

**The Corporation of the  
Town of Gore Bay**

**Independent Auditor's Report and  
Financial Report**

**December 31, 2022**

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## **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 accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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 auditor 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 Baker Tilly SNT LLP, independent external auditor appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

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Mayor  
July 10, 2023

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Chief Administrative Officer/Clerk  
July 10, 2023

## **Independent Auditor's Report**

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

**Baker Tilly SNT LLP / s.r.l.**  
1174 St. Jerome  
Sudbury, ON, Canada P3A 2V9  
**T:** +1 705.560.5592  
**F:** +1 705.560.8832

**[www.bakertilly.ca](http://www.bakertilly.ca)**

### **Opinion**

We have audited the consolidated financial statements of The Corporation of the Town of Gore Bay, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Gore Bay as at December 31, 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance 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.

## **Independent Auditor's Report** (Continued)

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements** (Continued)

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## Independent Auditor's Report (Continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sudbury, Ontario  
July 10, 2023

*Baker Tilly SNT LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS,  
LICENSED PUBLIC ACCOUNTANTS

**The Corporation of the Town of Gore Bay**  
**Consolidated Statement of Financial Position**  
**December 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>Financial Assets</b>		
Cash and cash equivalents (note 4)	\$ 6,068,735	\$ 6,040,484
Taxes receivable	33,009	14,778
Accounts receivable (note 5)	803,309	211,489
Land held for resale	3,348	5,387
Investment in government business enterprise (note 6)	238,915	216,871
	<u>7,147,316</u>	<u>6,489,009</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	792,143	445,131
Deferred revenues (note 7)	2,609,597	2,297,855
Deferred revenues - obligatory reserve funds (note 8)	146,431	113,830
Municipal debt (note 9)	1,055,914	1,147,290
	<u>4,604,085</u>	<u>4,004,106</u>
<b>Net Financial Assets</b>	<u>2,543,231</u>	<u>2,484,903</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 10)	16,289,013	15,668,779
Prepaid expenses	102,301	3,819
Inventories	50,679	42,813
	<u>16,441,993</u>	<u>15,715,411</u>
<b>Accumulated Surplus (note 11)</b>	<u>\$ 18,985,224</u>	<u>\$ 18,200,314</u>
Contingencies (note 12)		
Commitments (note 13)		

Approved by:

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

**The Corporation of the Town of Gore Bay**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For The Year Ended December 31, 2022**

	<u>2022</u>		<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Unaudited)		
<b>Revenues</b>			
Net taxation	\$ 1,232,193	\$ 1,243,922	\$ 1,192,150
User charges	1,092,128	1,340,496	1,031,907
Government grants and transfers - Provincial	580,415	787,127	883,553
Government grants and transfers - Federal	4,000	64,878	7,200
Government grants and transfers - Municipal	11,000	68,091	74,706
Other	956,268	1,435,232	635,589
	<u>3,876,004</u>	<u>4,939,746</u>	<u>3,825,105</u>
<b>Expenses</b>			
General government	698,845	700,606	618,075
Protection services	240,021	325,190	270,043
Transportation services	433,621	748,029	718,471
Environmental services	611,042	979,602	964,811
Health services	165,330	272,181	175,966
Social and family services	101,774	493,118	438,797
Recreation and cultural services	555,165	1,328,011	1,036,020
Planning and development	32,121	34,876	27,881
	<u>2,837,919</u>	<u>4,881,613</u>	<u>4,250,064</u>
<b>Annual surplus (deficit) before other</b>	<b>1,038,085</b>	<b>58,133</b>	<b>(424,959)</b>
<b>Other</b>			
Government grants and transfers related to capital	<u>2,083,342</u>	<u>704,733</u>	<u>199,895</u>
<b>Annual surplus (deficit) before undernoted item</b>	<b>3,121,427</b>	<b>762,866</b>	<b>(225,064)</b>
<b>Gain from investment in government business enterprise</b>	<u>-</u>	<u>22,044</u>	<u>69,452</u>
<b>Annual surplus (deficit)</b>	<b>3,121,427</b>	<b>784,910</b>	<b>(155,612)</b>
<b>Accumulated surplus, beginning of year</b>	<u>18,200,314</u>	<u>18,200,314</u>	<u>18,355,926</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 21,321,741</u>	<u>\$ 18,985,224</u>	<u>\$ 18,200,314</u>

