

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWN OF COBALT**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2016

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THE CORPORATION OF THE TOWN OF COBALT

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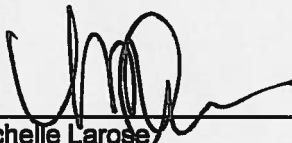
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the Town of Cobalt are the responsibility of the Town of Cobalt's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of 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 of Cobalt's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

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

The financial statements have been audited by Kemp Elliott & Blair LLP, independent external auditors appointed by the Town of Cobalt. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town of Cobalt's financial statements.



Michelle Larose
Chief Administrative Officer

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation
of the Town of Cobalt:

We have audited the accompanying consolidated financial statements of the CORPORATION OF THE TOWN OF COBALT, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of operations, consolidated statement of change in net debt and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management and Council's Responsibility for the consolidated financial statements

Management and council are 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 and council determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of THE CORPORATION OF THE TOWN OF COBALT as at December 31, 2016, and its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
September 20, 2017

Chartered Professional Accountants

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

FINANCIAL ASSETS

	2016	2015
Cash	\$ 253,092	\$ 143,300
Short-term investments -- note 4	21,451	25,364
Taxes receivable	164,472	139,946
Accounts receivable	81,794	362,337
	<u>520,809</u>	<u>670,947</u>

LIABILITIES

Short-term borrowing -- note 6	79,112	290,000
Accounts payable and accrued liabilities	317,635	337,830
Deferred revenue -- other -- note 7	15,444	15,399
Deferred revenue -- obligatory reserve fund -- note 8	39,450	-
Municipal debt -- note 9	368,072	271,998
Deficiency in Government Business Partnership -- note 10	53,890	7,119
	<u>873,603</u>	<u>922,346</u>

NET DEBT

(352,794) (251,399)

NON-FINANCIAL ASSETS

Inventories of supplies	127,586	135,949
Tangible capital assets -- note 18	<u>15,745,426</u>	<u>16,128,512</u>
	<u>15,873,012</u>	<u>16,264,461</u>


ACCUMULATED SURPLUS -- note 14

\$ 15,520,218 \$ 16,013,062

Contingent liabilities and commitments -- note 15

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

On behalf of Council:


 Mayor


 Chief Administrative Officer

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	2016 Budget (Note 16)	2016 Actual	2015 Actual
Operating revenues			
Municipal taxation	\$ 479,829	\$ 480,426	\$ 419,412
Garbage and street lighting fees	158,296	163,467	147,361
Water and sewer fees	454,800	453,412	407,635
Policing fees	264,000	274,120	273,113
User charges	124,309	121,149	137,244
Provincial grants	940,287	944,306	947,059
Federal grants	108,833	84,577	40,847
Revenue from other municipalities	38,736	42,474	71,263
Investment income	3,400	2,573	3,411
Penalties and interest on taxes	21,300	28,452	24,529
Provincial Offences Act revenues	20,000	23,618	22,951
Sale of gravel	50,000	53,655	61,499
Gain (loss) on sale of tangible capital assets	-	(10,456)	77,860
Loss from Government Business Partnership – note 10	-	(46,771)	(2,358)
Other	28,150	56,418	46,405
	<u>2,691,940</u>	<u>2,671,420</u>	<u>2,678,231</u>
Capital revenues			
Provincial grants	27,691	28,178	198,241
Federal grants	68,894	37,942	100,222
Other grants and donations	20,000	7,967	-
	<u>116,585</u>	<u>74,087</u>	<u>298,463</u>
Total revenues	<u>2,808,525</u>	<u>2,745,507</u>	<u>2,976,694</u>
EXPENDITURES			
General government	549,560	568,784	533,176
Protection to persons and property	458,325	448,578	439,906
Transportation services	697,363	688,897	676,324
Environmental services	990,549	923,092	863,726
Health services	136,364	131,358	130,745
Social and family services	135,106	135,082	148,024
Recreation and cultural services	231,231	235,709	265,369
Planning and development	125,196	106,851	52,926
Total expenditures	<u>3,323,694</u>	<u>3,238,351</u>	<u>3,110,196</u>
ANNUAL DEFICIT	(515,169)	(492,844)	(133,502)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	16,013,062	16,013,062	16,146,564
ACCUMULATED SURPLUS, END OF YEAR – note 14	\$ 15,497,893	\$ 15,520,218	\$ 16,013,062

