



KIRKLAND LAKE

T H E R I G H T E N V I R O N M E N T

**MUNICIPAL CORPORATION OF THE
TOWN OF KIRKLAND LAKE**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 & 2018

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

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YEARS ENDED DECEMBER 31, 2019 & 2018

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Municipal Corporation of the Town of Kirkland Lake (the "Municipality") for the year ended December 31, 2019 are the responsibility of the Municipality'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 Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 2 to the consolidated 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 Municipality'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 consolidated financial statements. These systems are monitored and evaluated by Management.

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

The consolidated financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Chief Administrative Officer

Treasurer

**CORPORATE SERVICES
TREASURY DIVISION**

THE CORPORATION OF THE TOWN OF KIRKLAND LAKE

Box 1757, 3 Kirkland Street, Kirkland Lake, Ontario, Canada P2N 3P4 T (705) 567-9361 F (705) 567-4707 E treasury@tkl.ca

www.discoverkl.ca

Independent auditor's report

To the Members of Council, Inhabitants and Ratepayers of
The Municipal Corporation of the Town of Kirkland Lake

Opinion

We have audited the consolidated financial statements of the Municipal Corporation of the Town of Kirkland Lake ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipal Corporation of the Town of Kirkland Lake as at December 31, 2019, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Kirkland Lake, Canada
July 14, 2020

Chartered Professional Accountants
Licensed Public Accountants

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 18)	\$ 8,653,244	\$ 5,437,425
Taxes receivable	1,821,336	1,332,998
User charges receivable	315,440	175,850
Accounts receivable	873,095	1,209,022
TOTAL FINANCIAL ASSETS	\$ 11,663,115	\$ 8,155,295
FINANCIAL LIABILITIES		
Temporary loans	\$ -	\$ 1,170
Accounts payable and accrued liabilities	3,333,696	3,546,676
Deferred revenue (Schedule 3) (Note 18)	2,474,240	1,096,380
Accrued interest on long-term debt	76,974	145,446
Landfill closure and post-closure liability (Note 14)	439,855	346,744
Post-employment benefits and compensated absences (Note 7)	4,356,116	4,279,024
Long-term debt (Note 8) (Schedule 4)	16,989,208	18,207,202
TOTAL LIABILITIES	27,670,089	27,622,642
NET DEBT	(16,006,974)	(19,467,347)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 5)	117,886,432	120,986,726
Inventory of supplies	157,719	173,233
TOTAL NON-FINANCIAL ASSETS	118,044,151	121,159,959
ACCUMULATED SURPLUS (Schedule 1)	\$102,037,177	\$101,692,612

COMMITMENTS (Note 11)

CONTINGENCIES (Note 4 and Note 9)

See accompanying notes and schedules.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31

	-----2019-----		
	Actual	Budget (see Note 15)	2018 Actual
REVENUES			
Municipal taxation	\$ 11,090,239	\$ 10,952,937	\$ 10,030,129
Taxation from other governments	208,442	199,864	215,036
User charges (Schedule 2)	8,145,913	7,608,686	7,508,084
Government of Canada	316,607	968,717	1,278,139
Province of Ontario			
Non-specific	6,942,510	6,942,510	6,226,600
Specific	4,344,398	6,058,160	5,009,446
Other municipalities	107,342	105,609	166,510
Other (Schedule 2)	1,593,121	1,189,682	1,370,013
TOTAL REVENUES	32,748,572	34,026,165	31,803,957
EXPENSES			
CURRENT OPERATIONS			
General government	2,401,113	2,375,446	2,490,687
Protection to persons and property	5,235,060	4,502,611	4,311,490
Transportation services	4,385,088	4,812,053	3,997,203
Environmental services	6,742,112	6,897,548	6,855,615
Health services	1,149,518	1,162,153	1,158,311
Social and family services	6,898,107	7,088,983	6,966,683
Social housing	496,271	496,271	498,104
Recreation and cultural services	4,284,223	4,384,108	3,667,706
Planning and development	812,515	926,012	502,225
TOTAL EXPENSES	32,404,007	32,645,185	30,448,024
ANNUAL SURPLUS	344,565	1,380,980	1,355,933
ACCUMULATED SURPLUS, beginning of year	101,692,612	101,692,612	100,336,679
ACCUMULATED SURPLUS, end of year	\$102,037,177	\$103,073,592	\$101,692,612

