

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

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

December 31, 2025

Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report

Consolidated Statement of Financial Position 1

Consolidated Statement of Operations and Accumulated Surplus 2

Consolidated Statement of Cash Flows 3

Consolidated Statement of Change in Net Financial Assets 4

Notes to the Consolidated Financial Statements 5-24

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.

Mayor
June 22, 2026

Town Manager/Clerk
June 22, 2026

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

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, 2025, 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, 2025, 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.

ACCOUNTING • TAX • ADVISORY

Baker Tilly SNT LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

COMPTABILITÉ • FISCALITÉ • SERVICES-CONSEILS

Baker Tilly SNT s.r.l. est membre de la Coopérative Baker Tilly Canada, qui fait partie du réseau mondial Baker Tilly International Limited. Les membres de la Coopérative Baker Tilly Canada et de Baker Tilly International Limited sont tous des entités juridiques distinctes et indépendantes.

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.

Baker Tilly SNT LLP

Sudbury, Ontario
June 22, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

The Corporation of the Town of Gore Bay
Consolidated Statement of Financial Position
December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash and cash equivalents (note 3)	\$ 4,834,460	\$ 5,404,635
Taxes receivable	89,574	46,577
Accounts receivable (note 4)	1,338,022	1,765,264
Inventory held for resale	35,242	40,931
Land held for resale	4,534	5,291
Investment in government business enterprise (note 5)	284,843	284,843
	<u>6,586,675</u>	<u>7,547,541</u>
Liabilities		
Accounts payable and accrued liabilities	1,106,346	914,685
Deferred revenues (note 6)	3,097,181	4,189,703
Deferred revenues - obligatory reserve funds (note 7)	332,666	109,404
Municipal debt (note 8)	753,504	859,254
Asset retirement obligations (note 9)	131,599	131,599
	<u>5,421,296</u>	<u>6,204,645</u>
Net Financial Assets	<u>1,165,379</u>	<u>1,342,896</u>
Non-Financial Assets		
Tangible capital assets (note 10)	22,602,134	18,982,273
Prepaid expenses	141,091	101,040
Inventories	30,009	30,009
	<u>22,773,234</u>	<u>19,113,322</u>
Accumulated Surplus (note 11)	<u><u>\$ 23,938,613</u></u>	<u><u>\$ 20,456,218</u></u>
Contingencies (note 12)		
Commitments (note 13)		

Approved by:

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, 2025

	<u>2025</u> <u>Budget</u> (Unaudited)	<u>2025</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>
Revenues			
Net taxation	\$ 1,482,673	\$ 1,489,599	\$ 1,417,594
User charges	1,449,643	1,465,711	1,401,847
Government grants and transfers - Provincial	790,976	583,668	507,546
Government grants and transfers - Federal	2,000	10,370	7,931
Government grants and transfers - Municipal	-	19,959	35,825
Other	<u>2,360,742</u>	<u>4,116,011</u>	<u>960,958</u>
	<u>6,086,034</u>	<u>7,685,318</u>	<u>4,331,701</u>
Expenses			
General government	898,858	1,255,720	858,377
Protection services	328,408	313,087	258,402
Transportation services	693,506	678,085	661,622
Environmental services	1,097,536	1,106,014	988,901
Health services	193,656	325,878	237,425
Social and family services	113,675	116,854	101,802
Recreation and cultural services	1,257,203	1,487,704	1,438,225
Planning and development	<u>103,016</u>	<u>62,018</u>	<u>34,187</u>
	<u>4,685,858</u>	<u>5,345,360</u>	<u>4,578,941</u>
Annual surplus (deficit) before other	1,400,176	2,339,958	(247,240)
Other			
Government grants and transfers related to capital	<u>909,202</u>	<u>1,142,437</u>	<u>1,500,456</u>
Annual surplus before undernoted item	2,309,378	3,482,395	1,253,216
Gain from investment in government business enterprise	<u>-</u>	<u>-</u>	<u>19,839</u>
Annual surplus	2,309,378	3,482,395	1,273,055
Accumulated surplus, beginning of year	<u>20,456,218</u>	<u>20,456,218</u>	<u>19,183,163</u>
Accumulated surplus, end of year	<u><u>\$ 22,765,596</u></u>	<u><u>\$ 23,938,613</u></u>	<u><u>\$ 20,456,218</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 Cash Flows
For The Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
Operating transactions		
Annual surplus	\$ 3,482,395	\$ 1,273,055
Cash and cash equivalents provided by (applied to)		
Non-cash items:		
Amortization of tangible capital assets	1,151,075	907,235
(Gain) loss on disposal of tangible capital assets	(25,000)	44,577
Gain from investment in government business enterprise	-	(19,839)
Change in non-cash working capital balances		
Decrease (increase) in taxes receivable	(42,997)	14,148
Decrease in accounts receivable	427,242	66,041
(Increase) decrease in inventory held for resale	5,689	(40,931)
Decrease in land held for resale	757	1,517
Increase (decrease) in accounts payable and accrued liabilities	191,661	(166,149)
Increase (decrease) in deferred revenues	(1,092,522)	493,207
Increase (decrease) in deferred revenues - obligatory reserve funds	223,262	(74,686)
Decrease (increase) in prepaid expenses	<u>(40,051)</u>	<u>4,214</u>
Cash and cash equivalents provided by operating transactions	<u>4,281,511</u>	<u>2,502,389</u>
Capital transactions		
Acquisition of tangible capital assets	(4,770,936)	(3,472,886)
Proceeds on disposal of tangible capital assets	<u>25,000</u>	<u>7,500</u>
Cash and cash equivalents applied to capital transactions	<u>(4,745,936)</u>	<u>(3,465,386)</u>
Financing transactions		
Municipal debt repaid	<u>(105,750)</u>	<u>(100,724)</u>
Cash and cash equivalents applied to financing transactions	<u>(105,750)</u>	<u>(100,724)</u>
Decrease in cash and cash equivalents	(570,175)	(1,063,721)
Cash and cash equivalents, beginning of year	<u>5,404,635</u>	<u>6,468,356</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,834,460</u></u>	<u><u>\$ 5,404,635</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, 2025