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

**The Corporation of the Town of Gore Bay**  
**Consolidated Statement of Cash Flows**  
**For The Year Ended December 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ 784,910	\$ (155,612)
<b>Cash and cash equivalents provided by (applied to)</b>		
Non-cash items:		
Amortization of tangible capital assets	1,368,393	1,295,507
Gain from investment in government business enterprise	(22,044)	(69,452)
Change in non-cash working capital balances		
(Increase) decrease in taxes receivable	(18,231)	23,367
(Increase) decrease in accounts receivable	(591,820)	276,138
Increase (decrease) in accounts payable and accrued liabilities	347,012	(71,413)
Decrease in other current assets	2,039	41,020
Increase in deferred revenues	311,742	399,225
Increase (decrease) in deferred revenues - obligatory reserve funds	32,601	(3,783)
(Increase) decrease in prepaid expenses	(98,482)	4,137
(Increase) decrease in inventories	(7,866)	3,296
Decrease in landfill closure and post-closure	<u>-</u>	<u>(4,098)</u>
Cash and cash equivalents provided by operating transactions	2,108,254	1,738,332
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(1,988,627)	(706,028)
<b>Financing transactions</b>		
Municipal debt repaid	<u>(91,376)</u>	<u>(102,855)</u>
<b>Increase in cash and cash equivalents</b>	<b>28,251</b>	<b>929,449</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>6,040,484</b></u>	<u><b>5,111,035</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><u><b>\$ 6,068,735</b></u></u>	<u><u><b>\$ 6,040,484</b></u></u>

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

**The Corporation of the Town of Gore Bay**  
**Consolidated Statement of Change in Net Financial Assets**  
**For The Year Ended December 31, 2022**

	<u>2022</u> <b>Budget</b> (Unaudited)	<u>2022</u> <b>Actual</b>	<u>2021</u> <b>Actual</b>
<b>Annual surplus (deficit)</b>	<b>\$ 3,121,427</b>	<b>\$ 784,910</b>	<b>\$ (155,612)</b>
Amortization of tangible capital assets	-	<b>1,368,393</b>	1,295,507
Acquisition of tangible capital assets	<b>(3,603,559)</b>	<b>(1,988,627)</b>	(706,028)
Change in prepaid expenses	-	<b>(98,485)</b>	4,137
Change in inventories	-	<b>(7,866)</b>	3,296
<b>Increase (decrease) in net financial assets</b>	<b>(482,132)</b>	<b>58,325</b>	441,300
<b>Net financial assets, beginning of year</b>	<u><b>2,484,903</b></u>	<u><b>2,484,903</b></u>	<u>2,043,603</u>
<b>Net financial assets, end of year</b>	<u><u><b>\$ 2,002,771</b></u></u>	<u><u><b>\$ 2,543,228</b></u></u>	<u><u>\$ 2,484,903</u></u>

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

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**1. Significant Accounting Policies**

These consolidated financial statements of the Town are the representations of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

(a) Basis of Consolidation

(i) Consolidated Entities

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

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

All interfund assets and liabilities and revenues and expenses have been eliminated.

(ii) Proportionally Consolidated Entities

Activities in joint local boards are accounted for using the proportionate consolidation method. Under this method, the Town's proportionate share of joint local board revenues, expenses, assets and liabilities are included in the accounts. The following joint local board is proportionately consolidated:

Manitoulin Centennial Manor  
The Town's proportionate share of Manitoulin Centennial Manor was 6.27% for 2022 (6.27% for 2021).

All interfund assets and liabilities and revenues and expenses have been eliminated.

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**1. Significant Accounting Policies (Continued)**

(a) Basis of Consolidation (Continued)

(iii) Non-Consolidated Entities

These consolidated financial statements reflect contributions to the following joint local boards, which are not under the direct control of Council, as expenses in the consolidated statement of operations and accumulated surplus. The following joint local boards are not consolidated:

Public Health Sudbury & Districts  
Manitoulin-Sudbury District Services Board

(iv) Investment in Government Business Enterprise

The Gore Bay Manitoulin Airport Commission Inc. is a government business enterprise and is accounted for using the modified equity method. Each year, the Town's share of income from the government business enterprise is recognized in the consolidated financial statements and the investment in the government business enterprise is adjusted to reflect the change in equity occurring during the year.

