

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWN OF COBALT**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2017

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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.



David King
Interim 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, 2017, 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, 2017, 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
October 30, 2018

Chartered Professional Accountants

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

FINANCIAL ASSETS

	2017	2016
Cash	\$ 360,796	\$ 253,092
Short-term investments – note 4	11,585	21,451
Taxes receivable	193,929	164,472
Accounts receivable	252,138	81,794
	<u>818,448</u>	<u>520,809</u>

LIABILITIES

Short-term borrowing – note 6	79,112	79,112
Accounts payable and accrued liabilities	392,134	317,635
Deferred revenue – other – note 7	57,632	15,444
Deferred revenue – obligatory reserve fund – note 8	32,936	39,450
Municipal debt – note 9	214,099	368,072
Deficiency in Government Business Partnership – note 10	92,259	53,890
	<u>868,172</u>	<u>873,603</u>

NET DEBT

<u>(49,724)</u>	<u>(352,794)</u>
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NON-FINANCIAL ASSETS

Inventories of supplies	149,614	127,586
Tangible capital assets – note 16	15,438,041	15,745,426
	<u>15,587,655</u>	<u>15,873,012</u>

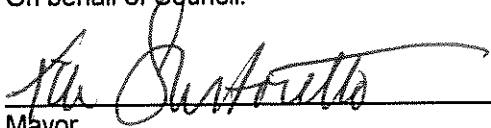
ACCUMULATED SURPLUS – note 12

\$ 15,537,931	\$ 15,520,218
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Contingent liabilities and commitments – note 13

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

On behalf of Council:



 Mayor



 Interim Chief Administrative Officer

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

REVENUES	2017 Budget (Note 14)	2017 Actual	2016 Actual
Operating revenues			
Municipal taxation	\$ 475,401	\$ 476,163	\$ 480,426
Garbage and street lighting fees	150,370	150,562	163,467
Water and sewer fees	559,050	485,869	453,412
Policing fees	355,620	353,532	274,120
User charges	108,550	114,990	121,149
Provincial grants	908,300	938,129	944,306
Federal grants	112,620	111,142	84,577
Revenue from other municipalities	62,968	50,628	42,474
Investment income	2,500	4,018	2,573
Penalties and interest on taxes	22,000	32,232	28,452
Provincial Offences Act revenues	20,000	17,531	23,618
Sale of gravel	45,000	23,863	53,655
Loss on sale of tangible capital assets	-	(500)	(10,456)
Loss from Government Business Partnership	-	(38,369)	(46,771)
Other	38,700	114,912	56,418
	<u>2,861,079</u>	<u>2,834,702</u>	<u>2,671,420</u>
Capital revenues			
Provincial grants	121,662	76,300	28,178
Federal grants	228,290	153,522	37,942
Other grants and donations	-	52,393	7,967
	<u>349,952</u>	<u>282,215</u>	<u>74,087</u>
Total revenues	<u>3,211,031</u>	<u>3,116,917</u>	<u>2,745,507</u>
EXPENDITURES			
General government	590,601	602,745	568,784
Protection to persons and property	461,145	472,419	448,578
Transportation services	649,836	558,282	688,897
Environmental services	927,703	862,209	923,092
Health services	132,981	121,417	131,358
Social and family services	125,499	125,502	135,082
Recreation and cultural services	211,617	243,867	235,709
Planning and development	122,060	112,763	106,851
Total expenditures	<u>3,221,442</u>	<u>3,099,204</u>	<u>3,238,351</u>
ANNUAL SURPLUS (DEFICIT)	(10,411)	17,713	(492,844)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>15,520,218</u>	<u>15,520,218</u>	<u>16,013,062</u>
ACCUMULATED SURPLUS, END OF YEAR – note 12	<u>\$ 15,509,807</u>	<u>\$ 15,537,931</u>	<u>\$ 15,520,218</u>

