

Tangible capital assets	11,954,450	12,058,454
Financed capital assets	1,854,713	1,908,190
Inventory	9,920	7,692
TOTAL NON-FINANCIAL ASSETS	13,819,083	13,974,336
ACCUMULATED SURPLUS (note 8)	\$ 14,908,959	\$ 14,790,290

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, 2011

	2011 Budget Unaudited	2011 Actual	2010 Actual
REVENUES			
Net taxation/user charges	\$ 1,804,665	\$ 1,944,797	\$ 1,856,025
Government transfers (note 15)	682,160	1,025,525	1,283,094
Other	373,168	650,037	215,391
TOTAL REVENUES	2,859,993	3,620,359	3,354,510
EXPENDITURES			
General government	364,970	437,641	389,748
Protection to persons and property	280,096	231,877	593,632
Transportation services	659,792	860,932	917,477
Environmental services	778,758	919,530	822,865
Health services	259,956	149,604	158,977
Social and family services	96,126	336,660	323,233
Recreation and culture	344,898	501,358	373,027
Planning and development	72,954	64,088	48,637
TOTAL EXPENDITURES	2,857,550	3,501,690	3,627,596
NET REVENUE/(EXPENDITURES)	2,443	118,669	(273,086)
ACCUMULATED SURPLUS, beginning of year	14,790,290	14,790,290	15,063,376
ACCUMULATED SURPLUS, end of year	\$ 14,792,733	\$ 14,908,959	\$ 14,790,290

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

EDWARD A. JAKUBO, CHARTERED ACCOUNTANT

TOWN OF GORE BAY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	Actual	Actual
Net revenue/(expenditures)	\$ 118,669	\$ (273,086)
Acquisition of tangible capital assets	(623,990)	(347,862)
Amortization of tangible capital assets	727,994	699,335
Change in financed tangible capital assets	53,477	50,935
Change in other non-financial assets	(2,228)	278
Increase in net financial assets	273,922	129,600
Net financial assets, beginning of year	815,954	686,354
Net financial assets, end of year	\$ 1,089,876	\$ 815,954

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

EDWARD A. JAKUBO, CHARTERED ACCOUNTANT

TOWN OF GORE BAY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
CASH GENERATED FROM (USED FOR):		
OPERATING		
Net revenues (expenditures)	\$ 118,669	\$ (273,086)
Amortization of tangible capital assets	727,994	699,335
Changes in financial assets and liabilities		
- taxes and grants in lieu receivable	(18,688)	41,683
- accounts receivable	285,221	(371,184)
- accounts payable and accrued liabilities	74,140	80,983
- deferred revenue	964,812	9,348
- solid waste management liabilities	(2,672)	(2,366)
- loan payable	(6,169)	167,757
Changes in other non-financial assets	(2,228)	278
	2,141,079	352,748
CAPITAL		
Acquisition of tangible capital assets	(623,990)	(347,862)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,517,089	4,886
Opening cash and cash equivalents	2,192,487	2,187,601
CLOSING CASH AND CASH EQUIVALENTS	\$ 3,709,576	\$ 2,192,487

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

EDWARD A. JAKUBO, CHARTERED ACCOUNTANT

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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.

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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.

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

3. TANGIBLE CAPITAL ASSETS

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

	Cost	Accumulated Amortization	Net 2011	Net 2010
Land	\$ 646,500	\$	\$ 646,500	\$ 646,500
Water treatment plant	5,161,279	1,238,706	3,922,573	4,129,024
Roads	4,735,367	3,263,598	1,471,769	1,585,557
Buildings	3,119,988	626,187	2,493,801	2,325,076
Water and sewer lines	2,389,897	1,888,469	501,428	557,811
Docks	2,137,436	582,322	1,555,114	1,388,861
Water pipes	1,147,962	392,944	755,018	770,324
Moveable equipment	314,281	177,139	137,142	161,720
Parks	252,558	43,132	209,426	212,863
Fire Vehicles	244,911	65,133	179,778	191,219
Equipment	95,907	50,508	45,399	49,495
Road lights and signs	78,850	42,348	36,502	40,004
	\$ 20,324,936	\$ 8,370,486	\$ 11,954,450	\$ 12,058,454

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Accounts payable - Government of Canada	\$ 63,970	\$ 68,804
Accounts payable - Province of Ontario	38,907	67,410
Accounts payable - Current	197,347	89,870
	\$ 300,224	\$ 226,084

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.