(v) Accounting for School Board Transactions

The Town is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Town has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

(b) Basis of Accounting

(i) Accrual Basis

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

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(ii) Cash and Cash Equivalents

The Town's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with maturities of three months from the date of acquisition or less or those that can be readily convertible to cash.

(iii) Land held for resale

Land held for resale consisting of surplus land and cemetery plots is recorded at the lower of cost and net realizable value.

(iv) Deferred Revenues

Deferred revenues represent government transfers, contributions, user charges and fees that have been collected for which the related services have yet to be performed. Revenue is recognized in the period when the services are performed.

(v) Deferred Revenue - Obligatory Reserve Funds

The Town receives certain contributions and other revenues under the authority of legislation. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(vi) Employee Future Benefits

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred.

(vii) Segmented Information

The Town reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Town:

*General Government*

General government is comprised of Council, administration, and Ontario Property Assessment.

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(vii) Segmented Information (Continued)

*Protection Services*

Protection is comprised of police, fire and other protective services.

*Transportation Services*

Transportation services are responsible for road maintenance, culverts, bridges, winter control and streetlights.

*Environmental Services*

Environmental services include water supply and distribution, wastewater treatment, waste and recycling services.

*Health Services*

Health services include public health services and cemetery services.

*Social and Family Services*

Social and family services include social assistance, long-term care, paramedic services, social housing and child care services.

*Recreation and Cultural Services*

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

*Planning and Development*

Planning and development manages development for residential and business interests as well as services related to the Town's economic development programs.

(viii) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the Consolidated Change in Net Assets for the year.

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(viii) Non-Financial Assets (Continued)

*i) Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

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

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

*ii) Inventories*

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

*iii) Prepaid Expenses*

Prepaid expenses represent amounts paid in advance for a good or service not yet received. The expense is recognized once the goods have been received or the services have been performed.

# The Corporation of the Town of Gore Bay

## Notes to the Consolidated Financial Statements

### December 31, 2022

#### 1. Significant Accounting Policies (Continued)

##### (b) Basis of Accounting (Continued)

###### (ix) Taxation and Other Revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. 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 assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessment 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 or based on management's best estimates.

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

Other income is recognized as revenue when earned. Fines and fees are recognized as revenue when collected.

###### (x) Government Grants and Transfers

Government grants and transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the consolidated statement of operations and accumulated surplus as the stipulations giving rise to the liabilities are settled.

###### (xi) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions. These estimates and assumptions are based on management's best information and judgment and may differ significantly from actual results.

# **The Corporation of the Town of Gore Bay**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2022**

## **2. Measurement Uncertainty**

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Town's best information and judgment.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

## **3. Future Accounting Pronouncements**

These standards and amendments were not effective in the year ended December 31, 2022, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

Section PS 3450 - Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments for public sector entities. The standard requires fair value measurement of derivatives and portfolio investments that are equity instruments quoted in an active market. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Unrealized gains and losses are represented in the new statement of re-measurement gains and losses. New requirements clarify when financial liabilities can be de-recognized. Disclosure of the nature and extent of risks arising from holding financial instruments is also required. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 1201 - Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of re-measurement gains and losses separate from the statement of operations. This new statement includes unrealized gains and losses arising from re-measurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 2601 and PS 3450 are adopted.

# The Corporation of the Town of Gore Bay

## Notes to the Consolidated Financial Statements

### December 31, 2022

#### 3. Future Accounting Pronouncements (Continued)

Section PS 2601 - Foreign Currency Translation, was issued in June 2011 and replaces the existing Section PS 2600. This standard has been revised to ensure consistency with the financial instruments standard. The standard requires that non-monetary items denominated in foreign currency that are included in the fair value category are adjusted to reflect the exchange rate at the financial statement date. Unrealized exchange gains and losses are presented in the new statement of re-measurement gains and losses. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 3041 – Portfolio Investments, was issued in March 2012 and replaces the existing section PS 3040. This standard has been revised to ensure consistency with the financial instruments standards. This standard provides revised guidance on accounting for, presentation and disclosure of portfolio investments. The distinction between temporary and portfolio investments has been removed in this new standard, and upon adoption, PS 3030 Temporary Investments will no longer apply. This section is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 2601 and PS 3450 are adopted.