See accompanying notes and schedules.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEARS ENDED DECEMBER 31

-----2019-----

	Actual	Budget (see Note 15)	2018 Actual
ANNUAL SURPLUS	\$ 344,565	\$ 1,380,980	\$ 1,355,933
Acquisition of tangible capital assets	(1,561,515)	(4,889,171)	(4,752,180)
Amortization of tangible capital assets	4,499,380	4,499,380	3,958,564
Loss on disposal of tangible capital assets	71,042	-	27,939
Proceeds on sale of tangible capital assets	91,387	-	-
Decrease (increase) in inventory of supplies	15,514	-	(17,563)
CHANGE IN NET DEBT	3,460,373	991,189	572,693
NET DEBT, beginning of year	(19,467,347)	(19,467,347)	(20,040,040)
NET DEBT, end of year	\$(16,006,974)	\$ (18,476,158)	\$(19,467,347)

See accompanying notes and schedules.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

	2019	2018
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 344,565	\$ 1,355,933
ADJUSTMENT FOR NON-CASH ITEMS:		
Amortization of tangible capital assets	4,499,380	3,958,564
Loss on disposal of tangible capital assets	71,042	27,939
USES:		
Increase in taxes receivable	(488,338)	-
Increase in inventory of supplies	-	(17,563)
Decrease in accounts payable and accrued liabilities	(212,980)	(1,994,589)
Decrease in other liabilities	-	(19,054)
	4,213,669	3,311,230
SOURCES:		
Decrease in taxes receivable	-	276,199
Decrease in accounts receivable	196,337	1,583,895
Decrease in inventory of supplies	15,514	-
Increase in deferred revenue	1,377,860	330,438
Increase in post-employment benefits and compensated absences	77,092	120,841
Increase in other liabilities	24,639	-
	1,691,442	2,311,373
CASH PROVIDED BY OPERATING ACTIVITIES	5,905,111	5,622,603
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,561,515)	(4,752,180)
Proceeds on sale of tangible capital assets	91,387	-
CASH APPLIED TO CAPITAL ACTIVITIES	(1,470,128)	(4,752,180)
FINANCING ACTIVITIES		
Temporary loans	(1,170)	(10,171,574)
New debt issued	301,875	12,674,778
Debt principal repayments	(1,519,869)	(1,050,074)
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	(1,219,164)	1,453,130
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,215,819	2,323,553
CASH AND CASH EQUIVALENTS, beginning of year	5,437,425	3,113,872
CASH AND CASH EQUIVALENTS, end of year	\$ 8,653,244	\$ 5,437,425

See accompanying notes and schedules.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 & 2018

1. NATURE OF OPERATIONS

The Municipal Corporation of the Town of Kirkland Lake ("the Municipality") is a single tier municipality with merged areas situated in Northeastern Ontario. It is subject to provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are the representations of management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). The more significant of the accounting policies are summarized below.

(a) REPORTING ENTITY

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity and include the activities of all committees of Council, boards, etc. which are under the control of Council as listed below:

Public Library Board
Museum of Northern History Advisory Committee
Teck Pioneer Residence Committee of Management
100th Anniversary Committee

All interfund assets and liabilities, revenues and expenses have been eliminated in these consolidated financial statements.

(ii) Non-consolidated Entities

The following joint local boards are not consolidated:

District of Timiskaming Social Services Administration Board
Timiskaming Health Unit

Separate audited financial statements have been prepared for the above boards.

(iii) Investment in Joint Venture

The Municipality accounts for its interest in a joint venture using the proportionate consolidation method. These consolidated financial statements include the Municipality's proportionate share of any assets, liabilities, revenues or expenses of the joint venture.

(iv) Government Business Enterprises ("GBE")

Government Business Enterprises are accounted for by the modified equity method. Under the modified equity method, the Municipality recognizes the original cost of the investment (equal to the purchase cost of the investment) on the Consolidated Statement of Financial Position. The investment is adjusted for the Municipality's proportionate share of the earnings (losses) and any impairments in the value of the investment. The Municipality's share of the GBE's net income (loss) is recognized on the Consolidated Statement of Operations. The following GBE is included in these consolidated financial statements: The Town of Kirkland Lake Solar Inc.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) School Boards

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

(vi) Trust Funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the Trust Funds Statement of Continuity and the Trust Funds Balance Sheet.

