

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWN OF COBALT**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2018

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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 Corporation 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 is 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 Corporation of 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 Corporation of the Town of Cobalt. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Town of Cobalt's financial statements.



Brian Walker
Chief Administrative Officer / Clerk-Treasurer

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Cobalt, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Cobalt as at December 31, 2018, and the results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation of the Town of Cobalt's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation of the Town of Cobalt's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation of the Town of Cobalt to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
September 26, 2019

Chartered Professional Accountants

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

FINANCIAL ASSETS

	2018	2017
Cash	\$ 1,185,116	\$ 360,796
Short-term investments – note 4	11,712	11,585
Taxes receivable	167,073	193,929
Accounts receivable	389,061	252,138
	<u>1,752,962</u>	<u>818,448</u>

LIABILITIES

Short-term borrowing	-	79,112
Accounts payable and accrued liabilities	372,405	392,134
Deferred revenue – other – note 7	874,777	57,632
Deferred revenue – obligatory reserve fund – note 8	80,727	32,936
Municipal debt – note 9	108,246	214,099
Deficiency in Government Business Partnership – note 10	196,783	92,259
	<u>1,632,938</u>	<u>868,172</u>

NET FINANCIAL ASSETS (DEBT)	<u>120,024</u>	<u>(49,724)</u>
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NON-FINANCIAL ASSETS

Inventories of supplies	151,891	149,614
Tangible capital assets – note 16	15,197,567	15,438,041
	<u>15,349,458</u>	<u>15,587,655</u>

ACCUMULATED SURPLUS – note 12	<u>\$ 15,469,482</u>	<u>\$ 15,537,931</u>
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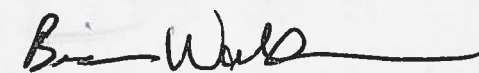
Contingent liabilities and commitments – note 13

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

On behalf of Council:



 Mayor



 Chief Administrative Officer

THE CORPORATION OF THE TOWN OF COBALT

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUES	2018 Budget (Note 14)	2018 Actual	2017 Actual
Operating revenues			
Municipal taxation	\$ 552,435	\$ 550,997	\$ 476,163
Water and sewer fees	576,219	546,986	485,869
Policing fees	369,167	367,452	353,532
User charges	108,745	119,665	265,552
Provincial grants	925,072	962,567	938,129
Federal grants	104,880	96,167	111,142
Revenue from other municipalities	50,754	36,559	50,628
Investment income	2,500	5,054	4,018
Penalties and interest on taxes	22,000	37,729	32,232
Provincial Offences Act revenues	15,000	18,085	17,531
Sale of gravel	9,000	52,291	23,863
Gain (loss) on sale of tangible capital assets	-	96,782	(500)
Loss from Government Business Partnership	-	(104,524)	(38,369)
Other	76,916	119,522	114,912
	<u>2,812,688</u>	<u>2,905,332</u>	<u>2,834,702</u>
Capital revenues			
Provincial grants	130,022	192,201	76,300
Federal grants	154,722	73,049	153,522
Other grants and donations	3,939	13,386	52,393
	<u>288,683</u>	<u>278,636</u>	<u>282,215</u>
Total revenues	<u>3,101,371</u>	<u>3,183,968</u>	<u>3,116,917</u>
EXPENDITURES			
General government	613,473	696,874	602,745
Protection to persons and property	510,300	498,922	472,419
Transportation services	598,779	602,402	558,282
Environmental services	963,434	872,616	862,209
Health services	135,779	135,233	121,417
Social and family services	122,934	121,898	125,502
Recreation and cultural services	212,834	229,184	243,867
Planning and development	110,000	95,288	112,763
Total expenditures	<u>3,267,533</u>	<u>3,252,417</u>	<u>3,099,204</u>
ANNUAL SURPLUS (DEFICIT)	(166,162)	(68,449)	17,713
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>15,537,931</u>	<u>15,537,931</u>	<u>15,520,218</u>
ACCUMULATED SURPLUS, END OF YEAR – note 12	<u>\$ 15,371,769</u>	<u>\$ 15,469,482</u>	<u>\$ 15,537,931</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 FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (Note 14)	2018 Actual	2017 Actual
ANNUAL SURPLUS (DEFICIT)	\$ (166,162)	\$ (68,449)	\$ 17,713
Acquisition of tangible capital assets	(340,550)	(367,987)	(294,058)
Amortization of tangible capital assets	600,500	608,461	600,943
Loss (gain) on sale of tangible capital assets	-	(96,782)	500
Acquisition of inventories of supplies	-	(2,277)	(22,028)
Proceeds from sale of tangible capital assets	93,000	96,782	-
Increase in net financial assets (debt)	186,788	169,748	303,070
Net debt, beginning of year	(49,724)	(49,724)	(352,794)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 137,064	\$ 120,024	\$ (49,724)