Section PS 3280 - Asset Retirement Obligations, was issued in August 2018. This standard establishes standards on how to account for and report a liability for asset retirement obligations. It defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for an asset retirement obligation and provides the related financial statement presentation and disclosure requirements. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 3400 - Revenue, establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. This section applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

Guideline PSG-8 - Purchased Intangibles, provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act. This guideline applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

Section PS 3160 - Public Private Partnerships (P3s), provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. This section applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**4. Cash and Cash Equivalents**

	<u>2022</u>	<u>2021</u>
Cash	\$ 6,057,509	\$ 6,029,345
Guaranteed Investment Certificate, interest at 0.80% (2021 - 0.75%), maturing on February 27, 2023	<u>11,226</u>	<u>11,139</u>
	<u>\$ 6,068,735</u>	<u>\$ 6,040,484</u>

Investments are guaranteed investment certificates with maturities of twelve months or less. Council has designated portions of its cash and investment accounts to fund all reserve funds totaling \$1,664,250 (2021 - \$1,511,028) which are detailed in Note 11 to these consolidated financial statements.

**5. Accounts Receivable**

	<u>2022</u>	<u>2021</u>
Federal	\$ 308,463	\$ 67,849
Province of Ontario	372,558	58,118
Other Municipalities	61,812	48,298
Other	<u>60,476</u>	<u>37,224</u>
	<u>\$ 803,309</u>	<u>\$ 211,489</u>

**6. Investment in Government Business Enterprise**

The Town, along with two other Townships, have assumed joint responsibility for the operations of the Town of Gore Bay Manitoulin Airport Commission Inc. (the "Airport"). The Airport is 33% owned by the Town.

The Gore Bay Manitoulin Airport Commission Inc's principal activity is the ownership, administration and management of the Gore Bay-Manitoulin Airport.

The corporation is accounted for using the modified equity method in these consolidated financial statements, as follows:

	<u>2022</u>	<u>2021</u>
Long-term investment, beginning of year	\$ 216,871	\$ 147,419
The Town's share of operating surplus for the year	<u>22,044</u>	<u>69,452</u>
Long-term investment, end of year	<u>\$ 238,915</u>	<u>\$ 216,871</u>

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**6. Investment in Government Business Enterprise (Continued)**

Condensed supplementary financial information of the Airport is as follows.

	<u>2022</u>	<u>2021</u>
<b>Statement of Financial Position:</b>		
Financial assets	\$ 633,072	\$ 570,401
Financial liabilities	<u>99,176</u>	<u>50,477</u>
<b>Net Financial Assets</b>	<u>533,896</u>	<u>519,924</u>
<b>Non-Financial Assets</b>		
Tangible capital assets	167,165	174,302
Inventory and prepaid expenses	<u>78,698</u>	<u>49,394</u>
	<u>245,863</u>	<u>223,696</u>
<b>Accumulated surplus</b>	<u>\$ 779,759</u>	<u>\$ 743,620</u>
<b>Statement of Operations:</b>		
Revenue	\$ 541,022	\$ 581,288
Expenses	<u>474,883</u>	<u>372,911</u>
<b>Operating surplus</b>	<u>\$ 66,139</u>	<u>\$ 208,377</u>
Town's share of net income (33% ownership)	<u>\$ 22,044</u>	<u>\$ 69,452</u>

**7. Deferred Revenues**

	Balance, December 31, 2021	Amounts received during the year	Recognized as revenues during the year	Balance, December 31, 2022
Provincial grants	\$ -	\$ 176,441	\$ 7,973	\$ 168,468
Federal grants	894,567	-	-	894,567
Smith Foundation	1,280,919	1,275,000	1,120,934	1,434,985
Other	<u>122,369</u>	<u>2,058</u>	<u>12,850</u>	<u>111,577</u>
<b>Total Deferred Revenues</b>	<u>\$ 2,297,855</u>	<u>\$ 1,453,499</u>	<u>\$ 1,141,757</u>	<u>\$ 2,609,597</u>

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**8. Deferred Revenues - Obligatory Reserve Funds**

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Town are summarized below:

	Balance, December 31, 2021	Amounts received during the year	Recognized as revenues during the year	<b>Balance, December 31, 2022</b>
Federal gas tax	\$ -	\$ 55,547	\$ -	\$ 55,547
Ontario Community Infrastructure Fund	<u>113,830</u>	<u>195,140</u>	<u>218,086</u>	<u>90,884</u>
<b>Total Deferred Revenues - Obligatory Reserve Funds</b>	<u>\$ 113,830</u>	<u>\$ 250,687</u>	<u>\$ 218,086</u>	<u>\$ 146,431</u>

