

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWNSHIP OF COLEMAN**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2018

INDEX

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

	Page Number
Management's Responsibility for the Financial Statements	1
Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 20

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Corporation of the Township of Coleman are the responsibility of the Corporation of the Township of Coleman'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 Corporation of the Township of Coleman'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 Township of Coleman. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Township of Coleman's financial statements.



Chief Administrative Officer
Logan Belanger

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Coleman:

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Coleman, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net 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 Township of Coleman 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 Township of Coleman 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 Township of Coleman'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 Township of Coleman 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 Township of Coleman'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 Township of Coleman'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 Township of Coleman'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 Township of Coleman 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
July 8, 2019

Chartered Professional Accountants

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

FINANCIAL ASSETS

	2018	2017
Cash	\$ 149,588	\$ 225,377
Short-term investments – note 4	171,836	170,128
Taxes receivable	90,818	98,346
Accounts receivable	321,792	114,772
	<u>734,034</u>	<u>608,623</u>

LIABILITIES

Accounts payable and accrued liabilities	367,368	331,267
Landfill closure and post-closure liability – note 6	70,000	70,000
Deferred revenue – other – note 8	10,070	-
Municipal debt – note 7	641,970	851,136
	<u>1,089,408</u>	<u>1,252,403</u>

NET DEBT

	<u>(355,374)</u>	<u>(643,780)</u>
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NON-FINANCIAL ASSETS

Tangible capital assets – note 15	7,103,926	7,240,612
Inventories of supplies	17,597	18,170
	<u>7,121,523</u>	<u>7,258,782</u>

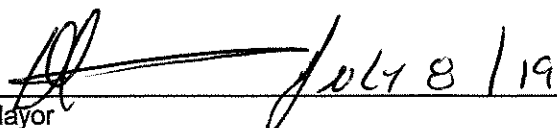
ACCUMULATED SURPLUS – note 9

	\$ 6,766,149	\$ 6,615,002
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Contingent liabilities and commitments – note 10

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

On behalf of Council:


 Mayor



Chief Administrative Officer

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (Note 11)	2018 Actual	2017 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 1,325,931	\$ 1,304,855	\$ 1,263,808
Water, septic and local improvement charges	38,354	34,565	35,546
User charges	78,600	98,137	77,006
Provincial grants	191,938	186,839	198,598
Federal grants	32,225	30,818	5,632
Investment income	-	1,849	2,214
Penalties and interest on taxes	15,100	17,759	17,754
Provincial Offences Act revenues	12,500	9,539	9,245
Loss on disposal of tangible capital assets	-	-	(31,582)
Land sales	20,500	3,004	54,920
Other	133,275	230,302	40,680
	<u>1,848,423</u>	<u>1,917,667</u>	<u>1,673,821</u>
Capital revenues			
Provincial grants	50,000	61,097	31,169
Federal grants	38,030	80,087	42,388
Other	-	-	15,158
	<u>88,030</u>	<u>141,184</u>	<u>88,715</u>
Total revenues	<u>1,936,453</u>	<u>2,058,851</u>	<u>1,762,536</u>
EXPENDITURES			
General government	383,187	516,631	392,783
Protection to persons and property	253,893	268,459	250,072
Transportation services	533,216	509,212	510,330
Environmental services	220,150	222,572	236,375
Health services	137,820	132,475	132,738
Social and family services	102,986	101,708	98,775
Recreation and cultural services	90,636	82,838	81,832
Planning and development	139,822	73,809	36,009
Total expenditures	<u>1,861,710</u>	<u>1,907,704</u>	<u>1,738,914</u>
ANNUAL SURPLUS	74,743	151,147	23,622
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>6,615,002</u>	<u>6,615,002</u>	<u>6,591,380</u>
ACCUMULATED SURPLUS, END OF YEAR – note 9	<u>\$ 6,689,745</u>	<u>\$ 6,766,149</u>	<u>\$ 6,615,002</u>