(b) BASIS OF ACCOUNTING

Revenues and expenses are reported on the accrual basis of accounting which recognizes revenues as they are earned and measurable and expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(i) Tax Revenues

The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating and capital budgets. Municipal tax rates are set annually by Council for each property tax class, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet budget requirements. Education tax rates are established each year by the Province of Ontario in order to fund the costs of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all municipalities in Ontario. The current value assessment ("CVA") of a property represents the estimated market value of a property as of a fixed date. Assessed values for all properties within the Municipality are provided to the Municipality by way of returned assessment rolls in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property and the rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.

Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. Additional property tax revenue can be added throughout the year, related to new properties that become occupied or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rates for the property class. Taxation revenues in any year may also be reduced as a result of reductions in assessment values resulting from assessment and/or tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (eg. uncollectible amounts, write-offs). Properties vesting to the Town are expensed in the year they vest and are not included in inventory.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity of 90 days or less as at the end of the year.

(iii) Accounts Receivable and User Charges Receivable

Accounts receivable and user charges receivable are reported net of any allowance for doubtful accounts.

(iv) Inventory of Supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(v) Investments

Investments are recorded at cost. Investments consist of authorized investments pursuant to provisions of the Municipal Act.

(vi) 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 beyond the current year and are not intended for sale in the ordinary course of operations.

(vii) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recorded as revenue in the year of contribution. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available.

The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

General capital:

Land	no amortization
Land improvements	20 years
Buildings and improvements	25 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	10 - 20 years

Infrastructure:

Roads, streets & bridges	10 - 50 years
Water and sewer	50 years

Assets under construction are not amortized until the asset is put into service.

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

accounted for as operating leases and the related payments are charged to expenses as incurred.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the Municipality, forests, water, and other natural resources are not recognized as tangible capital assets.

(viii) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year during which the related expenses are incurred or provided eligibility criteria and stipulations have been met.

(ix) Reserves and Reserve Funds

Reserves and reserve funds comprise funds set aside for specific purposes by Council. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(x) Government Transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal year during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

(xi) Fees and User Charges

Fees and user charges relate mainly to water charges, long-term care accommodation fees, fees for use of various programming and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(xii) Use of Estimates and Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as post-employment benefits and compensated absences, tax revenue collections, landfill post-closure costs, etc. These estimates and assumptions are based on the Municipality's best information and judgment and may differ significantly based on actual results.

(c) POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

The Municipality provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, and long-term disability benefits. The Municipality has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of self insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For self insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected accrued benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service to the expected retirement age of the active employees.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for long-term disability, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The Municipality's contributions to multi-employer, defined benefit pension plans such as the Ontario Municipal Employees Retirement System pension, are expensed when contributions are due.

(iii) The costs of insured benefits are the Municipality's portion of insurance premiums owed for coverage of employees during the period.

3. TRANSACTIONS ON BEHALF OF SCHOOL BOARDS

During the year, \$1,342,974 of taxation was levied on behalf of school boards (2018 - \$1,352,261).

4. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

Further to Note 2(a)(ii), contributions were made by the Municipality to the non-consolidated joint local boards as follows:

	2019	2018
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$1,536,698	\$1,531,444
Timiskaming Health Unit ("THU")	322,523	321,959

The Municipality is contingently liable for its share, which is approximately 19% (2018 - 19%) for the DTSSAB and an estimated 26% (2018 - 26%) for the THU, of any accumulated deficits at the end of the year for these boards.

No long-term liabilities have been issued by other municipalities for these boards. The Municipality is also contingently liable for its share of the long-term liabilities issued by other municipalities for these boards.

5. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$1,516,139 (2018 - \$1,460,974) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. The trust funds are reported separately on the Town of Kirkland Lake's Trust Funds Statement of Continuity and Trust Funds Balance Sheet.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

6. TEMPORARY BORROWING

The Municipality has available to it a \$4,000,000 revolving demand operating facility to finance working capital requirements which bears interest at the Prime Rate minus 0.85% per annum. The Municipality was not utilizing this credit facility on December 31, 2019 (2018 - \$nil).