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

6. FUTURE PRINCIPAL AND INTEREST PAYMENTS

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

	Principal	Interest
2012	\$ 56,146	\$ 90,754
2013	58,948	87,952
2014	61,890	85,010
2015	64,979	81,921
2016	68,221	78,678
2017 and subsequent years	1,544,529	658,017
	<u>\$ 1,854,713</u>	<u>\$ 1,082,332</u>

7. PUBLIC SECTOR SALARY DISCLOSURE ACT

For 2011, no employees were paid salaries, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

8. ACCUMULATED SURPLUS AT THE END OF THE YEAR

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

	2011	2010
Invested in tangible capital assets	\$ 11,954,450	\$ 12,058,454
Reserves (Schedule 1)	2,171,971	2,046,869
Reserve funds (Schedule 1)	151,500	151,500
Unfunded landfill liabilities	(47,277)	(49,949)
General operations	678,315	583,416
	<u>\$ 14,908,959</u>	<u>\$ 14,790,290</u>

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

9. ACCUMULATED SURPLUS BY ENTITY

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

	2011	2010
Town of Gore Bay	\$ 13,316,988	\$ 13,202,586
Town of Gore Bay Waterworks and Sewerworks	1,607,990	1,604,010
Gordon Cemetery Board	18,450	17,790
Gore Bay Fire Department Joint Board of Management	12,997	
Western Manitoulin Historical Society Museum Board	2,321	1,644
Gore Bay Union Public Library Board	1,100	1,418
Manitoulin Centennial Manor	(50,887)	(37,158)
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	\$ 14,908,959	\$ 14,790,290

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 2011 charges from the Agency of \$54,890 (2010 - \$52,779). 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, 2012, indicates there is no operating deficit for the sewage system and there is no related long-term debt.

11. SPECIAL LEVY WATER FILTRATION PLANT

During the year the Town of Gore Bay issued a special levy on the rate payers totalling \$90,103 (2010 - \$88,464). 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.

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

12. LOAN PAYABLE

Loan payable from the Gore Bay Manitoulin Airport Commission bears interest at 3.00% with no fixed terms of repayment. The loan was acquired to finance the Town of Gore Bay's required contribution to the airport runway repaving project which was completed during the year.

13. TAX RATES

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

	2011		2010	
	Tax Rates (%)		Tax Rates (%)	
	Town Purposes	School Board Purposes	Town Purposes	School Board Purposes
Residential and Farm	0.015811	0.002310	0.015514	0.002410
Multi-residential	0.015811	0.002310	0.015514	0.002410
Commercial Occupied	0.014230	0.012798	0.013962	0.013234
Industrial Occupied	0.014230	0.009142	0.013962	0.009333
Farmlands	0.003953	0.000578	0.003878	0.000603

14. 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:

	2011	2010
Materials, services, rents and financial items	\$ 1,377,625	\$ 1,764,975
Salaries, wages and benefits	764,336	700,561
Contracted services	315,796	
Transfers to other governments and the public	182,179	367,292
Interest on long-term debt	92,865	95,433
Rents and financial expenses	40,895	
Amortization of tangible capital assets	727,994	699,335
Total	\$ 3,501,690	\$ 3,627,596

