

**THE CORPORATION OF
THE TOWN OF GORE BAY**

Consolidated Financial Statements

Year Ended December 31, 2014

MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of the Town of Gore Bay (“the Town”) are the responsibility of the Town’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management’s judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors’ Report outlines their responsibilities, the scope of their examination and their opinion on the Town’s consolidated financial statements.

Mayor

CAO / Clerk

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Gore Bay

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **The Corporation of the Town of Gore Bay**, which comprise the consolidated statement of financial position as at **December 31, 2014**, and the consolidated statements of operations and changes in accumulated surplus, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Gore Bay as at December 31, 2014, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations and changes in accumulated surplus, changes in net assets and cash flows for the year then ended were reported on by another firm of Chartered Professional Accountants.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Professional Accountants
Licensed Public Accountants

Espanola, Ontario
September 14, 2015

THE CORPORATION OF THE TOWN OF GORE BAY
Consolidated Statement of Financial Position
December 31, 2014 with comparative figures for 2013

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents (note 2)	3,042,418	2,386,185
Taxes receivable (note 3)	93,272	100,472
Accounts receivable	1,655,406	1,469,011
	4,791,096	3,955,668
Financial Liabilities		
Accounts payable and accrued liabilities	493,541	311,605
Landfill site closure and post-closure liability (note 4)	33,238	37,839
Deferred revenue (note 5)	1,474,992	492,084
Long-term debt (note 6)	1,802,403	1,882,575
	3,804,174	2,724,103
Net assets	986,922	1,231,565
Non-financial Assets (note 7)		
Tangible capital assets (note 8)	13,744,645	14,096,857
Land held for resale	267,060	107,719
Inventory	10,031	10,148
Prepaid expenses	26,286	422
	14,048,022	14,215,146
Accumulated Surplus (note 9)	15,034,944	15,446,711

Contingent liabilities (note 10)

Commitments (note 11)

The accompanying notes are an integral part of this consolidated financial statement.

THE CORPORATION OF THE TOWN OF GORE BAY
Consolidated Statement of Operations and Changes in Accumulated Surplus
Year ended December 31, 2014 with comparative figures for 2013

	2014 Budget \$	2014 Actual \$	2013 Actual \$
Revenues			
Taxation			
Residential and farm		890,765	1,014,369
Commercial, industrial and business		274,176	283,119
Other government and agencies		20,113	15,467
		1,185,054	1,312,955
Deduct:			
Amounts raised on behalf of the school boards		229,578	230,052
	950,129	955,476	1,082,903
Government Transfers			
Government of Canada	1,522,562	272,514	79,246
Province of Ontario	1,320,016	1,027,140	975,839
Other municipalities	80,171	88,722	88,221
	2,922,749	1,388,376	1,143,306
User Charges			
Sewer and water charges	378,741	398,908	424,311
Fees, service charges and donations	637,991	649,717	1,401,649
	1,016,732	1,048,625	1,825,960
Other			
Licenses and permits	7,950	9,623	10,660
Sale of equipment	-	1,700	-
Investment income	3,000	18,914	25,569
Penalties and interest charges	11,500	13,885	10,051
Other	95,102	114,519	48,206
	117,552	158,641	94,486
Total Revenues	5,007,162	3,551,118	4,146,655
Expenditures			
General government services	411,870	482,660	385,848
Protection services	358,717	359,095	282,923
Transportation services	608,572	507,584	548,924
Environmental services	763,703	1,143,876	847,669
Health services	187,141	160,062	168,093
Social and family services	91,613	347,740	330,653
Recreation and cultural services	369,658	873,010	960,839
Planning and development services	48,768	88,858	108,655
Total expenditures	2,840,042	3,962,885	3,633,604
Annual surplus (deficit)	2,167,120	(411,767)	513,051
Accumulated surplus, beginning of year	15,446,711	15,446,711	14,933,660
Accumulated surplus, end of year	17,613,831	15,034,944	15,446,711

The accompanying notes are an integral part of this consolidated financial statement.

THE CORPORATION OF THE TOWN OF GORE BAY
Consolidated Statement of Changes in Net Assets
Year ended December 31, 2014 with comparative figures for 2013

	2014	2014	2013
	Budget	Actual	Actual
	\$	\$	\$
Annual surplus (deficit)	2,167,120	(411,767)	513,051
Acquisition of tangible capital assets	(1,150,666)	(577,289)	(1,279,451)
Amortization of tangible capital assets	-	929,501	873,198
Change in other non-financial assets	-	(185,088)	(117,275)
Change in net assets	1,016,454	(244,643)	(10,477)
Net assets, beginning of year	1,231,565	1,231,565	1,242,042
Net assets, end of year	2,248,019	986,922	1,231,565

The accompanying notes are an integral part of this consolidated financial statement.