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

(a) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS LIABILITIES

	2019	2018
Accrued employee future benefits liability	\$ 4,013,600	\$ 4,043,200
Vacation credits	329,433	221,635
Sick leave benefits	13,083	14,189
Post-employment benefits and compensated absences liability	\$ 4,356,116	\$ 4,279,024

(b) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS EXPENSES

	2019	2018
Current year benefit cost	\$ 143,800	\$ 298,200
Interest cost	104,500	133,300
Plan amendments incurred in year	30,700	-
Amortization of actuarial gains	(101,200)	-
Employee future benefits expenses ¹	\$ 177,800	\$ 431,500

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan, described below.

(c) CONTINUITY OF ACCRUED EMPLOYEE FUTURE BENEFITS LIABILITY

	2019	2018
BALANCE, beginning of year	\$4,043,200	\$3,869,797
Benefit expense for year	177,800	431,500
Actual benefit payments	(207,400)	(258,097)
BALANCE, end of year	\$4,013,600	\$4,043,200

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (CONT'D)

(d) RETIREMENT BENEFITS

(i) Ontario Municipal Employees Retirement System

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service to December 31, 2019 with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the Plan surplus or deficit. The Municipality's contributions equal the employee contributions to the plan. During the year ended December 31, 2019, the Municipality contributed \$812,753 (2018 - \$828,023) to the plan. As this is a multi-employer pension plan, these contributions are the Municipality's pension benefit expenses. No pension liability for this type of plan is included in the Municipality's consolidated financial statements.

(ii) Retirement Life Insurance and Health Care Benefits

The Municipality continues to provide health care benefits to certain employee groups after retirement until the members reach 65 years of age and life insurance until death at a reduced amount. The Municipality provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Municipality's consolidated financial statements.

(e) ASSUMPTIONS

Due to the complexities in valuing post-employment benefits and compensated absences, actuarial valuations are conducted on a periodic basis. The accrued benefit obligations for employee future benefits plans as at December 31, 2019 are based on a valuation as of December 31, 2019. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Municipality's best estimates of expected rates of:

	December 31, 2019
Discount rate	2.80% per annum (3.30% in 2018)
Dental cost trend rates	6.15% per annum for 2019 decreasing to 4.0% by 2030
Extended health care trend rates	6.66% per annum for 2019 decreasing to 4.0% by 2040

There are no assets associated with the Municipality's plan. Provided there are no significant changes in the interim years, the next actuarial valuation should be performed as at December 31, 2022.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (CONT'D)

(f) LIABILITY FOR VESTED SICK LEAVE BENEFITS

All full-time, non-union employees and certain union employees have frozen their accumulated sick leave credits. These employees are now entitled to a cash payment on termination of service, subject to conditions concerning the length of service and the maximum amount frozen. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$13,083 (2018 - \$14,189) at the end of the year.

8. LONG-TERM DEBT

(a) The balance of the long-term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2019	2018
Total long-term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year	\$ 16,989,208	\$ 18,207,202

(b) Of the long-term debt reported in (a) above, \$16,989,208 in principal payments and \$5,549,419 in interest payments are payable from 2020 to 2038 from general municipal revenues. Further details of long-term debt are shown on Schedule 4.

(c) The long-term debt in (a) is issued in the name of the Municipality. The annual principal and interest payments required to service this debt is within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on long-term debt amounted to \$698,019 (2018 - \$402,426).

(e) Included in the long-term debt is the amount of \$74,727 as at December 31, 2019 (2018 - \$76,770) which is owed to the Municipality's Cemetery Perpetual Care Trust Fund. This loan, approved by the Cemeteries Regulation Unit of the Ministry of Consumer Services, was used to build a columbarium at the Kirkland Lake Cemetery. As each niche is sold in the columbarium, \$291.90 of the fee charged is applied as a repayment of this interest free loan.

9. CONTINGENT LIABILITIES

The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Town believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation. Therefore, no provision has been made in the accompanying financial statements.

10. ANNEXATION

In 1982, the Municipality's annexation of two townships, Bernhardt and Morrisette, was approved by the Ontario Municipal Board, effective January 1, 1982. The method and amount of the tax levy with respect to these Townships received final approval in 1984 from the Ontario Municipal Board. Under the terms of this approval, the Townships are subject to a levy amounting to 100% of the education portion and 35% of the municipal portion of the tax rate as established by Council.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

11. COMMITMENTS

(a) ONTARIO CLEAN WATER AGENCY ("OCWA")

In accordance with a service agreement entered into by the Municipality in 1971 with the Ontario Clean Water Agency, the existing Kirkland Lake Pollution Control Plant is operated by the Agency. The Municipality is obligated to meet all operating costs and repay the long-term liabilities related to this project. Included in the Consolidated Statement of Operations are the 2019 charges from OCWA in the amount of \$988,068 (2018 - \$966,793).