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

15. GOVERNMENT TRANSFERS

	2011	2010
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 406,700	\$ 436,000
Transportation		
General	278,367	213,208
Government of Canada	7,347	61,421
Other municipalities		18,632
Total operating	692,414	729,261
Capital		
Province of Ontario		
Infrastructure Stimulus Fund	1,047	112,286
Building Canada Fund	30,227	38,984
Transportation	181,687	73,471
Parks and Recreation	83,372	3,000
Other municipalities		56,143
	296,333	283,884
Government of Canada		
Infrastructure Stimulus Fund	1,047	112,286
FEDNOR	35,731	
Potable Water Program		91,002
Transportation		27,676
Building Canada Fund		38,985
	36,778	269,949
Total capital	333,111	553,833
Total Government Transfers	\$ 1,025,525	\$ 1,283,094

TOWN OF GORE BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

16. 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 \$47,277 (2010 - \$49,949), which have been fully recognized as the landfill site is closed using a 30 year Government Bond rate of 4.00% (2010 - 4.56%) minus an inflation rate of 2.23% (2010 - 2.23%), representing the 10-year average of the Consumer Price Index from 2002 to 2011.

17. COMPARATIVE FIGURES

Certain of the 2010 figures have been restated to conform with the 2011 presentation.

TOWN OF GORE BAY

Schedule 1

SCHEDULE OF RESERVES AND RESERVE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 Actual	2010 Actual
REVENUES		
Interest earned	\$ 24,022	\$ 15,608
Other	965	1,105
	24,987	16,713
NET TRANSFER TO/FROM OTHER FUNDS		
Transfer (to) from revenue fund	(160,662)	(4,600)
Contribution to reserve fund	260,777	47,624
Total net transfers	100,115	43,024
CHANGE IN RESERVES AND RESERVE FUNDS		
Reserves and reserve funds balance, beginning of year	2,198,369	2,138,632
RESERVES AND RESERVE FUNDS		
BALANCE , end of year	2,323,471	2,198,369
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	139,834	98,344
Sewer and water	795,897	704,592
Sewer	170,054	167,617
Museum	9,172	8,151
Homes for the aged	17,608	17,520
Medical centre	7,702	6,651
Library - general	33,816	33,340
Severance	22,884	17,580
Roads	35,365	5,227
Fire	9,674	13,762
Health services - cemetery	6,400	6,400
Water filtration plant - debt repayment	923,565	967,685
Total reserves	2,171,971	2,046,869
TOTAL RESERVES AND RESERVE FUNDS	\$ 2,323,471	\$ 2,198,369

TOWN OF GORE BAY

SCHEDULE 2

SCHEDULE OF SEGMENT DISCLOSURE 2011

FOR THE YEAR ENDED DECEMBER 31, 2011

2011

	General Government	Protection	Transportation	Environmental	Health	Social Service & Housing	Recreation & Cultural	Planning & Development	Total
Taxation user charges	\$ 862,523	\$ 9,346	\$ 366,623	\$ 480,407	\$ 25,459	\$ 73,174	\$ 76,530	\$ 50,735	\$ 1,944,797
Government transfers	424,650	23,119	181,687	30,227		153,449	212,393		1,025,525
Other	197,113	6,014	174,262		179,865	86,845	5,938		650,037
TOTAL REVENUES	1,484,286	38,479	722,572	510,634	205,324	313,468	294,861	50,735	3,620,359
Salaries, wages and benefits	187,967	17,403	154,265	45,515	8,951	187,350	138,937	23,948	764,336
Materials, services and rents	160,060	23,923	342,472	503,010	19,426	45,685	283,860	40,084	1,418,520
Transfer payments					111,214	70,965			182,179
Contracted services	38,520	178,646			2,700	32,660	63,270		315,796
Amortization	51,094	11,905	364,195	278,140	7,313		15,291	56	727,994
Interest on long term debt				92,865					92,865
TOTAL EXPENSES	437,641	231,877	860,932	919,530	149,604	336,660	501,358	64,088	3,501,690
ANNUAL SURPLUS/ DEFICIENCY	\$ 1,046,645	\$ (193,398)	\$ (138,360)	\$ (408,896)	\$ 55,720	\$ (23,192)	\$ (206,497)	\$ (13,353)	\$ 118,669

EDWARD A. JAKUBO, CHARTERED ACCOUNTANT