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

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget (Note 16)	2016 Actual	2015 Actual
ANNUAL DEFICIT	\$ (515,169)	\$ (492,844)	\$ (133,502)
Acquisition of tangible capital assets	(191,649)	(223,320)	(334,937)
Amortization of tangible capital assets	639,500	594,166	639,703
Loss (gain) on sale of tangible capital assets	-	10,456	(77,860)
Consumption of inventories of supplies	-	8,363	-
Proceeds from sale of tangible capital assets	49,630	1,784	130,284
increase (decrease) in net debt	(17,688)	(101,395)	223,688
Net debt, beginning of year	(251,399)	(251,399)	(475,087)
NET DEBT, END OF YEAR	\$ (269,087)	\$ (352,794)	\$ (251,399)

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

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATIONS	2016	2015
Annual deficit	\$ (492,844)	\$ (133,502)
Charges not affecting cash –		
Amortization of tangible capital assets	594,166	639,703
Loss (gain) on disposal of tangible capital assets	10,456	(77,860)
Loss from Government Business Partnership	46,771	2,358
	<u>158,549</u>	<u>430,699</u>
Other sources (uses) of cash –		
Change in taxes receivable	(24,526)	(22,472)
Change in accounts receivable	280,543	(5,993)
Change in inventories of supplies	8,363	-
Change in accounts payable and accrued liabilities	(20,195)	(52,946)
Change in deferred revenue – other	45	4,099
Change in deferred revenue – obligatory reserve fund	39,450	(3,757)
	<u>283,680</u>	<u>(81,069)</u>
Total cash provided by operations	<u>442,229</u>	<u>349,630</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(223,320)	(334,937)
Proceeds from sale of tangible capital assets	1,784	130,284
Total cash used for capital activities	<u>(221,536)</u>	<u>(204,653)</u>
INVESTING TRANSACTIONS		
Acquisition of short term investments	-	(149)
Redemption of short-term investments	3,913	-
Total cash provided by (used for) investing activities	<u>3,913</u>	<u>(149)</u>
FINANCING TRANSACTIONS		
Proceeds from short-term borrowing	79,112	16,000
Repayment of short-term debt	(290,000)	-
Proceeds from municipal debt	223,405	-
Repayment of municipal debt	(127,331)	(104,976)
Total cash used for financing transactions	<u>(114,814)</u>	<u>(88,976)</u>
INCREASE IN CASH	<u>109,792</u>	<u>55,852</u>
Cash, beginning of year	<u>143,300</u>	<u>87,448</u>
CASH, END OF YEAR	<u>\$ 253,092</u>	<u>\$ 143,300</u>
REPRESENTED BY		
Cash	<u>\$ 253,092</u>	<u>\$ 143,300</u>

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

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The Corporation of the Town of Cobalt is a Town in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. **Accounting policies**

The consolidated financial statements of the Corporation of the Town of Cobalt are the representation of management and council and are prepared in accordance with generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these consolidated financial statements. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets historical cost, estimated useful life and related amortization and landfill post-closure costs.

Basis of consolidation

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves and changes in investment in tangible capital assets of the Town and include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

Waterworks	Recreation Committee
Library Board	Wetlands
Cemetery Board	

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

The Classic Theatre, The Bunker and the Historic Cobalt Corporation (including the Cobalt Mining Museum) are separate legal entities. They are not part of the Corporation of the Town of Cobalt. Only the Town's donations to these entities are reflected in the consolidated financial statements.

Government Business Partnership

Government Business Partnership comprises of the corporation Solaire Cobalt Solar Inc. and is accounted for by the modified equity method. Under the modified equity method, the business partnership's accounting principles are not adjusted to conform to those of the Town and inter-organization transactions and balances (if any) are not eliminated.

Non-consolidated entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

Timiskaming District Health Unit
District of Timiskaming Social Services Administration Board

Although these are joint local boards they run autonomously to provide those services mandated by the Province. The Town has no control over these programs or their financing. These joint local boards are not proportionately consolidated. The yearly requisitions of these boards are expensed by the Town in its statements.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. Accounting policies – continued

Non-consolidated entities – continued

Timiskaming Municipal Building Association Chief Building Officer

The Timiskaming Municipal Building Association Chief Building Officer is a joint cost sharing arrangement for 21 municipalities. The operations of this board are not proportionately consolidated into these statements because the Town does not have voting control of the board. Building Permit revenues are transferred to this organization.

Tri Town Transit System

This joint local board is a cooperative effort by two municipalities to jointly provide public transit services. These statements reflect only the Town's contribution to this board. The Town's portion of the transit reserve at the end of 2016 is \$6,866 (2015 \$11,834).