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, 2017

	2017 Budget (Note 14)	2017 Actual	2016 Actual
ANNUAL SURPLUS (DEFICIT)	\$ (10,411)	\$ 17,713	\$ (492,844)
Acquisition of tangible capital assets	(428,145)	(294,058)	(223,320)
Amortization of tangible capital assets	594,000	600,943	594,166
Loss on sale of tangible capital assets	-	500	10,456
Acquisition (consumption) of inventories of supplies	-	(22,028)	8,363
Proceeds from sale of tangible capital assets	-	-	1,784
Decrease (increase) in net debt	155,444	303,070	(101,395)
Net debt, beginning of year	(352,794)	(352,794)	(251,399)
NET DEBT, END OF YEAR	\$ (197,350)	\$ (49,724)	\$ (352,794)

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, 2017

OPERATIONS	2017	2016
Annual surplus (deficit)	\$ 17,713	\$ (492,844)
Charges not affecting cash –		
Amortization of tangible capital assets	600,943	594,166
Loss on disposal of tangible capital assets	500	10,456
Loss from Government Business Partnership	38,369	46,771
	<u>657,525</u>	<u>158,549</u>
Other sources (uses) of cash –		
Change in taxes receivable	(29,457)	(24,526)
Change in accounts receivable	(170,344)	280,543
Change in inventories of supplies	(22,028)	8,363
Change in accounts payable and accrued liabilities	74,499	(20,195)
Change in deferred revenue – other	42,188	45
Change in deferred revenue – obligator reserve fund	(6,514)	39,450
	<u>(111,656)</u>	<u>283,680</u>
Total cash provided by operations	<u>545,869</u>	<u>442,229</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(294,058)	(223,320)
Proceeds from sale of tangible capital assets	-	1,784
Total cash used for capital activities	<u>(294,058)</u>	<u>(221,536)</u>
INVESTING TRANSACTIONS		
Redemption of short-term investments	<u>9,866</u>	<u>3,913</u>
FINANCING TRANSACTIONS		
Proceeds from short-term borrowing	-	79,112
Repayment of short-term borrowing	-	(290,000)
Proceeds from municipal debt	-	223,405
Repayment of municipal debt	(153,973)	(127,331)
Total cash used for financing transactions	<u>(153,973)</u>	<u>(114,814)</u>
INCREASE IN CASH	107,704	109,792
Cash, beginning of year	<u>253,092</u>	<u>143,300</u>
CASH, END OF YEAR	<u>\$ 360,796</u>	<u>\$ 253,092</u>
REPRESENTED BY		
Cash	<u>\$ 390,796</u>	<u>\$ 253,092</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, 2017

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, 2017

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 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 (deficit) at the end of 2017 is (\$16,468) (2016 \$6,865).

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, 2017

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, 2017

2. **Operations of school boards**

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

	2017	2016
	<u>\$ 87,698</u>	<u>\$ 91,723</u>

3. **Contributions to Joint Boards**

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

	2017	2016
Timiskaming Health Unit	<u>\$ 33,928</u>	<u>\$ 48,082</u>
District of Timiskaming Social Services Administration Board	<u>\$ 205,982</u>	<u>\$ 212,605</u>
Tri-Town Transit System	<u>\$ 36,914</u>	<u>\$ 23,252</u>

4. **Short-term investments**

	2017	2016
Investments with CIBC - money market fund	\$ 432	\$ 622
- Canadian bond pools	11,153	10,829
Guaranteed Income Certificates (GICs)	<u>-</u>	<u>10,000</u>
	<u>\$ 11,585</u>	<u>\$ 21,451</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 (2016 \$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 4.2%). Monthly interest only payments are being made.