THE CORPORATION OF THE TOWN OF GORE BAY
Consolidated Statement of Cashflows
Year ended December 31, 2014 with comparative figures for 2013

	2014	2013
	\$	\$
Cash flows from operations		
Annual surplus (deficit)	(411,767)	513,051
Items not involving cash		
Amortization of tangible capital assets	929,501	873,198
Changes in non-cash assets and liabilities		
Taxes receivable	7,200	(21,676)
Accounts receivable	(186,395)	(75,895)
Accounts payable and accrued liabilities	181,936	(34,025)
Deferred revenue	982,908	(961,257)
Other non-financial assets	(185,088)	(10,010)
	1,318,295	283,386
Capital transactions		
Cash used to acquire tangible capital assets	(577,289)	(1,279,451)
	(577,289)	(1,279,451)
Financing transactions		
Repayment of long-term debt	(80,172)	(68,445)
Landfill site closure and post-closure liability	(4,601)	(5,112)
	(84,773)	(73,557)
Increase (decrease) in cash and cash equivalents	656,233	(1,069,622)
Cash and cash equivalents, beginning of year	2,386,185	3,455,807
Cash and cash equivalents, end of year	3,042,418	2,386,185

The accompanying notes are an integral part of this consolidated financial statement.

The Corporation of the Town of Gore Bay ("Town") is a municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, 2001 and other related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are the representation of management. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards for local government as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

i) Local Boards

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Town and include the activities of all committees of Council and the following local boards which are under the control of Council including:

Western Manitoulin Historical Society Museum Board
Gordon Cemetery Board
Gore Bay Fire Department Joint Board of Management
Gore Bay Union Public Library Board
Gore Bay Waterworks and Sewerworks

ii) Joint Local Board

These consolidated financial statements reflect contributions to the following joint local boards, which are not under the direct control of council, as expenditures in the consolidated statement of operations:

Sudbury and District Health Unit
Manitoulin-Sudbury District Services Board

The assets, liabilities, revenues and expenditures of these joint local boards have not been proportionately consolidated in these consolidated financial statements.

iii) Proportionally Consolidated Entities

These consolidated statements reflect proportionally the Town's share of the assets, liabilities, revenues and expenditures of the following joint local boards:

Manitoulin Centennial Manor

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) **Accounting for School Board Transactions**

The taxation, other revenues, expenditures, assets and liabilities with respect to operations of school boards are not reflected in these consolidated financial statements.

b) **Basis of Accounting**

i) **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.

ii) **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and in bank accounts and short-term, highly liquid interest bearing instruments with original maturities of less than one year.

iii) **Inventory**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv) **Pensions and Employee Benefits**

The Town accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued as entitlements are earned.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Tangible Capital Assets

Tangible capital assets are recorded at cost. The Town provides for amortization using the straight-line method at rates designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

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

Additions are amortized at full annual rate if purchased in first half of year and not amortized if purchased in last half of year.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

vi) Revenue Recognition

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Supplementary taxation revenues are recorded at the time these bills are issued.

Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of appeals are recorded when the result of the appeal is known.

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

Government transfers are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met; and the amount can be reasonably estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

User charges and other revenues are recognized in the period that the goods or services are provided.

vii) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these consolidated financial statements are the landfill closure and post-closure liability, estimated useful lives of tangible capital assets, estimated amounts for uncollectible accounts receivable and reassessment of taxes receivable.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

viii) Financial Instruments

The Town initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Town subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, taxes receivable and account receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

2. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	2014	2013
	\$	\$
Cash	1,442,629	853,183
Guaranteed investment certificates	1,599,789	1,533,002
	3,042,418	2,386,185

Investments are guaranteed investment certificates with maturities of twelve months or less. Council has designated all of these investments for reserve funds which are detailed in Schedule 1 to these consolidated financial statements.

3. TAXES RECEIVABLE

The components of taxes receivable are as follows:

	2014	2013
	\$	\$
Taxes receivable	87,935	96,299
Interest receivable on outstanding tax balances	5,337	4,173
	93,272	100,472

4. LANDFILL SITE CLOSURE AND POST-CLOSURE LIABILITY

Under environmental law in the province of Ontario, there is a requirement for the Town to provide for closure and post-closure care of all active and inactive solid waste landfill sites. Accounting standards require that the costs associated with this requirement are provided for in the accounts over the service life of the landfill site based on its usage on a volumetric basis. The reported liability is based on estimates and assumptions regarding future events using the best information available to management. Actual results will vary from the estimated amounts and the change in the estimate will be recognized on a prospective basis as a change in accounting estimate in the year the change is determined.