The Municipality has entered into an agreement to have OCWA provide management, operation and maintenance services for the Kirkland Lake Water, Wastewater and Distribution and Collection Systems (Kirkland Lake Water Treatment Plant, Chaput Hughes Standpipe, Swastika Booster Station, Chaput Hughes Booster Station, five lift stations, Swastika Sewage Treatment Plant, Kirkland Lake Sewage Treatment Plant and Kirkland Lake Distribution System). This agreement commenced on January 1, 2015 and will be in effect for five years, ending on December 31, 2019. It may then be renewed for successive two-year terms.

Effective January 1, 2020, the Municipality renewed its contract for a two-year period.

(b) O.P.P. POLICING CONTRACT

Effective January 1, 2019, the Municipality renewed its long-term contract with the Province of Ontario which will see the Province provide police services to the Municipality for a three-year period. For the year ended December 31, 2019, the Municipality paid \$2,481,502 (2018 - \$2,289,131) to the Province for policing costs.

(c) TECK PIONEER RESIDENCE AND KIRKLAND AND DISTRICT HOSPITAL

The Municipality is committed to reimbursing Kirkland and District Hospital for shared services related to dietary and laundry services and certain utilities at the Teck Pioneer Residence facility.

(d) BENEFIT PREMIUM

The Municipality is a member of a healthcare insurance reciprocal in order to obtain reduced benefit premiums. Consequently, the Municipality is contingently liable for the obligations of the reciprocal. It is not possible at this time to determine the liability, if any, that may occur. Any liability resulting will be recorded when it becomes reasonably determinable.

(e) HERITAGE NORTH ("HN")

On January 1, 2008, the Municipality assumed the responsibility for operating the HN facility. In doing so, they released the previous not-for-profit organization from its responsibilities under the lease. The Municipality also assumed the rights of ownership relating to the name and the exhibit.

(f) NORTHERN ONTARIO HERITAGE FUND CORPORATION ("NOHFC")

The Municipality has entered into an agreement with NOHFC for the construction of an incubator facility located in the industrial mall.

The Municipality has received \$1,200,000 in grant money. It also has a \$600,000 liability to NOHFC and a receivable from a private enterprise for the same amount. The Municipality entered into a five-year lease agreement with the private enterprise. Payments commenced in March 2009 with a deferral of payments during the period June 2011 to January 2013. The agreement was amended in January of 2017 to continue deferring payments until June 30, 2017. As per an amendment made on December 4, 2018, payments resumed on January 1, 2019. The loan will mature in December 2022.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

11. COMMITMENTS (CONT'D)

(f) NORTHERN ONTARIO HERITAGE FUND CORPORATION ("NOHFC") (CONT'D)

Subsequent to year-end, the Municipality was advised by NOHFC that it will offer the following repayment relief measures as a result of COVID-19:

- deferring any repayments of principal on the loan coming due during the six-month period commencing on April 1, 2020 and ending on September 30, 2020;
- waiving all interest that accrues on the loan during the period commencing on March 20, 2020 and ending on September 30, 2020; and
- extending the maturity date of the loan by six (6) months.

(g) KIRKLAND DISTRICT FAMILY HEALTH TEAM ("KDFHT")

The Municipality has agreed to absorb one half of the annual operating deficit of the Kirkland District Family Health Team.

(h) WASTE COLLECTION, LANDFILL OPERATIONS AND RECYCLING CONTRACTS

Effective October 1, 2018, the Municipality entered into a five-year contract for waste collection, waste disposal/landfill operations and curbside recycling at a cost not to exceed \$4,964,446 + HST.

In 2019, costs under this new agreement were \$387,579 (2018 - \$96,202) for waste collection, \$391,949 (2018 - \$97,791) for landfill operations and \$193,760 (2018 - \$48,294) for recycling.