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

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (Note 11)	2018 Actual	2017 Actual
ANNUAL SURPLUS	\$ 74,743	\$ 151,147	\$ 23,622
Acquisition of tangible capital assets	(133,850)	(195,330)	(132,064)
Amortization of tangible capital assets	331,000	332,016	330,587
Loss on disposal of tangible capital assets	-	-	31,582
Consumption of inventories of supplies	-	573	3,875
Decrease in net debt	271,893	288,406	257,602
Net debt, beginning of year	(643,780)	(643,780)	(901,382)
NET DEBT, END OF YEAR	\$ (371,887)	\$ (355,374)	\$ (643,780)

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

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATIONS	<u>2018</u>	<u>2017</u>
Annual surplus	\$ 151,147	\$ 23,622
Charges not affecting cash –		
Amortization of tangible capital assets	332,016	330,587
Loss on disposal of tangible capital assets	-	31,582
	<u>483,163</u>	<u>385,791</u>
Other sources (uses) of cash –		
Change in taxes receivable	7,528	(19,297)
Change in accounts receivable	(207,020)	73,732
Change in accounts payable and accrued liabilities	36,101	19,880
Change in inventories of supplies	573	3,875
Change in landfill closure and post-closure liability	-	5,000
Change in deferred revenue	10,070	-
	<u>(152,748)</u>	<u>83,190</u>
Total cash provided by operations	<u>330,415</u>	<u>468,981</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(195,330)</u>	<u>(132,064)</u>
INVESTING TRANSACTIONS		
Acquisition of short-term investments	<u>(1,708)</u>	<u>(1,931)</u>
FINANCING TRANSACTIONS		
Municipal debt proceeds	38,480	28,854
Municipal debt repayments	<u>(247,646)</u>	<u>(241,514)</u>
Total cash used for financing transactions	<u>(209,166)</u>	<u>(212,660)</u>
INCREASE (DECREASE) IN CASH	<u>(75,789)</u>	<u>122,326</u>
Cash, beginning of year	<u>225,377</u>	<u>103,051</u>
CASH, END OF YEAR	<u>\$ 149,588</u>	<u>\$ 225,377</u>
REPRESENTED BY		
Cash	<u>\$ 149,588</u>	<u>\$ 225,377</u>

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

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

The Corporation of the Township of Coleman is a township 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 Township of Coleman 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 liability.

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 Township and include the activities of all committees of Council which are:

The Corporation of the Township of Coleman Water Supply System
The Corporation of the Township of Coleman Communal Septic System

All interfund assets and liabilities and sources of financing and expenditures have been 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 Township 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 Township in its statements.

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 Township does not have control of the board. Building Permit revenues are transferred to this organization.

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.

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. Accounting policies – continued

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
Machinery and equipment	10 to 25 years
Bridges and culverts	25 to 27 years
Roads	7 to 30 years
Plants and facilities	50 years
Street lights	50 years

A full year of amortization is charged in the year after 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 Township 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.

Inventories of supplies

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

Deferred revenue – other

The Township receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific 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.

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.

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. **Accounting policies – continued**
Revenue recognition – continued

Taxation and related revenues

Property tax billings are prepared by the Township 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 Township 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 Township 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 Township 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.

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>
	\$ 533,424	\$ 526,662

3. **Contributions to Joint Boards**

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

	<u>2018</u>	<u>2017</u>
Timiskaming Health Unit	\$ 24,839	\$ 18,261
District of Timiskaming Social Services Administration Board	\$ 197,380	\$ 197,147

4. **Short-term investments**

(At cost)

	<u>2018</u>	<u>2017</u>
CIBC – Money market pool (market value \$9,193)	\$ 9,192	\$ 6,253
CIBC – Bond pools (market value \$157,652)	162,644	163,875
	<u>\$ 171,836</u>	<u>\$ 170,128</u>

5. **Revolving line of credit**

The Township has a \$150,000 business operating line negotiated with CIBC with a balance outstanding of \$nil (2017 - \$nil). Interest is at bank prime plus 1% (currently 4.95%).

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

6. Landfill closure and post-closure liability

The liability for closure and post-closure of the landfill site has been recognized using the present value of the estimated closure and post-closure costs, based upon the usage of the site's capacity. The total capacity of the site is 100,000 cubic meters. The approximate area that has been landfilled is 43,495 cubic meters, leaving an estimated remaining capacity of 56,505 cubic meters. The estimated life of the landfill site is 67 years and post-closure care is estimated to be required for 21 years from the date of site closure.