**9. Municipal Debt**

	<u>2022</u>	<u>2021</u>
Ontario Infrastructure Project Corporation (OIPC) debenture loan, repayable in semi-annual instalments of \$73,450 including interest at 4.93%, unsecured, maturing October 15, 2031	<u>\$ 1,055,914</u>	<u>\$ 1,147,290</u>

Principal instalments required to be paid over the next five years are as follows:

2023	\$ 95,936
2024	100,724
2025	105,751
2026	111,029
2027	116,570
Thereafter	<u>525,904</u>
Total	<u>\$ 1,055,914</u>

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**10. Tangible Capital Assets**

	<u>Cost</u>			<u>Accumulated Amortization</u>				<u>Net Book Value</u>		
	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Transfers / Disposals</u>	<u>Balance, end of year</u>	<u>Balance, beginning of year</u>	<u>Amortization</u>	<u>Disposals</u>	<u>Balance, end of year</u>	<u>December 31, 2022</u>	<u>December 31 2021</u>
Land	\$ 801,971	\$ -	\$ -	\$ 801,971	\$ -	\$ -	\$ -	\$ -	\$ 801,971	\$ 801,971
Buildings	5,282,148	1,201,578	-	6,483,726	1,653,976	106,279	-	1,760,255	4,723,471	3,628,172
Docks	5,914,510	7,951	-	5,922,461	3,010,950	394,858	-	3,405,808	2,516,653	2,903,560
Roads and bridges	7,003,331	259,454	-	7,262,785	5,627,739	287,895	-	5,915,634	1,347,151	1,375,592
Automotive equipment	444,228	-	-	444,228	347,824	23,107	-	370,931	73,297	96,404
Furniture and equipment	960,036	121,884	-	1,081,920	828,681	54,845	-	883,526	198,394	131,355
Parks	1,102,378	220,893	-	1,323,271	359,763	61,320	-	421,083	902,188	742,615
Water and sewer	13,246,255	70,495	-	13,316,750	7,257,145	440,089	-	7,697,234	5,619,516	5,989,110
Construction in progress	-	106,372	-	106,372	-	-	-	-	106,372	-
	<u>\$ 34,754,857</u>	<u>\$ 1,988,627</u>	<u>\$ -</u>	<u>\$ 36,743,484</u>	<u>\$ 19,086,078</u>	<u>\$ 1,368,393</u>	<u>\$ -</u>	<u>\$ 20,454,471</u>	<u>\$ 16,289,013</u>	<u>\$ 15,668,779</u>

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**11. Accumulated Surplus**

	<u>2022</u>	<u>2021</u>
Surplus		
Invested in tangible capital assets	\$ 16,289,013	\$ 15,668,779
General operations	1,699,021	1,842,696
Unfunded Liabilities		
Municipal debt	<u>(1,055,914)</u>	<u>(1,147,290)</u>
Total surplus	<u>16,932,120</u>	<u>16,364,185</u>
Reserves		
Reserves		
Working capital	340,008	223,722
Landfill	36,000	36,000
Transfer station	10,500	10,500
Working Funds (Museum)	-	12,533
Harbour Centre	-	5,000
Fire	2,346	2,346
Arena	-	35,000
	<u>388,854</u>	<u>325,101</u>
Reserve funds		
Working capital	-	251,682
Sewer and water	1,272,024	1,092,679
Recreation	45,000	-
Museum & Harbour Centre	69,083	21,826
Medical centre	168,665	60,265
Library	35,807	28,841
Severance	34,203	31,268
Roads	6,568	6,567
Cemetery	17,900	17,900
Vehicle and equipment	15,000	-
	<u>1,664,250</u>	<u>1,511,028</u>
Accumulated Surplus	<u>\$ 18,985,224</u>	<u>\$ 18,200,314</u>

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**12. Contingencies**

**Legal Matters**

The Town has been named defendant in an outstanding legal claim in the amount of \$1,150,000 for damages related to a construction project. The Town has defended this action denying the claim. It is too early in the proceedings to determine the outcome of the claim and management believes the Town has valid defences in place. No amount has been accrued in the accounts as a result of this claim.