The Town's landfill site was closed in 1995 and is currently undergoing post-closure care including monitoring, site inspection and maintenance.

The estimated total liability represents the sum of the discounted future cash flows for post-closure care activities. The estimated discounted landfill post-closure care liability is calculated using a discount rate rate of 3.50% (2013 – 3.50%) minus an inflation rate of 1.89% (2013 – 1.89%) over the estimated remaining monitoring period of 8 years.

5. DEFERRED REVENUE

	2014	2013
	\$	\$
Deferred revenue, beginning of year	492,084	1,138,710
Contributions received during the year	1,060,401	9,604
Amounts recognized as revenue during the year	(77,493)	(656,230)
Deferred revenue, end of year	1,474,992	492,084
Deferred revenue consists of the following:		
Province of Ontario	229,772	255,551
Government of Canada	1,143,268	83,755
Other	101,952	152,778
	1,474,992	492,084

THE CORPORATION OF THE TOWN OF GORE BAY
Notes to the Consolidated Financial Statements
December 31, 2014

6. LONG-TERM DEBT

	2014	2013
	\$	\$
Gore Bay Manitoulin Airport Commission loan payable, repayable in annual instalments of \$20,614 including interest at 3.00% per annum, unsecured, maturing May 1, 2026	126,200	142,957
Ontario Infrastructure Project Corporation (OIPC) debenture, repayable in semi-annual payments of \$73,450, including interest at 4.93% per annum, unsecured, maturing October 2031	1,676,203	1,739,618
	1,802,403	1,882,575

b) Principal payments on the long-term debt over the next five years are estimated as follows:

	\$
2015	90,395
2016	86,133
2017	90,084
2018	94,219
2019	98,552
2020 and subsequent	1,343,020
	1,802,403

7. NON-FINANCIAL ASSETS

Tangible capital assets and other non-financial assets are accounted for as assets by the Town because they can be used to provide services to residents and ratepayers of the Town in future periods. These assets do not normally provide resources to discharge the liabilities of the Town unless they are sold.

THE CORPORATION OF THE TOWN OF GORE BAY
Notes to the Consolidated Financial Statements
December 31, 2014

8. TANGIBLE CAPITAL ASSETS

	Land \$	Buildings \$	Docks \$	Roads and Bridges \$	Automotive Equipment \$	Furniture and Equipment \$	Parks \$	Water and Sewer \$	2014 Total \$
Cost									
Balance, beginning of year	740,412	4,274,343	2,669,279	4,959,180	412,297	560,865	319,321	10,553,851	24,489,548
Additions	1	38,180	507,962	4,870	-	26,276	-	-	577,289
Disposals	-	-	-	-	-	-	-	-	-
Balance, end of year	740,413	4,312,523	3,177,241	4,964,050	412,297	587,141	319,321	10,553,851	25,066,837
Accumulated Amortization									
Balance, beginning of year	-	1,084,708	904,741	3,702,970	121,493	315,421	71,862	4,191,496	10,392,691
Amortization expense	-	66,261	211,816	201,199	28,180	64,524	15,966	341,555	929,501
Balance, end of year	-	1,150,969	1,116,557	3,904,169	149,673	379,945	87,828	4,533,051	11,322,192
Net book value	740,413	3,161,554	2,060,684	1,059,881	262,624	207,196	231,493	6,020,800	13,744,645
	Land \$	Buildings \$	Docks \$	Roads and Bridges \$	Automotive Equipment \$	Furniture and Equipment \$	Parks \$	Water and Sewer \$	2013 Total \$
Cost									
Balance, beginning of year	740,412	3,699,217	2,167,006	4,856,283	412,297	525,741	255,290	10,553,851	23,210,097
Additions	-	575,126	502,273	102,897	-	35,124	64,031	-	1,279,451
Disposals	-	-	-	-	-	-	-	-	-
Balance, end of year	740,412	4,274,343	2,669,279	4,959,180	412,297	560,865	319,321	10,553,851	24,489,548
Accumulated Amortization									
Balance, beginning of year	-	1,019,084	726,789	3,502,475	93,313	267,528	55,896	3,854,408	9,519,493
Amortization expense	-	65,624	177,952	200,495	28,180	47,893	15,966	337,088	873,198
Balance, end of year	-	1,084,708	904,741	3,702,970	121,493	315,421	71,862	4,191,496	10,392,691
Net book value	740,412	3,189,635	1,764,538	1,256,210	290,804	245,444	247,459	6,362,355	14,096,857