	<u>2025</u> Budget (Unaudited)	<u>2025</u> Actual	<u>2024</u> Actual
Annual surplus	\$ 2,309,378	\$ 3,482,395	\$ 1,273,055
Amortization of tangible capital assets	1,151,075	1,151,075	907,235
Proceeds on disposal of tangible capital assets		25,000	7,500
(Gain) loss on disposal of tangible capital assets	-	(25,000)	44,577
Acquisition of tangible capital assets	(3,627,035)	(4,770,936)	(3,472,886)
Change in prepaid expenses	<u>-</u>	<u>(40,051)</u>	<u>4,214</u>
Decrease in net financial assets	(166,582)	(177,517)	(1,236,305)
Net financial assets, beginning of year	<u>1,342,896</u>	<u>1,342,896</u>	<u>2,579,201</u>
Net financial assets, end of year	<u>\$ 1,176,314</u>	<u>\$ 1,165,379</u>	<u>\$ 1,342,896</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, 2025

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
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:

Gordon Cemetery Board - Town's proportionate share is 62% (2024 - 62%)

Gore Bay Fire Department Joint Board of Management - Town's proportionate share is 50% (2024 - 50%)

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, 2025

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 Centennial Manor
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, 2025

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) Asset Retirement Obligations

Asset retirement obligations represent the legal obligations associated with the retirement of a tangible capital asset that result from its acquisition, construction, development, or normal use.

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Asset Retirement Obligations (Continued)

The liability associated with an asset retirement obligation is measured with reference to the best estimate of the amount required to ultimately remediate the liability at the consolidated financial statement date to the extent that all recognition criteria are met. Asset retirement obligations are only recognized when there is a legal obligation for the Town to incur costs in relation to a specific tangible capital asset, when the past transaction or event causing the liability has already occurred, when economic benefits will need to be given up in order to remediate the liability and when a reasonable estimate of such amount can be made. The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique.

When a liability for an asset retirement obligation is initially recognized, a corresponding adjustment to the related tangible capital asset is also recognized. Through the passage of time in subsequent reporting periods, the carrying value of the liability is adjusted to reflect accretion expenses incurred in the current period. This expense ensures that the time value of money is considered when recognizing outstanding liabilities at each reporting date. The capitalized asset retirement cost within tangible capital assets is also simultaneously depreciated on the same basis as the underlying asset to which it relates.

At remediation, the Town derecognizes the liability that was established. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and corresponding estimates that were made and are recognized in the consolidated statement of operations and accumulated surplus.

(viii) 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.

Protection Services

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

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) Segmented Information (Continued)

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.