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, 2018

OPERATIONS	2018	2017
Annual surplus	\$ (68,449)	\$ 17,713
Charges not affecting cash –		
Amortization of tangible capital assets	608,461	600,943
Loss (gain) on disposal of tangible capital assets	(96,782)	500
Loss from Government Business Partnership	104,524	38,369
	<u>547,754</u>	<u>657,525</u>
Other sources (uses) of cash –		
Change in taxes receivable	26,856	(29,457)
Change in accounts receivable	(136,923)	(170,344)
Change in inventories of supplies	(2,277)	(22,028)
Change in accounts payable and accrued liabilities	(19,729)	74,499
Change in deferred revenue – other	817,145	42,188
Change in deferred revenue – obligatory reserve fund	47,791	(6,514)
	<u>732,863</u>	<u>(111,656)</u>
Total cash provided by operations	<u>1,280,617</u>	<u>545,869</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(367,987)	(294,058)
Proceeds from sale of tangible capital assets	96,782	-
Total cash used for capital activities	<u>(271,205)</u>	<u>(294,058)</u>
INVESTING TRANSACTIONS		
Acquisition of short-term investments	(127)	-
Redemption of short-term investments	-	9,866
Total cash provided by (used for) investing transactions	<u>(127)</u>	<u>9,866</u>
FINANCING TRANSACTIONS		
Repayment of short-term borrowing	(79,112)	-
Repayment of municipal debt	(105,853)	(153,973)
Total cash used for financing transactions	<u>(184,965)</u>	<u>(153,973)</u>
INCREASE IN CASH	824,320	107,704
Cash, beginning of year	<u>360,796</u>	<u>253,092</u>
CASH, END OF YEAR	\$ 1,185,116	\$ 360,796
REPRESENTED BY		
Cash	<u>\$ 1,185,116</u>	<u>\$ 390,796</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, 2018

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, 2018

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.

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, 2018

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, 2018

2. Operations of school boards

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

	<u>2018</u>	<u>2017</u>
	\$ 86,034	\$ 87,698

3. Contributions to Joint Boards

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

	<u>2018</u>	<u>2017</u>
Timiskaming Health Unit	\$ 46,151	\$ 33,928
District of Timiskaming Social Services Administration Board	\$ 205,363	\$ 205,982
Tri-Town Transit System	\$ 39,671	\$ 36,914

4. Short-term investments

	<u>2018</u>	<u>2017</u>
Investments with CIBC - money market fund	\$ 634	\$ 432
- Canadian bond pools	11,078	11,153
	<u>\$ 11,712</u>	<u>\$ 11,585</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 (2017 \$nil). Interest is at bank prime plus 0.5% (currently 4.45%).

6. 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 surplus.

7. Deferred revenue – other

Deferred revenue – other consists of the following:

	<u>December 31 2017</u>	<u>Funds Received</u>	<u>Revenue Earned</u>	<u>December 31 2018</u>
Provincial government	\$ 22,033	\$ 1,027,106	\$ 185,662	\$ 863,477
Federal government	35,599	46,397	70,696	11,300
	<u>\$ 57,632</u>	<u>\$ 1,073,503</u>	<u>\$ 256,358</u>	<u>\$ 874,777</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

8. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2017	Funds Received	Revenue Earned	December 31 2018
Federal Gas Tax	\$ 32,936	\$ 72,695	\$ 24,904	\$ 80,727

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.