9. ACCUMULATED SURPLUS AT THE END OF THE YEAR

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

	2014	2013
	\$	\$
Amounts invested in tangible capital assets	13,744,645	14,096,857
Reserves (Schedule 1)	150,000	150,000
Reserve funds (Schedule 1)	1,968,149	2,139,907
Unfunded landfill liabilities	(33,238)	(37,839)
General operations	(794,612)	(902,214)
	15,034,944	15,446,711

10. CONTINGENT LIABILITIES

The Town receives transfers from the governments of Canada and Ontario. Some government transfers are subject to audit by the transferring government with adjustments, if any, repayable to the transferring government. Audit adjustments, if any, are recorded in the accounts in the year in which they become known.

11. COMMITMENTS

- a) The Town has entered into a management services agreement with the Ontario Clean Water Agency (OCWA) to operate and maintain the Town's water treatment plant and distribution system. The agreement is for a five year period ending March 31, 2019, at an annual cost as follows:

	\$
January 1, 2014 to December 31, 2014	172,973
January 1, 2015 to December 31, 2015	175,568
January 1, 2016 to December 31, 2016	178,201
January 1, 2017 to December 31, 2017	180,874
January 1, 2018 to December 31, 2018	183,587
January 1, 2019 to March 31, 2019	46,585
	937,788

- b) The Town has entered into a waste and recycling services agreement with H. Dodge Haulage for a one year period ended August 31, 2015 (renewable annually for a period of one year), at an annual cost of \$40,936.

CORPORATION OF THE TOWN OF GORE BAY
Notes to the Consolidated Financial Statements
December 31, 2014

12. SPECIAL LEVY WATER FILTRATION PLANT

During the year, the Town of Gore Bay issued a special levy on the ratepayers totalling \$23,088 (2013 - \$71,185). 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.

13. CONTRIBUTIONS TO JOINT LOCAL BOARDS

Further to note 1(a) (ii), the following contributions were made by the Town to these boards:

	2014	2013
	\$	\$
Manitoulin-Sudbury District Services Board	146,998	158,143
Sudbury and District Health Unit	32,490	30,714
	179,488	188,857

The Town's share of the assets, liabilities, revenue and expenditures of these joint local boards are as follows:

	2014	2013
	%	%
Manitoulin-Sudbury District Services Board	1.553	1.605
Sudbury and District Health Unit	0.493	0.473

14. SEGMENTED DISCLOSURE

The Town is a diversified municipal government institution that provides a wide range of services to citizens. Services include water, roads, fire, police, waste management, recreation programs, economic development, land use planning and health and social services. For management reporting purposes, the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Town services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, along with the services they provide, and are as follows:

General Government

General Government consists of: Office of the Mayor, council expenses, administrative services (including clerks, elections, communications, legal and information technology services), human resources and financial departments. Areas within the general government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

Protection Services

This section consists of: fire, police, animal control, building services and emergency measures. Police services are provided by the Ontario Provincial Police and ensure the safety of the lives and property of citizens; preserve peace and order; prevent crimes from occurring, detect offenders and enforce the law. Fire Services is responsible to provide fire suppression service; fire prevention programs, training and education related to prevention, detection and extinguishment of fires. The Building Services Division processes permit applications and ensure compliance with the Ontario Building Code and with By-Laws enacted by Council.

Transportation Services

This area is responsible for management of Roadways including traffic and winter control.

Environmental Services

In addition to the management of waterworks, sanitary and storm sewer systems, this area is responsible for waste collection, waste disposal and recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system. This section produces quality effluents meeting regulatory requirements and minimizing environment degradation.

Health and Social Services

This section consists of Assistance to aged persons, Cemetery Services as well as the Town's contribution to the Sudbury and District Health Unit and Manitoulin-Sudbury District Services Board.

Recreation and Cultural Services

This section provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services and provides management of arenas leisure facilities and a marina. This section also contributes to the information needs of the Town's citizens through the provision of library and cultural services and by preserving local history and managing archived data.

14. SEGMENTED DISCLOSURE (continued)

Planning and Development

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities, and to ensure that the Town is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles. This section includes of the Town's contribution to the Manitoulin Planning Board.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, certain government grants and other revenue are apportioned to services based on a percentage of operations.