(ix) 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, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ix) 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 and legally or contractually required retirement activities. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	60 years
Docks	15 years
Roads and bridges	15-25 years
Automotive equipment	10 years
Furniture and equipment	10 years
Parks	20 years
Water and sewer	25-75 years

One half of the amortization is charged in the year of acquisition and in the year of disposal.

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, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(x) 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.

User charges are recognized in the period in which the revenue relates.

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

(xi) 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.

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(xii) 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.

(c) Financial Instruments

Financial instruments are classified at either fair value or amortized cost.

Financial instruments classified at amortized cost include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and municipal debt. They are initially recorded at their fair value and subsequently carried at amortized cost using the effective interest rate method, less impairment. Transaction costs are added to the carrying value of the instrument.

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 asset retirement obligations are based on the estimated amount required to ultimately remediate the liability and depend on estimates of usage, remaining life, inflation rates and discount rates.
- 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.

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

3. Cash and Cash Equivalents

	<u>2025</u>	<u>2024</u>
Cash	\$ 4,828,173	\$ 5,398,631
Guaranteed Investment Certificate, interest at 2.50% (2024 - 2.50%), maturing on March 3, 2026	<u>6,287</u>	<u>6,004</u>
	<u>\$ 4,834,460</u>	<u>\$ 5,404,635</u>

Investments are guaranteed investment certificates with maturities of three months or less. Council has designated portions of its cash and investment accounts to fund all reserve funds totalling \$1,126,098 (2024 - \$797,008) which are detailed in Note 11 to these consolidated financial statements.

4. Accounts Receivable

	<u>2025</u>	<u>2024</u>
Federal	\$ 731,361	\$ 904,897
Province of Ontario	511,028	728,319
Other Municipalities	41,093	39,809
Other	<u>54,540</u>	<u>92,239</u>
	<u>\$ 1,338,022</u>	<u>\$ 1,765,264</u>

5. 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 of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

5. Investment in Government Business Enterprise (Continued)

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

	<u>2024</u>
Long-term investment, beginning of year	\$ 265,004
The Town's share of operating surplus for the year	<u>19,839</u>
Long-term investment, end of year	<u><u>\$ 284,843</u></u>

Condensed supplementary financial information of the Airport is as follows:

	<u>2024</u>
Statement of Financial Position	
Financial assets	\$ 526,070
Financial liabilities	<u>53,072</u>
Net Financial Assets	<u>472,998</u>
Non-Financial Assets	
Tangible capital assets	4,943,109
Deferred capital contributions	(4,543,375)
Inventory and prepaid expenses	<u>44,823</u>
	<u>444,557</u>
Accumulated surplus	<u><u>\$ 917,555</u></u>
Statement of Operations	
Revenue	\$ 592,684
Expenses	<u>533,162</u>
Operating surplus	<u><u>\$ 59,522</u></u>
Town's share of net income (33% ownership)	<u><u>\$ 19,839</u></u>

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

6. Deferred Revenues

	Balance, December 31, 2024	Amounts received during the year	Recognized as revenues during the year	Balance, December 31, 2025
Provincial grants	\$ 105,391	\$ 62,316	\$ 167,707	\$ -
Federal grants	541,980	-	-	541,980
Smith Foundation	3,466,116	1,695,000	2,683,508	2,477,608
Other	<u>76,216</u>	<u>2,177</u>	<u>800</u>	<u>77,593</u>
Total Deferred Revenues	<u>\$ 4,189,703</u>	<u>\$ 1,759,493</u>	<u>\$ 2,852,015</u>	<u>\$ 3,097,181</u>

7. 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, 2024	Amounts received during the year	Recognized as revenues during the year	Balance, December 31, 2025
Canada-Community Building Fund	\$ 39,207	\$ 54,696	\$ 22,088	\$ 71,815
Ontario Community Infrastructure Fund	<u>70,197</u>	<u>236,723</u>	<u>46,069</u>	<u>260,851</u>
Total Deferred Revenues - Obligatory Reserve Funds	<u>\$ 109,404</u>	<u>\$ 291,419</u>	<u>\$ 68,157</u>	<u>\$ 332,666</u>

8. Municipal Debt

	<u>2025</u>	<u>2024</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>\$ 753,504</u>	<u>\$ 859,254</u>