Accounting for school board transactions

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

Trust funds

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Position" and "Statement of Operations".

Short-term investments

Short-term investments are recorded at cost. Investment income earned on surplus funds is reported as revenue in the period earned.

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:

Buildings	50 years
Vehicles	10 to 25 years
Equipment	10 to 25 years
Heavy equipment	25 years
Roads	15 to 30 years
Bridges	75 years
Underground networks	50 years

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for use.

The Town has no capitalization threshold for land and buildings, a capitalization threshold of \$10,000 for infrastructure systems and \$2,500 for all other assets. Individual assets of lesser value may be capitalized if they are pooled, or because, collectively, they have significant value.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. Accounting policies – continued

Tangible capital assets – continued

The Town manages and controls various works of art and historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

Inventories of supplies

Inventories of supplies held for consumption are recorded at lower of cost or replacement cost.

Deferred revenue – other

The Town receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met except when stipulations are present and to the extent that the transfer give rise to an obligation that meets the definition of a liability.

Deferred revenue – obligatory reserve funds

The Town receives Federal Gas Tax funding under the authority of the Federal 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.

Revenue recognition

Government transfers (provincial and federal grants)

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulation is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and 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 when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

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.

Fees, service charges and other revenue

Fees, service charges and other revenue are recognized when earned.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. Operations of school boards

Further to note 1, the taxation levied on behalf of and due to the school boards is:

	2016	2015
	<u>\$ 91,723</u>	<u>\$ 83,813</u>

3. Contributions to Joint Boards

Further to note 1, the following contributions were made by the Town to these boards:

	2016	2015
Timiskaming Health Unit	<u>\$ 48,082</u>	<u>\$ 48,082</u>
District of Timiskaming Social Services Administration Board	<u>\$ 212,605</u>	<u>\$ 222,678</u>
Tri-Town Transit System	<u>\$ 23,252</u>	<u>\$ 23,481</u>

4. Short-term investments

	2016	2015
Investments with CIBC - money market fund	\$ 622	\$ -
- Canadian bond pools	10,829	11,481
Guaranteed Income Certificates (GICs) with CIBC both maturing in May 2017 and earning interest at 1.35% per annum. These GICs belong to the library board.	<u>10,000</u>	<u>13,883</u>
	<u>\$ 21,451</u>	<u>\$ 25,364</u>

Due to the nature of the short-term investments, market value approximates the book value.

5. Revolving line of credit

The Town has a \$250,000 business operating line negotiated with CIBC with a balance outstanding of \$nil (2015 - \$nil). Interest is at bank prime plus 0.5% (currently 3.2%).

6. Short-term borrowing

The short-term borrowing is a demand loan with the Canadian Imperial Bank of Commerce (CIBC) to help fund the Town's portion of the LED Street Lights project while the Town secures long-term financing. The interest is at bank prime plus 1% (currently at 3.7%). Monthly interest only payments are made. Prior year amount relates to a bridge loan with Infrastructure Ontario related to the Lang Street rehabilitation. Long-term financing was secured in 2016.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

7. Deferred revenue – other

Deferred revenue – other consists of the following:

	December 31 2015	Funds Received	Revenue Earned	December 31 2016
Provincial government	\$ 4,099	\$ 4,144	\$ 4,099	\$ 4,144
Federal government	11,300	-	-	11,300
	<u>\$ 15,399</u>	<u>\$ 4,144</u>	<u>\$ 4,099</u>	<u>\$ 15,444</u>

8. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2015	Funds Received	Revenue Earned	December 31 2016
Federal Gas Tax	\$ -	\$ 69,079	\$ 29,629	\$ 39,450

9. Municipal debt

The balance of the municipal debt reported on the "Consolidated Statement of Financial Position" is made up of all the long-term liabilities, incurred by the Town and outstanding at the end of the year.

	2016	2015
A serial debenture with Ontario Infrastructure repayable in semi-annual (August and February) blended (principal and interest) payments of \$23,542 with interest at 4.55% per annum and the debenture matures February 2018. The loan relates to the waterworks system.	\$ 67,529	\$ 110,082
A serial debenture with Ontario Infrastructure repayable in semi-annual (November and May) blended (principal and interest) payments of \$20,780 with interest at 1.7% per annum and the debenture matures May 2021. The loan relates to road rehabilitation.	179,311	-
CIBC loan repayable in monthly payments of \$3,517 plus interest at bank prime plus 1% per annum (currently 3.7%). The loan matures in October 2018. The loan relates to roads equipment purchase.	77,367	119,567
CIBC loan repayable in monthly payments of \$694 plus interest at bank prime plus 1% per annum (currently 3.7%). The loan matures in October 2019. The loan relates to roads equipment purchase.	23,611	-
CIBC loan repayable in monthly payments of \$1,841 plus interest at bank prime plus 0.5% per annum (currently 3.2%). The loan matures in November 2017. The loan relates to waste collection and diversion.	20,254	42,349
	<u>\$ 368,072</u>	<u>\$ 271,998</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