	2018	2017
A serial debenture with Ontario Infrastructure matured in February 2018.	\$ -	\$ 23,019
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.	101,301	140,636
CIBC loan matured in October 2018.	-	35,166
CIBC loan repayable in monthly payments of \$694 plus interest at bank prime plus 1% per annum (currently 4.95%). The loan matures in October 2019. The loan relates to roads equipment purchase.	6,945	15,278
	<u>\$ 108,246</u>	<u>\$ 214,099</u>

Principal payments are due as follows:

2019	\$ 46,951
2020	40,690
2021	<u>20,605</u>
	<u>\$ 108,246</u>

Total interest paid during the year on the long-term debt is \$3,971 (2017 \$8,756).

10. Government Business Partnership

The Corporation of 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.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

10. Government Business Partnership - continued

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:

	<u>2018</u>	<u>2017</u>
Purchase of share capital (51 Class B shares)	\$ 51	\$ 51
Town's share of accumulated operating losses	(196,834)	(92,310)
	<u>\$ (196,783)</u>	<u>\$ (92,259)</u>

(b) The following schedules provide condensed supplementary financial information for the year ended December 31, 2018 of Solaire Cobalt Solar Inc.

<u>Financial position</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 496,182	\$ 260,853
Capital assets	4,381,289	4,645,227
Future income taxes	28,824	-
Total assets	<u>\$ 4,906,295</u>	<u>\$ 4,906,080</u>
Current liabilities	\$ 42,098	\$ 1,005,563
Due to related parties	2,228,346	4,085,035
Current portion of long-term debt	146,802	-
Long-term debt	2,882,616	-
Total liabilities	<u>\$ 5,299,862</u>	<u>\$ 5,090,598</u>
Capital stock	101	101
Accumulated deficit	(393,668)	(184,619)
Total liabilities and accumulated deficits	<u>\$ 4,906,295</u>	<u>\$ 4,906,080</u>
<u>Statement of loss</u>		
Sale of energy	\$ 282,828	\$ -
Cost of sales	5,775	-
Expenses	538,527	86,513
Recovery related to discontinued projects	25,000	-
Future recovery of income taxes	27,425	9,775
Net loss	<u>\$ (209,049)</u>	<u>\$ (76,738)</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

10. Government Business Partnership - continued

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

- 1) The Town has an accounts payable of \$51 (2017 \$51) for the purchase of their portion of the share capital included in the consolidated statement of financial position.

11. Trust funds

Trust funds administered by the Town amounting to \$28,122 (2017 \$27,662) 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.

	<u>2018</u>	<u>2017</u>
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	(262,380)	(270,788)
Government Business Partnership deficit	(196,783)	(92,259)
Library surplus	3,425	2,925
Cemetery surplus	35,029	34,498
Sewer surplus – note 19	248,072	176,728
Water surplus – note 18	141,858	132,256
	<u>228,270</u>	<u>242,409</u>
Amounts to be recovered		
Unfinanced municipal debt	(108,246)	(214,099)
Unfinanced capital expenditures	-	(78,034)
	<u>(108,246)</u>	<u>(292,133)</u>
Net financial assets (debt)	<u>120,024</u>	<u>(49,724)</u>
Non-financial assets		
Inventories of supplies	151,891	149,614
Invested in tangible capital assets	15,197,567	15,438,041
	<u>15,349,458</u>	<u>15,587,655</u>
Accumulated surplus	<u>\$ 15,469,482</u>	<u>\$ 15,537,931</u>

THE CORPORATION OF THE TOWN OF COBALT**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2018**

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 2018 were \$43,541 (2017 \$44,796). The plan had an actuarial deficit of \$4.2 billion at the end of 2018.

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 \$31,608 (2017 \$53,596) 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.

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 Corporation of the Town of Cobalt.

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

13. **Contingent Liabilities and Commitments – continued**
Subsequent contractual obligation

In March of 2019, the Town entered into an agreement for the construction and upgrades to the Town's water treatment plant at the tendered amount of \$1,322,830 plus HST. The project is to be 90% funded by the Ontario Community Infrastructure Fund.