CORPORATION OF THE TOWN OF GORE BAY
Notes to the Consolidated Financial Statements
December 31, 2014

14. SEGMENTED DISCLOSURE (continued)

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Recreation and Cultural Services \$	Planning and Development \$	2014 Total \$	2013 Total \$
Revenues										
Taxation	955,476	-	-	-	-	-	-	-	955,476	1,082,903
Grants	426,411	55,080	2,948	158,143	3,640	169,666	570,988	1,500	1,388,376	1,143,306
User Charges	54,468	-	-	399,989	24,154	80,806	489,208	-	1,048,625	1,825,960
Other	51,156	262	-	10,439	8,794	6,343	81,647	-	158,641	94,486
	<u>1,487,511</u>	<u>55,342</u>	<u>2,948</u>	<u>568,571</u>	<u>36,588</u>	<u>256,815</u>	<u>1,141,843</u>	<u>1,500</u>	<u>3,551,118</u>	<u>4,146,655</u>
Expenditures										
Salaries, wages and benefits	250,550	26,937	136,282	17,010	12,556	190,868	182,438	4,214	820,855	794,285
Purchase of goods and materials	162,425	32,412	119,991	258,538	20,151	78,929	417,628	73,164	1,163,238	1,067,105
Contracts and services	12,834	271,102	-	443,289	1,221	15,949	22,089	-	766,484	725,353
Amortization	56,851	28,644	247,163	341,555	8,634	-	242,973	3,681	929,501	873,198
Financial expenses	-	-	-	-	-	-	7,882	-	7,882	7,882
Interest on long-term debt	-	-	4,148	83,484	-	-	-	-	87,632	87,329
Other transfers	-	-	-	-	117,500	61,994	-	7,799	187,293	78,452
	<u>482,660</u>	<u>359,095</u>	<u>507,584</u>	<u>1,143,876</u>	<u>160,062</u>	<u>347,740</u>	<u>873,010</u>	<u>88,858</u>	<u>3,962,885</u>	<u>3,633,604</u>
Excess (deficiency) of revenues over expenditures	1,004,851	(303,753)	(504,636)	(575,305)	(123,474)	(90,925)	268,833	(87,358)	(411,767)	513,051

15. PENSION PLAN

The Town makes contributions to OMERS, which is a multi-employer pension plan, on behalf of the members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2014 was \$33,077 for current service and is included as an expenditure on the consolidated statement of operations and changes in accumulated surplus.

At December 31, 2014, the OMERS pension plan had total assets of \$94.3 billion (2013 \$ 83.1 billion) and an accumulated deficit of \$5.3 billion (2013 - \$8.8 billion).

16. BUDGET

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results in these consolidated financial statements. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require the full accrual basis. The budget figures include a transfer of the anticipated annual surplus to reserves. In addition, the budget expenses all tangible capital asset acquisitions and does not include a provision for amortization expense. As a result, the budget figures presented in the consolidated statements of operations and changes in accumulated surplus represent the budget adopted by Council, adjusted as follows:

	2014	2013
	\$	\$
Budget surplus approved by Council	11,454	23,238
Add: Budgeted tangible capital asset additions	1,150,666	1,923,402
Add: Budgeted debt repayments	371,500	-
Add: Budgeted reserve transfers	633,500	(797,511)
Budget surplus per consolidated financial statements	2,167,120	1,149,129

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, taxes receivable, account receivables, accounts payable and accrued liabilities and long-term debt. The nature of the risks to which the Town may be subject to are as follows:

a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Town is exposed to this risk relating to its cash and cash equivalents and accounts receivable.

The Town holds its cash and cash equivalents accounts with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The Town is exposed to credit risk in accounts receivable which includes ratepayers, government and other receivables. The Town measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

17. FINANCIAL INSTRUMENTS (continued)

b) Liquidity risk

Liquidity risk is the risk that the Town cannot repay its obligations when they become due to its creditor. The Town is exposed to this risk relating to its accounts payable and accrued liabilities.

The Town reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash to repay trade creditors as payables become due.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town is exposed to this risk mainly in respect of its long-term debt.

The Town has minimal interest rate exposure on its long-term debt, which is at fixed interest rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These changes do not affect the annual surplus (deficit).

The consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations and changes in accumulated surplus, changes in net assets and cash flows for the year then ended were reported on by another Firm of Chartered Professional Accountants who issued an unqualified opinion in the report dated November 18, 2014.