9. Municipal debt - continued

Principal payments are due as follows:

2017	\$ 153,973
2018	105,853
2019	46,951
2020	40,690
2021	<u>20,605</u>
	<u>\$ 368,072</u>

Total interest paid during the year on the long-term debt is \$11,117 (2015 \$13,546).

10. Government Business Partnership

The Town of Cobalt is the 50.5% owner of all of the issued capital of the corporation Solaire Cobalt Solar Inc. and Énergie Kapuskasing Energy Inc. is the other partner owning 49.5% of the total issued capital.

Solaire Cobalt Solar Inc. was incorporated under the Ontario Business Corporations Act on September 28, 2012 pursuant to section 142 of the Electricity Act (Ontario). The corporation's principal activity is the ownership, administration and management of solar power generating projects for the purpose of generating, transmitting, distributing and retailing electricity.

This corporation is accounted for on a modified equity basis in these consolidated financial statements.

(a) The Town's portion of the deficiency in the Government Business Partnership consists of the following:

	2016	2015
Purchase of share capital (51 Class B shares)	\$ 51	\$ 51
Town's share of accumulated operating losses	<u>(53,941)</u>	<u>(7,170)</u>
	<u>\$ (53,890)</u>	<u>\$ (7,119)</u>

(b) The following schedules provide condensed supplementary financial information for the year ended December 31, 2016 of Solaire Cobalt Solar Inc.

	2016	2015
<u>Financial position</u>		
Current assets	\$ 42,458	\$ 412,902
Capital assets	<u>3,482,114</u>	<u>3,752,359</u>
Total assets	<u>\$ 3,524,572</u>	<u>\$ 4,165,261</u>
Current liabilities – other	\$ -	\$ 352,233
Due to Énergie Kapuskasing Energy Inc.	<u>3,632,352</u>	<u>3,827,266</u>
Total liabilities	<u>3,632,352</u>	<u>4,179,499</u>
Capital stock	101	101
Accumulated deficit	<u>(107,881)</u>	<u>(14,339)</u>
Total liabilities and capital deficiency	<u>\$ 3,524,572</u>	<u>\$ 4,165,261</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

10. Government Business Partnership - continued

Statement of loss

	2016	2015
Revenue	\$ -	\$ -
Expenses	14,053	4,715
Write-offs related to discontinued projects	98,527	-
Loss before income taxes	(112,580)	(4,715)
Future tax recovery	19,038	-
Net loss	\$ (93,542)	\$ (4,715)

(c) Related party transactions between the Town of Cobalt and its Government Business Partnership are as follows:

- 1) The Town has an accounts payable of \$51 (2015 \$51) for the purchase of their portion of the share capital included in the consolidated statement of financial position.
- 2) The Town of Cobalt has guaranteed its share of the equity loan (10%) of the corporation which amounts to \$363,253 (2015 \$382,727).

11. Comparative Information

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year. The changes do not affect the prior annual deficit.

12. Correction of prior period

The Town has inventory of supplies which had not previously been reported. This error was discovered in the current year and has been corrected retroactively. As a result, the December 31, 2015 figures, presented for comparative purposes, have been restated from those previously reported as follows:

	As previously reported	Increase (decrease)	As restated
Statement of Financial Position			
Inventories of supplies	\$ -	\$ 135,949	\$ 135,949
Non-financial assets	16,128,512	135,949	16,264,461
Statement of Operations			
Annual deficit	(133,502)	-	(133,502)
Accumulated surplus, beginning of year	16,010,615	135,949	16,146,564

13. Trust funds

Trust funds administered by the Town amounting to \$25,972 (2015 \$24,812) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

14. Accumulated surplus

Reserves represent an appropriation of surplus for a specific purpose, determined by council, are non-statutory and subject to change by council at any time.