**13. Commitments**

The Town has entered into a management services agreement with the Ontario Clean Water Agency (OCWA) to operate and maintain the water treatment plant and distribution system. The agreement is for nine and one half year period ending December 31, 2027, at an annual cost as follows:

2023	\$ 205,620
2024	208,704
2025	211,835
2026	215,012
2027	<u>218,238</u>
	<u>\$ 1,059,409</u>

**14. Operations of School Boards**

Further to note 1(a)(v), the taxation, other revenues, and expenses of the school boards are comprised of the following:

	<u>2022</u>	<u>2021</u>
Taxation and user charges	<u>\$ 185,687</u>	<u>\$ 183,182</u>
Total amounts received or receivable	<b>185,687</b>	183,182
Requisitions	<u>185,687</u>	<u>183,182</u>
	<u>\$ -</u>	<u>\$ -</u>

# **The Corporation of the Town of Gore Bay**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2022**

#### **15. Pension Agreements**

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying 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 OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 559,000 active and retired members and approximately 1,037 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ('the Plan') by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2022, the estimated accrued pension obligation for all members of the Plan was \$128,789 million (2021 - \$119,342 million). The Plan had an actuarial value of net assets at that date of \$122,111 million (2021 - \$116,211 million) indicating an actuarial deficit of \$6,678 million (2021 - \$3,131 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed by the Town to OMERS for 2022 was \$43,492 (2021 - \$44,131) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2022 the yearly maximum pension earnings increased to \$64,900 from \$61,600 in 2021. The contributions are calculated at a rate of 9.0% (2021 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2021 - 14.6%) for amounts above the yearly maximum pension earnings.

#### **16. Budget Figures**

The budget figures as presented in the consolidated financial statements of operations and accumulated surplus and changes in net financial assets do not include the budgets of the consolidated entities as specified in the Basis of Consolidation.

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**16. Budget Figures (Continued)**

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 accumulated surplus and changes in net financial assets represent the budget adopted by Council, adjusted as follows:

	<u>2022</u>	<u>2021</u>
Budget surplus (deficit) approved by Council	\$ -	\$ 76,118
Adjustments:		
Budgeted tangible capital asset additions	3,603,559	1,618,077
Budgeted debt repayments	91,376	-
Budgeted reserve transfers	<u>(573,508)</u>	<u>-</u>
<b>Budget surplus per consolidated financial statements</b>	<b><u><u>\$ 3,121,427</u></u></b>	<b><u><u>\$ 1,694,195</u></u></b>

**17. Comparative Figures**

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022**

**18. Segmented Information**

	<u>General Government</u>	<u>Protection Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2022 Total</u>
<b>Revenues</b>									
Net taxation	\$ 1,243,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,243,922
User charges	-	-	-	587,484	-	77,583	675,429	-	1,340,496
Government grants and transfers - Provincial	473,773	2,308	-	-	11,450	273,869	25,727	-	787,127
Government grants and transfers - Federal	35,001	-	-	-	-	-	29,877	-	64,878
Government grants and transfers - Municipal	-	43,075	-	-	5,260	-	19,756	-	68,091
Government business enterprise	22,044	-	-	-	-	-	-	-	22,044
Other	<u>1,095,194</u>	<u>24,407</u>	<u>15,575</u>	<u>-</u>	<u>155,543</u>	<u>21,953</u>	<u>122,560</u>	<u>-</u>	<u>1,435,232</u>
Total revenues	<u>2,869,934</u>	<u>69,790</u>	<u>15,575</u>	<u>587,484</u>	<u>172,253</u>	<u>373,405</u>	<u>873,349</u>	<u>-</u>	<u>4,961,790</u>
<b>Expenses</b>									
Salary, wages and employee benefits	408,851	38,223	244,002	38,368	15,424	311,494	196,347	1,865	1,254,574
Materials, rents and financial expenses	161,535	63,874	175,650	156,783	117,860	129,430	626,997	8,845	1,440,974
Interest on long-term debt	-	-	-	46,524	-	-	-	-	46,524
Contracted services	48,836	191,518	-	297,836	-	-	-	13,423	551,613
Transfers to other governments and the public	-	8,466	14,319	-	137,494	52,194	-	7,062	219,535
Amortization of tangible capital assets	<u>81,384</u>	<u>23,109</u>	<u>314,058</u>	<u>440,091</u>	<u>1,403</u>	<u>-</u>	<u>504,667</u>	<u>3,681</u>	<u>1,368,393</u>
Total expenses	<u>700,606</u>	<u>325,190</u>	<u>748,029</u>	<u>979,602</u>	<u>272,181</u>	<u>493,118</u>	<u>1,328,011</u>	<u>34,876</u>	<u>4,881,613</u>
<b>Annual surplus (deficit) before other</b>	2,169,328	(255,400)	(732,454)	(392,118)	(99,928)	(119,713)	(454,662)	(34,876)	80,177
<b>Other</b>									
Government grants and transfers related to capital	<u>149,189</u>	<u>-</u>	<u>555,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,733</u>
<b>Annual surplus (deficit)</b>	<u>\$ 2,318,517</u>	<u>\$ (255,400)</u>	<u>\$ (176,910)</u>	<u>\$ (392,118)</u>	<u>\$ (99,928)</u>	<u>\$ (119,713)</u>	<u>\$ (454,662)</u>	<u>\$ (34,876)</u>	<u>\$ 784,910</u>