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

8. Municipal Debt (Continued)

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

2026	\$ 111,029
2027	116,570
2028	122,387
2029	128,496
2030	134,908
Thereafter	<u>140,114</u>
Total	<u>\$ 753,504</u>

9. Asset Retirement Obligations

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	<u>\$ 131,599</u>	<u>\$ 131,599</u>
Balance, end of year	<u><u>\$ 131,599</u></u>	<u><u>\$ 131,599</u></u>

The asset retirement obligation at year-end is as follows:

	<u>2025</u>	<u>2024</u>
Fuel tanks	\$ 42,199	\$ 42,199
Monitoring wells	<u>89,400</u>	<u>89,400</u>
Balance, end of year	<u><u>\$ 131,599</u></u>	<u><u>\$ 131,599</u></u>

Fuel tanks and monitoring wells

The Town has installed underground and above ground fuel tanks as well as monitoring wells which represent an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

10. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	
	Balance, beginning of year	Additions	Transfers / Disposals	Balance, end of year	Balance, beginning of year	Amortization	Transfers / Disposals	Balance, end of year	December 31, 2025	December 31 2024
Land	\$ 751,272	\$ 900,000	\$ -	\$ 1,651,272	\$ -	\$ -	\$ -	\$ -	\$ 1,651,272	\$ 751,272
Buildings	6,708,174	458,550	1,696	7,168,420	1,812,518	133,261	-	1,945,779	5,222,641	4,895,656
Docks	6,337,260	-	-	6,337,260	3,955,014	281,348	-	4,236,362	2,100,898	2,382,246
Roads and bridges	8,365,201	2,390,608	104,388	10,860,197	6,066,622	102,807	(44,958)	6,124,471	4,735,726	2,298,579
Automotive equipment	120,480	-	-	120,480	106,076	6,075	-	112,151	8,329	14,404
Furniture and equipment	1,555,876	496,484	(53,334)	1,999,026	986,684	97,866	(184,054)	900,496	1,098,530	569,192
Parks	1,488,067	53,306	11,242	1,552,615	559,581	71,891	-	631,472	921,143	928,486
Water and sewer	15,284,829	382,277	159,825	15,826,931	8,573,121	457,827	45,371	9,076,319	6,750,612	6,711,708
Construction in progress	430,730	89,711	(407,458)	112,983	-	-	-	-	112,983	430,730
	<u>\$ 41,041,889</u>	<u>\$ 4,770,936</u>	<u>\$ (183,641)</u>	<u>\$ 45,629,184</u>	<u>\$ 22,059,616</u>	<u>\$ 1,151,075</u>	<u>\$ (183,641)</u>	<u>\$ 23,027,050</u>	<u>\$ 22,602,134</u>	<u>\$ 18,982,273</u>

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

11. Accumulated Surplus

	<u>2025</u>	<u>2024</u>
Surplus		
Invested in tangible capital assets	\$ 22,602,134	\$ 18,982,273
General operations - Town	239,667	831,915
General operations - other	419,788	417,692
Unfunded liabilities		
Municipal debt	(753,504)	(859,254)
Asset retirement obligations	(131,599)	(131,599)
Total surplus	<u>22,376,486</u>	<u>19,241,027</u>
Reserves		
Reserves		
Working capital	320,259	366,228
Landfill	36,000	36,000
Transfer station	7,413	7,413
Community Programming	2,369	2,369
Building Department	62,565	-
Fire	7,423	6,173
	<u>436,029</u>	<u>418,183</u>
Reserve funds		
Sewer and water	496,895	375,169
General capital	67,895	-
Museum & Harbour Centre	61,020	72,220
Medical centre	199,514	190,544
Library	44,939	40,049
Roads	11,954	11,417
Cemetery	29,698	14,198
Vehicle and equipment	76,523	-
Theatre	38,732	35,793
Marina	98,928	57,618
	<u>1,126,098</u>	<u>797,008</u>
Accumulated Surplus	<u>\$ 23,938,613</u>	<u>\$ 20,456,218</u>

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

12. Contingencies

Legal Matters

The Town had been named defendant in an outstanding legal claim in the amount of \$1,150,000 for damages related to a construction project. The matter was settled subsequent to year-end and \$264,000 has been accrued in accounts payable and accrued liabilities 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:

2026	\$ 221,412
2027	<u>224,733</u>
	<u>\$ 446,145</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>2025</u>	<u>2024</u>
Taxation and user charges	<u>\$ 184,224</u>	<u>\$ 190,370</u>
Total amounts received or receivable	<u>184,224</u>	<u>190,370</u>
Requisitions	<u>184,224</u>	<u>190,370</u>
	<u>\$ -</u>	<u>\$ -</u>