7. **Deferred revenue – other**

Deferred revenue – other consists of the following:

	December 31 2016	Funds Received	Revenue Earned	December 31 2017
Provincial government	\$ 4,144	\$ 60,946	\$ 43,057	\$ 22,033
Federal government	11,300	130,640	106,341	35,599
	<u>\$ 15,444</u>	<u>\$ 191,586</u>	<u>\$ 149,398</u>	<u>\$ 57,632</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

8. **Deferred revenue – obligatory reserve funds**

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2016	Funds Received	Revenue Earned	December 31 2017
Federal Gas Tax	\$ 39,450	\$ 70,233	\$ 76,747	\$ 32,936

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.

	2017	2016
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 in February 2018. The loan relates to the waterworks system.	\$ 23,019	\$ 67,529
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 in May 2021. The loan relates to road rehabilitation.	140,636	179,311
CIBC loan repayable in monthly payments of \$3,517 plus interest at bank prime plus 1% per annum (currently 4.2%). The loan matures in October 2018. The loan relates to roads equipment purchase.	35,166	77,367
CIBC loan repayable in monthly payments of \$694 plus interest at bank prime plus 1% per annum (currently 4.2%). The loan matures in October 2019. The loan relates to roads equipment purchase.	15,278	23,611
CIBC loan repayable in monthly payments of \$1,841 plus interest at bank prime plus 0.5% per annum. The loan has been fully paid.	-	20,254
	<u>\$ 214,099</u>	<u>\$ 368,072</u>

Principal payments are due as follows:

2018	\$ 105,853
2019	46,951
2020	40,690
2021	<u>20,605</u>
	<u>\$ 214,099</u>

Total interest paid during the year on the long-term debt is \$8,756 (2016 \$11,117).

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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:

	2017	2016
Purchase of share capital (51 Class B shares)	\$ 51	\$ 51
Town's share of accumulated operating losses	(92,310)	(53,941)
	<u>\$ (92,259)</u>	<u>\$ (53,890)</u>

(b) The following schedules provide condensed supplementary financial information for the year ended December 31, 2017 of Solaire Cobalt Solar Inc.

	2017	2016
<u>Financial position</u>		
Current assets	\$ 260,852	\$ 95,833
Capital assets	4,645,227	3,428,739
Total assets	<u>\$ 4,906,079</u>	<u>\$ 3,524,572</u>
Current liabilities – other	\$ 1,005,562	\$ -
Due to related companies	4,085,035	3,632,352
Total liabilities	5,090,597	3,632,352
Capital stock	101	101
Accumulated deficit	(184,619)	(107,881)
Total liabilities and capital deficiency	<u>\$ 184,518</u>	<u>\$ 3,524,572</u>
<u>Statement of loss</u>		
Revenue	\$ -	\$ -
Expenses	86,513	14,053
Write-offs related to discontinued projects	-	98,527
Loss before income taxes	(86,513)	(112,580)
Future tax recovery	9,775	19,038
Net loss	<u>\$ (76,738)</u>	<u>\$ (93,542)</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

10. Government Business Partnership - continued

(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 (2016 \$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 \$408,503 (2016 \$363,235).

11. Trust funds

Trust funds administered by the Town amounting to \$27,662 (2016 \$25,972) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

12. 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.

	2017	2016
Reserves, surpluses and deficits		
Working capital reserve	\$ 181,732	\$ 181,732
Sewer reserve – note 19	47,078	47,078
Recreation reserve	12,164	12,164
Library reserve	18,075	18,075
General municipal deficit	(270,788)	(392,938)
Government Business Partnership deficit	(92,259)	(53,890)
Library surplus	2,925	9,535
Cemetery surplus	34,498	30,862
Sewer surplus – note 19	176,728	105,308
Water surplus – note 18	132,256	156,680
	<u>242,409</u>	<u>114,606</u>
Amounts to be recovered		
Unfinanced municipal debt	(214,099)	(368,072)
Unfinanced capital expenditures	(78,034)	(99,328)
	<u>(292,133)</u>	<u>(467,400)</u>
Net debt	<u>(49,724)</u>	<u>(352,794)</u>
Non-financial assets		
Inventories of supplies	149,614	127,586
Invested in tangible capital assets	15,438,041	15,745,426
	<u>15,587,655</u>	<u>15,873,012</u>
Accumulated surplus	<u>\$ 15,537,931</u>	<u>\$ 15,520,218</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

12. **Accumulated surplus - continued**

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.