Accumulated surplus	2016	2015
Reserves, surpluses and deficits		
Working capital reserve	\$ 181,732	\$ 181,732
Sewer reserve – note 21	47,078	47,078
Recreation reserve	12,164	12,164
Library reserve	18,075	18,075
General municipal deficit	(392,938)	(339,695)
Government Business Partnership deficit	(53,890)	(7,119)
Library surplus	9,535	8,346
Cemetery surplus	30,862	30,862
Sewer surplus – note 21	105,308	71,230
Water surplus – note 20	156,680	195,738
	<u>114,806</u>	<u>218,411</u>
Amounts to be recovered		
Unfinanced municipal debt	(368,072)	(271,998)
Unfinanced capital project	(99,328)	(197,812)
	<u>(467,400)</u>	<u>(469,810)</u>
Net debt	<u>(352,794)</u>	<u>(251,399)</u>
Non-financial assets		
Inventories of supplies	127,586	135,949
Invested in tangible capital assets	15,745,426	16,128,512
	<u>15,873,012</u>	<u>16,264,461</u>
Accumulated surplus	<u>\$ 15,520,218</u>	<u>\$ 16,013,062</u>

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 excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

15. Contingent Liabilities and Commitments

Non-Consolidated Entities

The Town is contingently liable for the deficits and long-term debt of the non-consolidated entities.

Funding agreements

Under the terms of various funding agreements, the Town could have provincial and federal grants become repayable if it is determined that funding was applied towards ineligible costs or if other terms of the agreements were not met. At year end management is of the opinion that all conditions have been met and funding was applied towards eligible costs.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

15. **Contingent Liabilities and Commitments – continued**
Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Town are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

As this is a multi-employer pension plan, the contributions by the Town are recognized as an expenditure. No pension liability for this type of plan is recognized in the Town's consolidated financial statements. Contributions made by the Town to OMERS for 2016 were \$45,029 (2015 \$46,258). The plan had an actuarial deficit of \$7 billion at the end of 2015.

Liability for Vacation Pay, Overtime and Other Post-Employment Benefits

Employees are allowed to carry forward vacation pay and banked overtime which an employee may become entitled to if they were to leave the Town's employment. The liability for these items, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$52,550 (2015 \$56,495) at the end of the year. This is reflected as a liability on the consolidated statement of financial position.

Municipal employees retiring do not receive any other retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The Town recognizes the expenses for sick time when the event obliges the Town to pay. No other post-employment benefits are payable by the Town.

Legal contingencies

Statements of claim have been issued against the Town claiming damages. The likelihood of loss from any claims is undeterminable at this time. For claims that are covered by insurance, a \$5,000 to \$10,000 deductible per claim would be charged to operations when the loss was confirmed. For claims that are not covered by insurance, damages would be charged to operations when the amount is ascertained, should any loss result.

Guarantee

The Town became guarantor for a Provincial Contribution Agreement between Co-Tem Pro Native Non-Profit Housing Inc. (Co-Tem) and the Province of Ontario in March 2010 for the purpose of offering affordable housing for a period of 20 years. The contribution from the Province was \$1,517,500. Negotiations are currently underway for the transfer of the agreement from Co-Tem to the Town of Cobalt.

Contaminated and hazardous sites

The Town of Cobalt has many old mine sites and tailing ponds throughout its municipality. Based on past experience, the Ministry of Northern Development and Mines (MNDM) has always taken responsibility for the costs associated with the remediation of contaminated sites and resolving any issues caused by old mine sites. It is of management's opinion that all contaminated sites have been remedied by MNDM and that the Town is not responsible for future liabilities, if any, related to old mine sites or tailing ponds.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

16. Budget

The Budget adopted by Council was not prepared on a basis consistent with that used to report actual result according to Public Sector Accounting Standards used on the Consolidated Statement of Operations on page 4. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The actual budget is reflected in note 19. It expenses all tangible capital expenditures, does not include amortization expense, reflects proceeds of long-term debt as revenue, principal repayments of long-term debt as an expense and the full proceeds from the sale of tangible capital assets as revenue. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the financial plan adopted by Council with adjustments as follows:

	<u>2016</u>
Actual budget surplus for the year – note 19	\$ 38,306
Add: Debt principal repayments	134,006
Investment in tangible capital asset	191,649
Less: Proceeds from long-term debt	(190,000)
Estimated amortization	(639,500)
Proceeds from sale of tangible capital assets	<u>(49,630)</u>
Budget deficit per statement of operations – page 4	<u>\$ (515,169)</u>

17. Segmented Information

The Corporation of the Town of Cobalt is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these service areas. Departments disclosed in the segmented information, along with the services they provide, are as follows:

General Government Services

General government services consists of departments that are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality municipal service standards are met.