12. RELATED ENTITIES

(a) KIRKLAND DISTRICT FAMILY HEALTH TEAM ("KDFHT")

The Municipality has an economic interest in the KDFHT. It has agreed by contractual agreement to fund one half of the KDFHT's annual operating deficit. The current year's operating deficit is yet to be determined.

(b) KIRKLAND DISTRICT HEALTH CENTRE ("KDHC")

The Municipality has entered into a joint venture with the Kirkland and District Hospital. The Municipality owns 50% of the Kirkland District Health Centre. As such, the Municipality proportionately consolidates 50% of the assets, liabilities, revenues and expenses of this joint venture.

(c) TOWN OF KIRKLAND LAKE SOLAR INC.

The Municipality has an economic interest in The Town of Kirkland Lake Solar Inc. The Municipality owns 501 voting Class B Shares which represents 50.1% of the outstanding capital stock of the corporation.

13. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, taxes receivable, user charges receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these instruments. The carrying amount of the long-term debt approximates fair value as the Municipality's current rate of borrowing for similar debt instruments of comparable maturity is not materially different.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

13. FINANCIAL INSTRUMENTS (CONT'D)

(b) CREDIT RISK

The Municipality does not have significant exposure to any individual or party due to the fact that municipalities can obtain liens on properties for any unpaid realty taxes. An allowance for doubtful accounts is established based upon factors surrounding the risk related to specific ratepayers, historical trends and other information. The Municipality has an allowance for doubtful taxes receivable account in the amount of \$649,503 (2018 - \$650,000), for accounts receivable in the amount of \$101,259 (2018 - \$72,211) and for user charges receivable in the amount of \$12,098 (2018 - \$4,471).

(c) INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its long-term debt (Note 8).

14. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ontario Environmental Protection Act sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the Municipality is required to provide for closure and post-closure care of its solid waste landfill site. The costs related to these obligations are provided for over the estimated remaining life of the landfill site based on usage.

Closure will involve capping of the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care will involve routine inspections, cap maintenance, groundwater and weir sampling and analysis.

The reported liability is based on estimates and assumptions with respect to events extending over a sixty-one year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

In 2016, the estimates for projected closure, cumulative capacity used, total capacity, post-closure costs per year and the discount rate were reviewed and updated, as applicable, to reflect more up-to-date information. As mentioned above, the resulting changes have been recognized prospectively.

As at December 31, 2019, the remaining capacity of the landfill site is approximately 720,000 cubic metres (2018 - 740,000 cubic metres) which is expected to be used by the year 2050. The period for post-closure care is estimated to be 30 years after 2050.

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the Municipality's average long-term borrowing rate of 2.80% (2018 - 3.50%). As at December 31, 2019, an amount of \$439,855 (2018 - \$346,744) is reported as a liability on the Consolidated Statement of Financial Position.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

15. BUDGET AMOUNTS

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
Modified accrual basis	\$ 1,380,980
Adjustments:	
Net transfers from (to) reserves and reserve funds	9,124
Capital asset expenditures	(4,889,171)
Amortization of tangible capital assets	4,499,380
New debt	387,615
Debt principal repayments	(1,387,928)
Total adjustments	(1,380,980)
ANNUAL SURPLUS	\$ -

16. EXPENSES BY OBJECT

The Consolidated Statement of Operations represents the expenses by function. The following classifies those same expenses by object:

	2019	2018
Salaries, wages and employee benefits	\$ 13,764,072	\$ 13,482,508
Materials and supplies	5,280,748	4,517,699
Rent and financial expenses	391,359	688,740
Contracted services	5,830,167	5,491,745
External transfers	1,869,221	1,878,403
Interest charges	698,019	402,426
Amortization	4,499,380	3,958,564
Loss on disposal	71,041	27,939
TOTAL EXPENSES	\$ 32,404,007	\$ 30,448,024

17. INVESTMENT IN THE TOWN OF KIRKLAND LAKE SOLAR INC.

The Town of Kirkland Lake Solar Inc. ("TKLSI") is a municipally owned government business enterprise. The corporation owns, administers and manages solar power generating projects for the purpose of generating, transmitting, distributing and retailing electricity. The Town of Kirkland Lake owns 50.1% of the outstanding capital stock of the corporation.