13. **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.

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 2017 were \$44,796 (2016 \$45,029). The plan had an actuarial deficit of \$5.7 billion at the end of 2016.

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 \$53,596 (2016 \$52,550) 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

The Superior Court decided in favour of the Township of Coleman and ordered the Town of Cobalt to pay the sum of \$85,000 to the Township of Coleman for the cost of the court application which has been recorded in the statement of operations for 2017. The Town has submitted an application to the Ontario Court of Appeal to appeal the Superior Court's decision in favour of Coleman and the charges brought against them. The likelihood and amount of POA charges resulting from the claim is undeterminable at this time.

Other 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.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

13. **Contingent Liabilities and Commitments – continued**

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.

14. **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 17. 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>2017</u>
Actual budget surplus for the year – note 17	\$ -
Add: Debt principal repayments	155,444
Investment in tangible capital asset	428,145
Less: Estimated amortization	<u>(594,000)</u>
Budget deficit per statement of operations – page 4	<u>\$ (10,411)</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

15. **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.

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, 2017

	2017									
	Opening Cost Dec 31, 2016	Additions	Disposals	Ending Cost Dec 31, 2017	Opening Accumulated Amortization Dec 31, 2016	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec 31, 2017	Net Assets 2017	
General										
Land improvements	\$ 442,754	\$ -	\$ -	\$ 442,754	\$ 167,426	\$ -	\$ 17,710	\$ 185,136	\$ 257,618	
Buildings	13,723,791	93,266	-	13,817,057	4,090,228	-	264,766	4,354,994	9,462,063	
Vehicles	460,364	7,133	-	467,497	313,640	-	20,345	333,985	133,512	
Equipment	613,525	44,353	832	657,046	246,886	332	51,071	297,625	359,421	
Heavy equipment	702,607	-	-	702,607	390,731	-	19,306	410,037	292,570	
Infrastructure										
Roads	4,662,922	-	-	4,662,922	2,676,771	-	84,563	2,761,334	1,901,588	
Bridges	248,502	11,289	-	259,791	39,760	-	5,196	44,956	214,835	
Underground networks	7,387,341	138,017	-	7,525,358	4,570,938	-	137,986	4,708,924	2,816,434	
Total	\$ 28,241,806	\$ 294,058	\$ 832	\$ 28,535,032	\$ 12,496,380	\$ 332	\$ 600,943	\$ 13,096,991	\$ 15,438,041	

THE CORPORATION OF THE TOWN OF COBALT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

16. **Schedule of tangible capital assets -- continued**

	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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

17. **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 2017 budget.