Protection Services

Protection services consists of departments that are responsible for the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

Transportation Services

Transportation services consists of departments that are responsible for the delivery of municipal public works services related to planning, design, construction, cleaning, repair, snow removal and signage of roadway systems.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

17. Segmented Information – continued

Environmental Services

Environmental services include water, sewer, garbage and recycling services. Water and sewer services include the operation and distribution of water and networking of sewer mains and the wetlands. The garbage and recycling services group are responsible for the delivery of municipal services including garbage collection and recycling.

Health Services

The Town funds a range of public health services through the Timiskaming Health Unit and provides ambulance services through the District Social Services Administration Board. The town also provides cemetery services.

Social and Family Services

The Town funds a range of family and social services through the District Social Services Administration Board which includes social housing, childcare and general assistance.

Recreation and Cultural Services

Recreation and cultural services consists of departments that are responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

Planning and Development Services

Planning and development services consists of departments that are responsible for preparing land use plans, bylaws and policies for sustainable development of the Town and for reviewing and approving new development.

THE CORPORATION OF THE TOWN OF COBALT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

17. Segmented information – continued

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2016	Total 2015
Revenues										
Operating revenues	\$ 480,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480,426	\$ 419,412
Municipal taxation	-	-	28,035	135,432	-	-	-	-	163,467	147,361
Garbage and street lighting fees	-	-	-	453,412	-	-	-	-	453,412	407,635
Water and sewer fees	-	274,120	-	-	-	-	-	-	274,120	273,113
Policing fees	-	3,491	1,562	6,557	3,723	-	25,063	-	121,149	137,244
User charges	80,753	-	-	24,732	-	-	20,274	-	944,306	947,059
Provincial grants	899,300	-	-	-	-	-	2,400	-	84,577	40,847
Federal grants	-	-	-	-	7,750	-	1,498	82,177	42,474	71,263
Revenue from other municipalities	-	-	-	27,139	65	-	-	-	2,573	3,411
Investment income	2,508	-	-	-	-	-	-	-	28,452	24,529
Penalties and interest on taxes	25,618	-	-	2,834	-	-	-	-	23,618	22,951
Provincial Offences Act revenues	-	23,618	-	-	-	-	-	-	53,655	61,499
Sale of gravel	-	-	53,655	-	-	-	-	-	(10,456)	77,860
Gain (loss) on sale of tangible capital asset	-	-	(10,461)	5	-	-	-	-	-	-
Loss from Government Business	-	-	-	-	-	-	-	-	-	-
Partnership	(46,771)	-	-	-	-	-	-	-	(46,771)	(2,358)
Other	34,419	-	-	-	-	-	21,989	-	56,418	46,405
	1,476,253	301,229	72,791	650,111	11,538	-	71,234	88,264	2,671,420	2,678,231
Capital revenues										
Provincial grants	-	-	-	28,178	-	-	-	-	28,178	198,241
Federal grants	-	-	29,630	8,312	-	-	-	-	37,942	100,222
Other grants and donations	-	-	-	-	-	-	7,967	-	7,967	-
Total revenues	1,476,253	301,229	102,421	686,601	11,538	-	79,201	88,264	2,745,507	2,976,694
Expenditures										
Wages and benefits	181,680	40,596	304,402	226,131	5,754	-	57,640	80,068	896,271	847,797
Long-term debt interest	-	-	5,554	5,563	-	-	-	-	11,117	13,546
Materials	107,869	45,519	217,452	181,198	-	-	115,089	14,764	681,891	602,172
Contracted services	166,425	353,087	24,214	210,545	-	-	4,223	12,019	770,513	694,386
Rents and financial expenses	19,501	-	4,001	-	-	-	205	-	23,707	38,832
External transfers	-	-	-	-	125,604	135,082	-	-	260,686	273,760
Amortization	93,309	9,376	133,274	299,655	-	-	58,552	-	594,166	639,703
Total expenditures	568,784	448,578	688,897	923,092	131,358	135,082	235,709	106,851	3,238,351	3,110,196
Annual surplus (deficit)	\$ 907,469	\$ (147,349)	\$ (586,476)	\$ (236,491)	\$ (119,820)	\$ (135,082)	\$ (156,508)	\$ (18,587)	\$ (492,844)	\$ (133,502)