The corporations's financial statements are prepared in accordance with International Financial Reporting Standards.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

17. INVESTMENT IN THE TOWN OF KIRKLAND LAKE SOLAR INC. (CONT'D)

STATEMENT OF FINANCIAL POSITION

	2019	2018
ASSETS		
Cash	\$ 1,420,701	\$ -
Accounts receivable	727,351	396,918
Prepaid expenses and refundable deposits	34,270	7,500
Property and equipment	8,303,502	3,364,532
Future payment in lieu of taxes	59,340	10,914
Due from related parties	50	50
TOTAL ASSETS	\$ 10,545,214	\$ 3,779,914
LIABILITIES		
Accounts payable and accrued liabilities	\$ 169,330	\$ 759,700
Due to related parties	4,864,839	3,096,508
Current portion of long-term debt	227,564	-
	5,261,733	3,856,208
Long-term debt	5,698,761	-
	10,960,494	3,856,208
CAPITAL DEFICIENCY		
CAPITAL STOCK	100	100
ACCUMULATED DEFICIT	(415,380)	(76,394)
	(415,280)	(76,294)
TOTAL LIABILITIES AND DEFICIENCY	\$ 10,545,214	\$ 3,779,914

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

17. INVESTMENT IN THE TOWN OF KIRKLAND LAKE SOLAR INC. (CONT'D)

STATEMENTS OF LOSS AND ACCUMULATED DEFICIT

	2019	2018
SALE OF ENERGY	\$ 448,781	\$ -
COST OF SALES	5,324	-
GROSS MARGIN	443,457	-
EXPENSES		
Amortization	323,503	-
Financing fees	-	5,000
Insurance	22,567	-
Interest and bank charges	269,146	4,341
Interest on long-term debt	86,999	-
Internet	5,242	-
Office	1,637	422
Professional fees	102,914	5,035
Repairs and maintenance	18,861	4,574
TOTAL EXPENSES	830,869	19,372
LOSS BEFORE PAYMENT IN LIEU OF TAXES	(387,412)	(19,372)
FUTURE PAYMENT IN LIEU OF TAXES RECOVERY	48,426	2,422
NET LOSS	(338,986)	(16,950)
ACCUMULATED DEFICIT, beginning of year	(76,394)	(59,444)
ACCUMULATED DEFICIT, end of year	\$ (415,380)	\$ (76,394)

18. DEFERRED REVENUE

Cash and cash equivalents include restricted amounts of \$2,474,240 (2018 - \$1,096,380).

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

20. SUBSEQUENT EVENTS

(a) LONG-TERM DEBT

Subsequent to year-end, the Municipality entered into an agreement to borrow funds from Ontario Infrastructure and Lands Corporation ("OILC") through the issuance of amortizing debentures. The funds are to finance a piece of heavy equipment purchased in 2019. The amount borrowed is \$287,266, bears interest at 2.21% per annum and is repayable in semi-annual instalments of combined principal and interest of \$16,088. The debentures mature in March 2030.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

20. SUBSEQUENT EVENTS (CONT'D)

(b) COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.

To date, the Municipality has taken the following actions in response to the pandemic:

- (i) On March 16, 2020, in response to legislated closures of non-essential services, the Municipality closed all of its facilities to the public. The Municipality expects a reduction in rentals, user fees, etc. as a result of these closures. The financial impact related to the closures has not been determined at this time.
- (ii) On April 7, 2020, the Municipality passed By-Law 20-037 whereby no interest and penalties will be applied to tax accounts between March 31, 2020 and June 30, 2020. As a result, the Municipality expects a decrease of interest and penalties revenue of approximately \$84,000 in that time period. The Municipality expects that some of its taxpayers will face additional financial pressures that may impact their ability to make their tax payments on a timely basis.

21. SEGMENTED INFORMATION

The Municipality is a municipal government institution that provides a range of services to its ratepayers.

The Municipality reports on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return.

General Government

General government consists of the activities of Council and general financial and administrative management of the Municipality and its programs and services.

Protection Services

Protection Services includes fire, police services and other protection services.

Transportation Services

The activities of the transportation function include construction and maintenance of the Municipality's roads, bridges and sidewalks, winter control, street lighting and air transportation.

Environmental Services

This function is responsible for providing water and sewer services to certain areas within the Municipality. It is also responsible for providing waste collection, waste disposal and recycling services.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2019 & 2018

21. SEGMENTED INFORMATION (CONT'D)

Social and Family Services

This function provides assistance to aged persons and includes external transfers for general social assistance and child care.