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

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 665,000 active and retired members and approximately 1,000 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, 2025, the estimated accrued pension obligation for all members of the Plan was \$149,575 million (2024 - \$140,766 million). The Plan had an actuarial value of net assets at that date of \$148,253 million (2024 - \$137,853 million) indicating an actuarial deficit of \$1,322 million (2024 - \$2,913 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 2025 was \$64,179 (2024 - \$62,530) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2025 the yearly maximum pension earnings increased to \$71,300 from \$68,500 in 2024. The contributions are calculated at a rate of 9.0% (2024 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2024 - 14.6%) for amounts above the yearly maximum pension earnings.

16. Financial Instruments

Risks arising from financial instruments and risk management

The Town is exposed to a variety of financial risks including credit risk, liquidity risk and market risk.

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

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

16. Financial Instruments (Continued)

Credit risk

Credit risk is the risk of losses resulting from a counterparty's failure to honour its contractual obligations. The Town is exposed to credit risk to the extent that accounts receivable are not collected in a timely manner. The Town's financial assets consisting of cash and cash equivalents and accounts receivable are subject to credit risk. The carrying amounts of financial assets on the consolidated statement of financial position represent the maximum credit risk of the Town at the date of the consolidated statement of financial position. The Town does not believe it is subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town's financial liabilities include accounts payable and accrued liabilities and municipal debt. The Town maintains sufficient resources to meet its obligations. The Town does not believe it is subject to significant liquidity risk.

Market risk

Market risk is the risk of changes in the fair value of financial instruments resulting from fluctuations in the market. The Town is exposed to currency risk, interest risk and price risk to the extent that the fair value of a financial instrument will fluctuate as a result of market factors. The Town's financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and municipal debt are subject to market risk. The Town does not believe it is subject to significant market risk.

17. 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, 2025

17. 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>2025</u>	<u>2024</u>
Budget surplus (deficit) approved by Council	\$ -	\$ -
Adjustments:		
Budgeted tangible capital asset additions	3,627,035	3,152,783
Budgeted debt repayments	105,750	100,724
Budgeted reserve transfers	(272,332)	(1,221,624)
Amortization	<u>(1,151,075)</u>	<u>(907,235)</u>
Budget surplus per consolidated financial statements	<u>\$ 2,309,378</u>	<u>\$ 1,124,648</u>

18. 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, 2025

19. 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>2025 Total</u>
Revenues									
Net taxation	\$ 1,489,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,489,599
User charges	-	-	-	702,590	-	-	761,154	1,967	1,465,711
Government grants and transfers - Provincial	529,092	4,115	-	-	-	-	15,827	34,634	583,668
Government grants and transfers - Federal	3,020	-	-	-	-	-	7,350	-	10,370
Government grants and transfers - Municipal	-	-	-	-	730	-	19,229	-	19,959
Government business enterprise	-	-	-	-	-	-	-	-	-
Other	<u>1,480,032</u>	<u>112,901</u>	<u>-</u>	<u>-</u>	<u>574,571</u>	<u>-</u>	<u>1,948,507</u>	<u>-</u>	<u>4,116,011</u>
Total revenues	<u>3,501,743</u>	<u>117,016</u>	<u>-</u>	<u>702,590</u>	<u>575,301</u>	<u>-</u>	<u>2,752,067</u>	<u>36,601</u>	<u>7,685,318</u>
Expenses									
Salary, wages and employee benefits	499,970	58,957	330,130	53,652	123,962	1,756	342,912	2,253	1,413,592
Materials, rents and financial expenses	613,251	66,370	209,950	209,030	33,999	28,649	727,025	39,519	1,927,793
Interest on long-term debt	-	-	-	39,112	-	-	-	-	39,112
Contracted services	17,686	170,969	-	324,414	3,165	-	-	12,248	528,482
Transfers to other governments and the public	-	10,716	16,261	-	163,882	86,449	-	7,998	285,306
Amortization of tangible capital assets	<u>124,813</u>	<u>6,075</u>	<u>121,744</u>	<u>479,806</u>	<u>870</u>	<u>-</u>	<u>417,767</u>	<u>-</u>	<u>1,151,075</u>
Total expenses	<u>1,255,720</u>	<u>313,087</u>	<u>678,085</u>	<u>1,106,014</u>	<u>325,878</u>	<u>116,854</u>	<u>1,487,704</u>	<u>62,018</u>	<u>5,345,360</u>
Annual surplus (deficit) before other	2,246,023	(196,071)	(678,085)	(403,424)	249,423	(116,854)	1,264,363	(25,417)	2,339,958
Other									
Government grants and transfers related to capital - Provincial	18,846	-	-	549,098	-	-	2,405	-	570,349
Government grants and transfers related to capital - Federal	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>522,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,088</u>
	<u>68,846</u>	<u>-</u>	<u>-</u>	<u>1,071,186</u>	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>-</u>	<u>1,142,437</u>
Annual surplus (deficit)	<u><u>\$ 2,314,869</u></u>	<u><u>\$ (196,071)</u></u>	<u><u>\$ (678,085)</u></u>	<u><u>\$ 667,762</u></u>	<u><u>\$ 249,423</u></u>	<u><u>\$ (116,854)</u></u>	<u><u>\$ 1,266,768</u></u>	<u><u>\$ (25,417)</u></u>	<u><u>\$ 3,482,395</u></u>