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

18. Schedule of tangible capital assets

Schedule of tangible capital assets										2016		
	Opening Cost Dec 31, 2015	Additions	Disposals/ Transfers	Ending Cost Dec 31, 2016	Opening Accumulated Amortization Dec 31, 2015	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec 31, 2016	Net Assets 2016			
General												
Land improvements	\$ 442,754	\$ -	\$ -	\$ 442,754	\$ 149,716	\$ -	\$ 17,710	\$ 167,426	\$ 275,328			
Buildings	13,723,791	-	-	13,723,791	3,829,640	-	260,588	4,090,228	9,633,563			
Vehicles	460,364	-	-	460,364	294,008	-	19,632	313,640	146,724			
Equipment	568,624	44,901	-	613,525	195,115	-	51,771	246,886	366,639			
Heavy equipment	695,167	25,440	18,000	702,607	377,185	5,760	19,306	390,731	311,876			
Infrastructure												
Roads	4,507,641	128,957	(26,324)	4,662,922	2,592,208	-	84,563	2,676,771	1,986,151			
Bridges	248,502	-	-	248,502	34,790	-	4,970	39,760	208,742			
Underground networks	7,363,319	24,022	-	7,387,341	4,435,312	-	135,626	4,570,938	2,816,403			
Assets under construction	26,324	-	26,324	-	-	-	-	-	-			
Total	\$ 28,036,486	\$ 223,320	\$ 18,000	\$ 28,241,806	\$ 11,907,974	\$ 5,760	\$ 594,166	\$ 12,496,380	\$ 15,745,426			

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

18. Schedule of tangible capital assets – continued

Schedule of tangible capital assets -- continued										2015	
	Opening Cost Dec 31, 2014	Additions	Disposals	Ending Cost Dec 31, 2015	Opening Accumulated Amortization Dec 31, 2014	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec 31, 2015	Net Assets 2015		
General											
Land improvements	\$ 442,754	\$ -	\$ -	\$ 442,754	\$ 132,006	\$ -	\$ 17,710	\$ 149,716	\$ 293,038		
Buildings	13,770,155	9,406	55,770	13,723,791	3,567,372	3,346	265,614	3,829,640	9,894,151		
Vehicles	460,364	-	-	460,364	272,131	-	21,877	294,008	166,356		
Equipment	508,702	59,922	-	568,624	152,934	-	42,181	195,115	373,509		
Heavy equipment	695,167	-	-	695,167	353,125	-	24,060	377,185	317,982		
Infrastructure											
Roads	4,279,264	228,377	-	4,507,641	2,464,082	-	128,126	2,592,208	1,915,433		
Bridges	248,502	-	-	248,502	29,820	-	4,970	34,790	213,712		
Underground networks	7,326,087	37,232	-	7,363,319	4,300,147	-	135,165	4,435,312	2,928,007		
Assets under construction	26,324	-	-	26,324	-	-	-	-	26,324		
Total	\$ 27,757,319	\$ 334,937	\$ 55,770	\$ 28,036,486	\$ 11,271,617	\$ 3,346	\$ 639,703	\$ 11,907,974	\$ 16,128,512		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

19. **Budgeting**

The Town budgets to determine an appropriate tax rate based on all budgeted revenues and expenditures.

The consolidated statement of operations on page 4 has been modified here to exclude amortization and to include tangible capital asset expenditures and the principal repayments on long-term debt.

This modified statement of operations (budget based) is consistent with the budget format used and is presented here with the 2016 budget.

REVENUES

	2016 Budget	2016 Actual	2015 Actual
Operating revenues			
Municipal taxation	\$ 479,829	\$ 480,426	\$ 419,412
Garbage and street lighting fees	158,296	163,467	147,361
Water and sewer fees	454,800	453,412	407,635
Policing fees	264,000	274,120	273,113
User charges	124,309	121,149	137,244
Provincial grants	940,287	944,306	947,059
Federal grants	108,833	84,577	40,847
Revenue from other municipalities	38,736	42,474	71,263
Investment income	3,400	2,573	3,411
Penalties and interest on taxes	21,300	28,452	24,529
Provincial Offences Act revenues	20,000	23,618	22,951
Sale of gravel	50,000	53,655	61,499
Proceeds on sale of capital assets	49,630	1,784	130,284
Loss from Government Business Partnership	-	(46,771)	(2,358)
Other	28,150	56,418	46,405
	<u>2,741,570</u>	<u>2,683,660</u>	<u>2,730,655</u>
Capital revenues			
Provincial grants	27,691	28,178	198,241
Federal grants	68,894	37,942	100,222
Other grants and donations	20,000	7,967	-
Proceeds from long-term debt	190,000	223,405	-
	<u>306,585</u>	<u>297,492</u>	<u>298,463</u>
Total revenues	<u>3,048,155</u>	<u>2,981,152</u>	<u>3,029,118</u>