REVENUES	2017	2017	2016
	Budget	Actual	Actual
Operating revenues			
Municipal taxation	\$ 475,401	\$ 476,163	\$ 480,426
Garbage and street lighting fees	150,370	150,562	163,467
Water and sewer fees	559,050	485,869	453,412
Policing fees	355,620	353,532	274,120
User charges	108,550	114,990	121,149
Provincial grants	908,300	938,129	944,306
Federal grants	112,620	111,142	84,577
Revenue from other municipalities	62,968	50,628	42,474
Investment income	2,500	4,018	2,573
Penalties and interest on taxes	22,000	32,232	28,452
Provincial Offences Act revenues	20,000	17,531	23,618
Sale of gravel	45,000	23,863	53,655
Proceeds from sale of capital assets	-	-	1,784
Loss from Government Business Partnership	-	(38,369)	(46,771)
Other	38,700	114,912	56,418
	<u>2,861,079</u>	<u>2,835,202</u>	<u>2,683,660</u>
Capital revenues			
Provincial grants	121,662	76,300	28,178
Federal grants	228,290	153,522	37,942
Other grants and donations	-	52,393	7,967
Proceeds from long-term debt	-	-	223,405
	<u>349,952</u>	<u>282,215</u>	<u>297,492</u>
Total revenues	<u>3,211,031</u>	<u>3,117,417</u>	<u>2,981,152</u>
EXPENDITURES			
Operating expenditures			
General government	497,601	509,283	475,475
Protection to persons and property	452,145	459,975	439,202
Transportation services	516,836	441,807	549,524
Environmental services	627,703	563,920	621,173
Health services	132,981	121,417	131,358
Social and family services	125,499	125,502	135,082
Recreation and cultural services	152,617	185,623	177,157
Planning and development	122,060	112,762	106,851
	<u>2,627,442</u>	<u>2,520,289</u>	<u>2,635,822</u>
Capital expenditures	428,145	294,058	223,320
Long-term debt repayment	155,444	153,973	127,331
Total expenditures	<u>3,211,031</u>	<u>2,968,320</u>	<u>2,986,473</u>
Surplus (deficit) - full budget based	\$ -	\$ 149,097	\$ (5,321)

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

18. 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.

	<u>2017</u>	<u>2016</u>
Revenue		
Sale of water – Cobalt residents	\$ 321,620	\$ 314,309
Sale of water – Coleman Township	33,547	27,139
Interest charges on collection	4,786	2,834
Provincial grant – operating	-	3,669
Provincial grant – capital	66,001	4,156
Federal grant – capital	69,500	8,312
Total revenue	<u>495,454</u>	<u>360,419</u>
Expenditures		
Salaries and benefits	126,801	132,413
Materials, supplies and utilities	93,454	156,198
Contracted services	92,931	47,158
Debt charges – principal	44,511	42,553
– interest	2,572	4,530
Capital expenditures	159,609	16,625
Total expenditures	<u>519,878</u>	<u>399,477</u>
Annual deficit	(24,424)	(39,058)
Waterworks accumulated surplus, beginning of year	<u>156,680</u>	<u>195,738</u>
Waterworks accumulated surplus, end of year	<u>\$ 132,256</u>	<u>\$ 156,680</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

19. 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.

	<u>2017</u>	<u>2016</u>
Revenue		
Sewer (Wetlands) user fees	\$ 164,249	\$ 139,104
Provincial grant – operating	-	5,000
Federal grant – capital	9,716	-
Provincial grant – capital	<u>10,299</u>	<u>24,022</u>
Total revenue	<u>184,264</u>	<u>168,126</u>
Expenditures		
Salaries and benefits	69,409	75,794
Materials, supplies and utilities	5,251	22,735
Contracted services	18,169	11,497
Capital expenditures	<u>20,015</u>	<u>24,022</u>
Total expenditures	<u>112,844</u>	<u>134,048</u>
Annual surplus	71,420	34,078
Sewer (Wetlands) accumulated surplus, beginning of year	<u>152,386</u>	<u>118,308</u>
Sewer (Wetlands) accumulated surplus, end of year	<u>\$ 223,806</u>	<u>\$ 152,386</u>
Accumulated surplus is made up of:	<u>2017</u>	<u>2016</u>
Operating surplus	\$ 176,728	\$ 105,308
Reserves	<u>47,078</u>	<u>47,078</u>
	<u>\$ 223,806</u>	<u>\$ 152,386</u>

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, 2017 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

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
October 30, 2018

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, 2017**

	2017	2016
FINANCIAL ASSETS		
Short-term investments	\$ 26,395	\$ 24,877
Due from the Town of Cobalt	1,267	1,095
FUND BALANCE	\$ 27,662	\$ 25,972

STATEMENT OF CONTINUITY**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Fund balance, beginning of year	\$ 25,972	\$ 24,812
Capital receipts	1,690	1,160
Fund balance, end of year	\$ 27,662	\$ 25,972

NOTES TO THE FINANCIAL STATEMENTS

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