The discount factor used is 3.45% net of inflation of 2.2%. The liability as at December 31, 2018 is \$70,000 (2017 \$70,000). Estimated expenditures for closure and post-closure care are \$219,400 and \$165,900 respectively, for a total of \$385,300. The liability remaining to be recognized is \$315,300.

7. Municipal debt

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

	2018	2017
CIBC loan repayable in monthly blended (principal and interest) payments of \$3,889 with interest at 3.95% per annum and matures in July 2021. The debt relates to improvements to the water system.	\$ 23,733	\$ 68,497
GMAC loan repayable in monthly blended (principal and interest) payments of \$886 with interest at 4.99% per annum and matures in July 2022. The debt is for the purchase of a new truck.	34,079	-
In 2012, the Township entered into a contract with Miller Paving to improve the township roads. Miller Paving will improve the roads at a total contract price of \$1,880,281 over five years. The Township will pay Miller Paving a total of \$191,337 per year (quarterly payments of \$47,834) over 10 years starting in 2012. There is no interest on the payments. Based on \$1,871,259 of road work completed as of December 31, 2017 and payments made of \$1,322,815 to date, we are reflecting the balance of \$548,444 as a long-term loan with Miller Paving due from 2019 to 2021.	548,444	739,782
Ontario Northland loan repayable in annual principal payments of \$7,143 with interest at 0% per annum and matures January 2023. The debt relates to the railway crossing upgrade.	35,714	42,857
	<u>\$ 641,970</u>	<u>\$ 851,136</u>

Principal payments are due as follows:

2019	\$ 231,351
2020	208,086
2021	183,008
2022	12,383
2023	<u>7,142</u>
	<u>\$ 641,970</u>

Total interest paid is \$2,816 (2017 – \$3,632).

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

8. **Deferred revenue – other**

Deferred revenue – other consists of the following:

	December 31 2017	Funds Received	Revenue Earned	December 31 2018
Provincial grants	\$ -	\$ 50,139	\$ 40,069	\$ 10,070

9. **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.

Reserves, deficits and surpluses	2018	2017
Working capital reserve	\$ 623,688	\$ 478,088
Playground equipment reserve	11,800	10,000
Bass Lake water and sewer reserve	5,000	4,000
Water reserve – note 13	32,124	27,556
Water operational deficit – note 13	(392,842)	(318,546)
Septic operational surplus – note 12	6,826	6,258
	<u>286,596</u>	<u>207,356</u>
Amounts to be recovered		
Unfinanced municipal debt	<u>(641,970)</u>	<u>(851,136)</u>
Net debt	<u>(355,374)</u>	<u>(643,780)</u>
Non-financial assets		
Invested in tangible capital assets	7,103,926	7,240,612
Invested in inventories of supplies	17,597	18,170
	<u>7,121,523</u>	<u>7,258,782</u>
	<u>\$ 6,766,149</u>	<u>\$ 6,615,002</u>

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Debt for the year.

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

10. **Contingent liabilities and commitments**

Non-consolidated Entities

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

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Township 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 Township are recognized as an expenditure. No pension liability for this type of plan is recognized in the Township's consolidated financial statements. Contributions made by the Township to OMERS for 2018 were \$20,860 (2017 \$20,492). The plan had an actuarial deficit of \$5.4 billion at the end of 2017.

Post-employment benefits

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

Funding agreements

Under the terms of various funding agreements, the Township 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.

Legal contingencies

A statement of claim has been issued against the Township claiming damages. Damages, if any, cannot be estimated at this time and in any event, the Township is of the opinion that this claim would be unfounded or covered by insurance after application of a deductible. Should any loss result, it would be charged to operations when the amount is ascertained.

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

11. 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 16. It expenses all tangible capital expenditures, does not include amortization expense, reflects proceeds of long-term debt as a revenue, principal repayments of long-term debt as an expense and the full proceeds from the sale of tangible capital assets as a revenue. As a result, the budget figures presented in the consolidated statements of operations and change in net debt represent the financial plan adopted by Council with adjustments as follows:

	<u>2018</u>
Actual budget surplus for the year – note 16	\$ 28,523
Add: Budgeted debt principal repayments	243,370
Investment in tangible capital assets	133,850
Less: Estimated amortization	<u>(331,000)</u>
Budget surplus per statement of operations – page 5	<u>\$ 74,743</u>

12. Operation of the Communal Septic System

The Township pays the expenses and in turn charges septic fees to 14 users of a communal septic system. This schedule is operational. It is not prepared according to PSAB standards. Amortization is not reflected and the full capital cost is reflected.