EXPENDITURES

Operating expenditures			
General government	458,060	475,475	441,622
Protection to persons and property	443,825	439,202	425,363
Transportation services	515,863	549,524	494,733
Environmental services	698,049	621,173	571,267
Health services	136,364	131,358	130,745
Social and family services	135,106	135,082	148,024
Recreation and cultural services	171,731	177,157	205,813
Planning and development	125,196	106,851	52,926
	<u>2,684,194</u>	<u>2,635,822</u>	<u>2,470,493</u>
Capital expenditures	191,649	223,320	334,937
Long-term debt repayment	134,006	127,331	104,976
Total expenditures	<u>3,009,849</u>	<u>2,986,473</u>	<u>2,910,406</u>

Surplus (deficit) full budget based	\$ 38,306	\$ (5,321)	\$ 118,712
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THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

20. Waterworks – Schedule of Operations

This statement is not prepared according to PSAB. It is operational. It excludes amortization, includes capital revenue and expenses, and includes proceeds and repayment of long-term debt.

	2016	2015
Revenue		
Sale of water – Cobalt residents	\$ 314,309	\$ 291,148
Sale of water – Coleman Township	27,139	58,089
Interest charges on collection	2,834	1,432
Provincial grant – operating	3,669	-
Provincial grant – capital	4,156	16,620
Federal grant – capital	8,312	12,134
Total revenue	<u>360,419</u>	<u>379,423</u>
Expenditure		
Salaries and benefits	132,413	149,762
Materials, supplies and utilities	156,198	106,939
Contracted services	47,158	1,316
Debt charges – principal	42,553	40,681
– interest	4,530	6,402
Capital expenditures	16,625	35,568
Total expenditures	<u>399,477</u>	<u>340,668</u>
Annual surplus (deficit)	(39,058)	38,755
Waterworks accumulated surplus, beginning of year	<u>195,738</u>	<u>156,983</u>
Waterworks accumulated surplus, end of year	<u>\$ 156,680</u>	<u>\$ 195,738</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

21. Sewer (Wetlands) – Schedule of Operations

This statement is not prepared according to PSAB. It is operational. It excludes amortization, includes capital revenue and expenses, and includes proceeds and repayment of long-term debt.

	2016	2015
Revenue		
Sewer (Wetlands) user fees	\$ 139,104	\$ 116,486
Provincial grant – operating	5,000	-
Provincial grant – capital	24,022	11,071
Total revenue	168,126	127,557
Expenditure		
Salaries and benefits	75,794	92,132
Materials, supplies and utilities	22,735	30,136
Contracted services	11,497	750
Capital expenditures	24,022	11,071
Total expenditures	134,048	134,089
Annual surplus (deficit)	34,078	(6,532)
Sewer (Wetlands) accumulated surplus, beginning of year	118,308	124,840
Sewer (Wetlands) accumulated surplus, end of year	\$ 152,386	\$ 118,308
Accumulated surplus is made up of:	2016	2015
Operating surplus	\$ 105,308	\$ 71,230
Reserves	47,078	47,078
	\$ 152,386	\$ 118,308

NOTICE TO READER

To the Members of Council, Inhabitants
and Ratepayers of the
CORPORATION OF THE TOWN OF COBALT:

On the basis of information provided by management, we have compiled the statement of financial position of the TRUST FUNDS – CEMETERY PERPETUAL CARE of the CORPORATION OF THE TOWN OF COBALT as at December 31, 2016 and the statement of operations for the year then ended.

We have not performed an audit or a review engagement in respect of these consolidated financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
September 20, 2017

Kemp Elliott & Blair LLP

Chartered Professional Accountants

(Unaudited – See Notice to Reader)

THE CORPORATION OF THE TOWN OF COBALT**PERPETUAL CARE CEMETERY TRUST FUNDS****STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Short-term investments	\$ 24,877	\$ 24,178
Due from the Town of Cobalt	<u>1,095</u>	<u>634</u>
FUND BALANCE	\$ 25,972	\$ 24,812

STATEMENT OF CONTINUITY**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Fund balance, beginning of year	\$ 24,812	\$ 23,986
Capital receipts	<u>1,160</u>	<u>826</u>
Fund balance, end of year	\$ 25,972	\$ 24,812

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting policy**
Accounting is on a cash basis.
2. **Interest**
Interest earned by the Perpetual Care Cemetery Trust Funds is recorded as revenue by the Town and is not reflected in this statement.