**The Corporation of the Town of Gore Bay**  
**Notes to the Consolidated Financial Statements**  
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**18. Segmented Information (Continued)**

	<u>General Government</u>	<u>Protection Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2021 Total</u>
<b>Revenues</b>									
Net taxation	\$ 1,192,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,192,150
User charges	-	-	-	567,362	-	85,937	378,608	-	1,031,907
Government grants and transfers - Provincial	549,927	4,800	-	16,301	25,459	241,214	45,852	-	883,553
Government grants and transfers - Federal	4,000	-	-	-	3,200	-	-	-	7,200
Government grants and transfers - Municipal	-	40,725	-	-	4,208	-	29,773	-	74,706
Government business partnership	69,452	-	-	-	-	-	-	-	69,452
Other	<u>109,568</u>	<u>20,649</u>	<u>5,238</u>	<u>(4,761)</u>	<u>47,993</u>	<u>10,025</u>	<u>446,877</u>	<u>-</u>	<u>635,589</u>
Total revenues	<u>1,925,097</u>	<u>66,174</u>	<u>5,238</u>	<u>578,902</u>	<u>80,860</u>	<u>337,176</u>	<u>901,110</u>	<u>-</u>	<u>3,894,557</u>
<b>Expenses</b>									
Salary, wages and employee benefits	365,157	38,519	230,713	34,589	11,833	242,697	142,179	9,443	1,075,130
Materials, rents and financial expenses	171,300	47,143	161,223	156,953	25,836	145,276	417,238	7,368	1,132,337
Interest on long term debt	-	-	422	59,868	-	-	-	-	60,290
Contracted services	20,838	144,638	846	309,759	-	-	-	426	476,507
Transfers to other governments and the public	-	7,589	14,038	-	130,879	50,824	-	6,963	210,293
Amortization of tangible capital assets	<u>60,780</u>	<u>32,154</u>	<u>311,229</u>	<u>403,642</u>	<u>7,418</u>	<u>-</u>	<u>476,603</u>	<u>3,681</u>	<u>1,295,507</u>
Total expenses	<u>618,075</u>	<u>270,043</u>	<u>718,471</u>	<u>964,811</u>	<u>175,966</u>	<u>438,797</u>	<u>1,036,020</u>	<u>27,881</u>	<u>4,250,064</u>
<b>Annual surplus (deficit) before other</b>	<b>1,307,022</b>	<b>(203,869)</b>	<b>(713,233)</b>	<b>(385,909)</b>	<b>(95,106)</b>	<b>(101,621)</b>	<b>(134,910)</b>	<b>(27,881)</b>	<b>(355,507)</b>
<b>Other</b>									
Government grants and transfers related to capital	<u>137,224</u>	<u>-</u>	<u>62,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,895</u>
<b>Annual surplus (deficit)</b>	<b><u>\$ 1,444,246</u></b>	<b><u>\$ (203,869)</u></b>	<b><u>\$ (650,562)</u></b>	<b><u>\$ (385,909)</u></b>	<b><u>\$ (95,106)</u></b>	<b><u>\$ (101,621)</u></b>	<b><u>\$ (134,910)</u></b>	<b><u>\$ (27,881)</u></b>	<b><u>\$ (155,612)</u></b>