	<u>2018</u>	<u>2017</u>
Revenue – septic fees	\$ 1,932	\$ 1,680
Expenses – utilities	346	553
– other	1,018	803
	<u>1,364</u>	<u>1,356</u>
Annual surplus	568	324
Surplus, beginning of year	<u>6,258</u>	<u>5,934</u>
Surplus, end of year	<u>\$ 6,826</u>	<u>\$ 6,258</u>

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

13. Operation of the Water System

The Township pays the Town of Cobalt (who supplies water for 48 (2017 49) users in the Township) and other expenses related to the provision of water. The Township in turn collects water user charges from the 48 users. This schedule is operational. It is not prepared according to PSAB standards. Amortization is not reflected and the full capital cost is reflected.

<u>Revenue</u>	2018	2017
Water fees (metered consumption)	\$ 4,291	\$ 4,845
Delivery	12,933	13,220
Reserve fees	4,568	4,666
Administration fees	1,156	1,181
Improvement charges	9,686	9,954
Penalty and interest on water charges	1,039	1,024
Contribution by Township of Coleman	9,652	12,318
Provincial grants – operating	-	21,553
Provincial grants – capital	56,277	-
Federal grants – capital	47,500	-
	<u>147,102</u>	<u>68,761</u>
<u>Expenses</u>		
Payments to Town of Cobalt	20,736	20,736
Other operating expenses	43,005	47,822
Bad debt expense	1,490	798
Administration charges	1,156	1,181
Long-term debt – principal	44,765	43,034
– interest	1,901	3,632
Capital expenditures	103,777	-
	<u>216,830</u>	<u>117,203</u>
Annual deficit	(69,728)	(48,442)
Deficit, beginning of year	<u>(290,990)</u>	<u>(242,548)</u>
Deficit, end of year	<u>\$ (360,718)</u>	<u>\$ (290,990)</u>
Fund balance is made up of:		
Operating deficit	\$ (392,842)	\$ (318,546)
Reserve	<u>32,124</u>	<u>27,556</u>
	<u>\$ (360,718)</u>	<u>\$ (290,990)</u>

The Township has allowed ratepayers to pay the improvement charges related to the water system upgrades over 30 years, whereas, the water system is repaying the long-term debt to the bank over 10 years. This has caused a deficit of \$205,217 which will be recovered as improvement charges are collected. The other \$155,501 of the deficit is operational.

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

14. **Segmented information**

The Corporation of the Township of Coleman 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 mains and a communal septic system. The garbage and recycling services are responsible for the delivery of municipal services including garbage collection and recycling.

Health Services

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

Social and Family Services

The Township 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 Township and for reviewing and approving new development.

THE CORPORATION OF THE TOWNSHIP OF COLEMAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15. **Schedule of tangible capital assets – continued**

	2017		2017		2017		2017		2017		Net Assets Dec 31, 2017
	Original 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	Dec 31, 2017		
General											
Land	\$ 225,487	\$ -	\$ -	\$ 225,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,487	
Buildings	753,230	53,498	37,598	769,130	135,954	6,016	14,312	144,250	624,880		
Vehicles	634,291	-	-	634,291	145,774	-	36,111	181,885	452,406		
Machinery and equipment	808,523	11,812	4,547	815,788	545,287	4,547	28,393	569,133	246,655		
Infrastructure											
Plants and facilities	4,248,662	23,869	-	4,272,531	515,273	-	83,036	598,309	3,674,222		
Roads	2,596,054	28,854	-	2,624,908	797,747	-	159,666	957,413	1,667,495		
Bridges and culverts	337,007	-	-	337,007	107,707	-	3,833	111,540	225,467		
Street lights	261,821	-	-	261,821	146,616	-	5,236	151,852	109,969		
Construction in progress	-	14,031	-	14,031	-	-	-	-	14,031		
Total	\$ 9,865,075	\$ 132,064	\$ 42,145	\$ 9,954,994	\$ 2,394,358	\$ 10,563	\$ 330,587	\$ 2,714,382	\$ 7,240,612		