Legal contingencies

The Town filed a request to the Court of Appeal regarding the cost order related to the Sharp Lake gravel pit operation's legal suit. The Court of Appeal agreed with the decision of the Superior Court and dismissed the appeal. The Court of Appeal upheld the Superior Court's cost order therefore the Town is to pay the sum of \$85,000 for previous year costs, as well as \$25,000 for appeal costs in the current year, for a total of \$110,000 to the Township of Coleman. The likelihood and valuation of any possible 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.

Contaminated and hazardous sites

The Corporation of 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 5. 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>2018</u>
Actual budget surplus for the year – note 17	\$ 41,124
Add: Debt principal repayments	145,664
Investment in tangible capital assets	340,550
Less: Estimated amortization	(600,500)
Proceeds from sale of tangible capital assets	<u>(93,000)</u>
Budget deficit per statement of operations – page 5	<u>\$ (166,162)</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

16. **Schedule of tangible capital assets**

	2018									
	Opening Cost Dec. 31, 2017	Additions	Disposals	Ending Cost Dec. 31, 2018	Opening Accumulated Amortization Dec. 31, 2017	Accumulated Amortization on Disposals	Current Amortization	Ending Accumulated Amortization Dec. 31, 2018	Net Assets 2018	
General										
Land improvements	\$ 442,754	\$ -	\$ -	\$ 442,754	\$ 185,136	\$ -	\$ 17,710	\$ 202,846	\$ 239,908	
Buildings	13,817,057	-	318,695	13,498,362	4,354,994	318,695	264,715	4,301,014	9,197,348	
Vehicles	467,497	-	-	467,497	333,985	-	16,544	350,529	116,988	
Equipment	657,046	284,880	-	941,926	297,625	-	60,573	358,198	583,728	
Heavy equipment	702,607	-	-	702,607	410,037	-	19,306	429,343	273,264	
Infrastructure										
Roads	4,662,922	24,905	-	4,687,827	2,761,334	-	85,393	2,846,727	1,841,100	
Bridges	259,791	51,912	-	311,703	44,956	-	6,234	51,190	260,513	
Underground networks	7,525,358	6,290	-	7,531,648	4,708,924	-	137,986	4,846,910	2,684,738	
Total	\$ 28,535,032	\$ 367,987	\$ 318,695	\$ 28,584,324	\$ 13,096,991	\$ 318,695	\$ 608,461	\$ 13,386,757	\$ 15,197,567	

THE CORPORATION OF THE TOWN OF COBALT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

16. Schedule of tangible capital assets -- continued

	2018		2017		Ending Accumulated Amortization Dec 31, 2017	Ending Accumulated Amortization Dec 31, 2017	Net Assets 2017	
	Opening Cost Dec 31, 2016	Additions	Disposals	Ending Cost Dec 31, 2017				Opening Accumulated Amortization Dec 31, 2016
General								
Land improvements	\$ 442,754	\$ -	\$ -	\$ 442,754	\$ 167,426	\$ -	\$ 17,710	\$ 257,618
Buildings	13,723,791	93,266	-	13,817,057	4,090,228	-	264,766	9,462,063
Vehicles	460,384	7,133	-	467,497	313,840	-	20,345	133,512
Equipment	613,525	44,353	832	657,046	246,886	332	51,071	359,421
Heavy equipment	702,607	-	-	702,607	390,731	-	19,306	292,570
Infrastructure								
Roads	4,662,922	-	-	4,662,922	2,676,771	-	84,563	1,901,588
Bridges	248,502	11,289	-	259,791	39,760	-	5,196	214,835
Underground networks	7,387,341	138,017	-	7,525,358	4,570,938	-	137,986	2,816,434
Total	\$ 28,241,806	\$ 294,058	\$ 832	\$ 28,535,032	\$ 12,496,380	\$ 332	\$ 600,943	\$ 15,438,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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 5 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 2018 budget.