The Corporation of the Town of Gore Bay

Notes to the Consolidated Financial Statements

December 31, 2025

19. 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>2024 Total</u>
Revenues									
Net taxation	\$ 1,417,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,417,594
User charges	-	-	-	650,635	-	-	751,212	-	1,401,847
Government grants and transfers - Provincial	466,000	-	-	-	20,987	-	20,559	-	507,546
Government grants and transfers - Federal	-	-	-	-	-	-	7,931	-	7,931
Government grants and transfers - Municipal	-	-	-	-	31	-	35,794	-	35,825
Government business partnership	19,839	-	-	-	-	-	-	-	19,839
Other	<u>677,260</u>	<u>38,043</u>	<u>13,657</u>	<u>-</u>	<u>84,221</u>	<u>-</u>	<u>147,777</u>	<u>-</u>	<u>960,958</u>
Total revenues	<u>2,580,693</u>	<u>38,043</u>	<u>13,657</u>	<u>650,635</u>	<u>105,239</u>	<u>-</u>	<u>963,273</u>	<u>-</u>	<u>4,351,540</u>
Expenses									
Salary, wages and employee benefits	577,097	52,557	338,677	55,629	35,993	1,935	313,243	2,495	1,377,626
Materials, rents and financial expenses	190,974	39,494	259,361	194,016	34,979	17,490	723,115	19,662	1,479,091
Interest on long-term debt	-	-	-	45,082	-	-	-	-	45,082
Contracted services	12,738	154,811	-	324,237	-	-	-	834	492,620
Transfers to other governments and the public	-	5,465	15,787	-	166,143	82,377	-	7,515	277,287
Amortization of tangible capital assets	<u>77,568</u>	<u>6,075</u>	<u>47,797</u>	<u>369,937</u>	<u>310</u>	<u>-</u>	<u>401,867</u>	<u>3,681</u>	<u>907,235</u>
Total expenses	<u>858,377</u>	<u>258,402</u>	<u>661,622</u>	<u>988,901</u>	<u>237,425</u>	<u>101,802</u>	<u>1,438,225</u>	<u>34,187</u>	<u>4,578,941</u>
Annual surplus (deficit) before other	1,722,316	(220,359)	(647,965)	(338,266)	(132,186)	(101,802)	(474,952)	(34,187)	(227,401)
Other									
Government grants and transfers related to capital - Provincial	-	-	248,458	399,462	-	-	284,736	-	932,656
Government grants and transfers related to capital - Federal	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,405</u>	<u>-</u>	<u>-</u>	<u>88,395</u>	<u>-</u>	<u>567,800</u>
	<u>-</u>	<u>-</u>	<u>248,458</u>	<u>878,867</u>	<u>-</u>	<u>-</u>	<u>373,131</u>	<u>-</u>	<u>1,500,456</u>
Annual surplus (deficit)	<u>\$ 1,722,316</u>	<u>\$ (220,359)</u>	<u>\$ (399,507)</u>	<u>\$ 540,601</u>	<u>\$ (132,186)</u>	<u>\$ (101,802)</u>	<u>\$ (101,821)</u>	<u>\$ (34,187)</u>	<u>\$ 1,273,055</u>