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2017			2018			Ending Accumulated Cost Amortization Dec 31, 2018	Opening Accumulated Amortization Dec 31, 2017	Current Amortization Dec 31, 2018	Ending Accumulated Amortization Dec 31, 2018	Net Assets Dec 31, 2018
	Original Cost Dec 31, 2017	Additions	Transfers	Ending Cost Amortization Dec 31, 2018	Opening Accumulated Amortization Dec 31, 2017	Current Amortization Dec 31, 2018					
15. Schedule of tangible capital assets											
General											
Land	\$ 225,487	\$ -	\$ -	\$ 225,487	\$ -	\$ -	\$ 225,487	\$ -	\$ -	\$ 225,487	\$ 225,487
Buildings	769,130	43,355	-	812,485	-	144,250	159,632	15,382	159,632	652,853	652,853
Vehicles	634,291	34,596	-	668,887	-	181,885	215,257	33,372	215,257	453,630	453,630
Machinery and equipment	815,788	11,104	-	826,892	-	569,133	598,223	29,090	598,223	228,669	228,669
Infrastructure											
Plants and facilities	4,272,531	92,890	10,887	4,376,308	598,309	83,513	681,822	83,513	681,822	3,694,486	3,694,486
Roads	2,624,908	-	-	2,624,908	957,413	161,590	1,119,003	161,590	1,119,003	1,505,905	1,505,905
Bridges and culverts	337,007	13,385	3,144	353,536	111,540	3,833	115,373	3,833	115,373	238,163	238,163
Street lights	261,821	-	-	261,821	151,852	5,236	157,088	5,236	157,088	104,733	104,733
Construction in progress	14,031	-	(14,031)	-	-	-	-	-	-	-	-
Total	\$ 9,954,994	\$ 195,330	\$ -	\$ 10,150,324	\$ 2,714,382	\$ 332,016	\$ 3,046,398	\$ 332,016	\$ 3,046,398	\$ 7,103,926	\$ 7,103,926

THE CORPORATION OF THE TOWNSHIP OF COLEMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

16. Budgeting

The Township budgets to determine an appropriate tax rate based on all budgeted revenues and expenditures including debt principal payments.

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 Budget	2018 Actual	2017 Actual
Operating revenues			
Municipal taxation	\$ 1,325,931	\$ 1,304,855	\$ 1,263,808
Water, septic and local improvement charges	38,354	34,565	35,546
User charges	78,600	98,137	77,006
Provincial grants	191,938	186,839	198,598
Federal grants	32,225	30,818	5,632
Investment income	-	1,849	2,214
Penalties and interest on taxes	15,100	17,759	17,754
Provincial Offences Act revenues	12,500	9,539	9,245
Land sales	20,500	3,004	54,920
Other	133,275	230,302	40,680
	<u>1,848,423</u>	<u>1,917,667</u>	<u>1,705,403</u>
Capital revenues			
Provincial grants	50,000	61,097	31,169
Federal grants	38,030	80,087	42,388
Other	-	-	15,158
Proceeds from long-term debt	-	38,480	28,854
	<u>88,030</u>	<u>179,664</u>	<u>117,569</u>
Total revenues	<u>1,936,453</u>	<u>2,097,331</u>	<u>1,822,972</u>
 EXPENDITURES			
Operating expenditures			
General government	380,187	513,085	389,934
Protection to persons and property	222,893	237,662	219,275
Transportation services	331,216	307,194	304,195
Environmental services	137,150	139,059	153,339
Health services	137,820	132,475	132,738
Social and family services	102,986	101,708	98,775
Recreation and cultural services	78,636	70,123	70,187
Planning and development	139,822	73,809	36,009
	<u>1,530,710</u>	<u>1,575,115</u>	<u>1,404,452</u>
Capital expenditures	133,850	195,330	132,064
Long-term debt repayments	243,370	247,646	241,514
Total expenditures	<u>1,907,930</u>	<u>2,018,091</u>	<u>1,778,030</u>
 Surplus – full budget base (budgeted to be transferred to reserves)	 \$ 28,523	 \$ 79,240	 \$ 44,942