REVENUES	2018	2018	2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Municipal taxation	\$ 552,435	\$ 550,997	\$ 476,163
Water and sewer fees	576,219	546,986	485,869
Policing fees	369,167	367,452	353,532
User charges	108,745	119,665	265,552
Provincial grants	925,072	962,567	938,129
Federal grants	104,880	96,167	111,142
Revenue from other municipalities	50,754	36,559	50,628
Investment income	2,500	5,054	4,018
Penalties and interest on taxes	22,000	37,729	32,232
Provincial Offences Act revenues	15,000	18,085	17,531
Sale of gravel	9,000	52,291	23,863
Loss from Government Business Partnership	-	(104,524)	(38,369)
Other	76,916	119,522	114,912
	<u>2,812,688</u>	<u>2,808,550</u>	<u>2,835,202</u>
Capital revenues			
Provincial grants	130,022	192,201	76,300
Federal grants	154,722	73,049	153,522
Other grants and donations	3,939	13,386	52,393
Proceeds from sale of capital assets	93,000	96,782	-
	<u>381,683</u>	<u>375,418</u>	<u>282,215</u>
Total revenues	<u>3,194,371</u>	<u>3,183,968</u>	<u>3,117,417</u>
EXPENDITURES			
Operating expenditures			
General government	519,973	602,528	509,283
Protection to persons and property	498,050	490,279	459,975
Transportation services	463,279	461,420	441,807
Environmental services	662,434	569,106	563,920
Health services	135,779	135,233	121,417
Social and family services	122,934	121,898	125,502
Recreation and cultural services	154,584	170,481	185,623
Planning and development	110,000	95,288	112,762
	<u>2,667,033</u>	<u>2,646,233</u>	<u>2,520,289</u>
Capital expenditures	340,550	367,987	294,058
Long-term debt repayment	145,664	105,853	153,973
Total expenditures	<u>3,153,247</u>	<u>3,120,073</u>	<u>2,968,320</u>
Surplus - full budget based	<u>\$ 41,124</u>	<u>\$ 63,895</u>	<u>\$ 149,097</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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>2018</u>	<u>2017</u>
Revenue		
Sale of water – Cobalt residents	\$ 383,350	\$ 321,620
Sale of water – Coleman Township	20,548	33,547
Interest charges on collection	7,066	4,786
Provincial grant – capital	189,056	66,001
Federal grant – capital	20,000	69,500
Total revenue	<u>620,020</u>	<u>495,454</u>
Expenditures		
Salaries and benefits	127,190	126,801
Materials, supplies and utilities	80,095	93,454
Contracted services	112,748	92,931
Debt charges – principal	23,018	44,511
– interest	524	2,572
Capital expenditures	<u>266,843</u>	<u>159,609</u>
Total expenditures	<u>610,418</u>	<u>519,878</u>
Annual surplus (deficit)	9,602	(24,424)
Accumulated surplus, beginning of year	<u>132,256</u>	<u>156,680</u>
Accumulated surplus, end of year	<u>\$ 141,858</u>	<u>\$ 132,256</u>

THE CORPORATION OF THE TOWN OF COBALT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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>2018</u>	<u>2017</u>
Revenue		
Sewer (Wetlands) user fees	\$ 164,156	\$ 164,249
Federal grants – capital	3,145	9,716
Provincial grants – capital	3,145	10,299
Total revenue	<u>170,446</u>	<u>184,264</u>
Expenditures		
Salaries and benefits	65,161	69,409
Materials, supplies and utilities	6,301	5,251
Contracted services	9,256	18,169
Capital expenditures	18,384	20,015
Total expenditures	<u>99,102</u>	<u>112,844</u>
Annual surplus	71,344	71,420
Accumulated surplus, beginning of year	<u>223,806</u>	<u>152,386</u>
Accumulated surplus, end of year	<u>\$ 295,150</u>	<u>\$ 223,806</u>
Accumulated surplus is made up of:	<u>2018</u>	<u>2017</u>
Operating surplus	\$ 248,072	\$ 176,728
Reserves	<u>47,078</u>	<u>47,078</u>
	<u>\$ 295,150</u>	<u>\$ 223,806</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, 2018 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
September 26, 2019

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, 2018**

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Short-term investments	\$ 27,662	\$ 26,395
Due from the Corporation of the Town of Cobalt	<u>460</u>	<u>1,267</u>
FUND BALANCE	<u>\$ 28,122</u>	<u>\$ 27,662</u>

STATEMENT OF CONTINUITY**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Fund balance, beginning of year	\$ 27,662	\$ 25,972
Capital receipts	<u>460</u>	<u>1,690</u>
Fund balance, end of year	<u>\$ 28,122</u>	<u>\$ 27,662</u>

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.