Social Housing

The social housing function consists of external transfers for social housing.

Recreation and Cultural Services

Recreation and cultural services include indoor and outdoor recreational facilities and programs, parks, library services, museum services and Heritage North Conference and Exhibition Centre.

Planning and Development

This function manages planning and zoning, commercial, industrial and residential development and contributions to the Kirkland District Health Centre.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on a percentage of budgeted expenditures. Certain government transfers and other revenues have also been apportioned based on a percentage of budgeted expenditures.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. This disclosure by segment is reported on Schedule 6.

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

YEARS ENDED DECEMBER 31

	2019	2018
RESERVES		
Centennial Committee	\$ 64,393	\$ 29,177
Infrastructure - capital	596,636	883,399
Kirkland District Health Centre	56,691	67,941
Organization restructuring and efficiency	543,376	-
Other	99,155	80,475
Working capital	2,376,082	2,012,817
TOTAL RESERVES	3,736,333	3,073,809
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Archer Drive	201,166	196,051
Employees' accumulated sick leave	76,862	76,505
Health Unit	229,342	-
Kinross Park maintenance	4,651	-
Life cycle replacement	151,519	-
Parkland	98,370	100,000
Residential development	20,116	6,319
Wastewater capital projects	936,638	451,175
Waterworks capital projects	835,153	48,963
TOTAL RESERVE FUNDS	2,553,817	879,013
TOTAL RESERVES AND RESERVE FUNDS	6,290,150	3,952,822
SURPLUSES		
Invested in tangible capital assets	117,886,432	120,986,726
General Revenue Fund	10,014	10,014
UNFUNDED		
Post-employment benefits and compensated absences	(4,356,116)	(4,279,024)
Landfill closure and post-closure liability	(439,855)	(346,744)
Accrued interest on long-term debt	(76,974)	(145,446)
Long-term debt	(16,989,208)	(18,207,202)
Unfunded capital projects	(287,266)	(278,534)
TOTAL SURPLUSES	95,747,027	97,739,790
ACCUMULATED SURPLUS	\$102,037,177	\$101,692,612

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

SUMMARY OF USER CHARGES AND OTHER SOURCES OF FINANCING

YEARS ENDED DECEMBER 31

-----2019-----

	Actual	Budget	2018 Actual
USER CHARGES			
Airport	\$ 134,293	\$ 114,500	\$ 122,743
Cemetery	128,676	119,547	121,020
Garbage disposal	342,738	275,000	364,187
General government	16,872	20,980	25,389
Heritage North	3,676	1,200	634
Library	5,967	6,660	6,688
Licenses and permits	153,108	117,050	178,602
Museum	29,594	18,050	17,578
Other	211,668	182,415	170,293
Recreation	329,926	357,371	322,806
Recycling	92,105	93,572	116,549
Roadways	91,262	45,631	73,911
Sanitary sewers	1,876,927	1,704,605	1,829,311
Teck Pioneer Residence	2,046,612	2,035,607	1,995,341
Water rates	2,615,807	2,460,378	2,100,376
Waterworks	66,682	56,120	62,656
	\$ 8,145,913	\$ 7,608,686	\$ 7,508,084
OTHER			
Capital recoveries	\$ 15,773	\$ -	\$ 18,726
Contributions from Timiskaming Health Unit	229,175	-	-
Donations	183,658	174,485	106,737
Fines	8,872	12,000	16,691
Investment income	153,022	54,154	94,043
Penalties and interest	306,270	251,750	434,235
Rents and concessions	642,996	657,293	532,385
Sale of land	37,000	40,000	167,196
Sales - other	16,355	-	-
	\$ 1,593,121	\$ 1,189,682	\$ 1,370,013

SCHEDULE 3

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE

YEAR ENDED DECEMBER 31, 2019

	Gas Tax	OCIF	Main Street Revitalization	Teck Pioneer Residence Donations Account	Other Deferred Revenue	-----Totals----- 2019	2018
BALANCE, Dec. 31, 2018	\$ 107,023	\$ 615,264	\$ 44,957	\$ 73,607	\$ 255,529	\$ 1,096,380	\$ 765,942
INCREASE IN DEFERRED REVENUE							
Interest	11,641	19,284	952	1,693	-	33,570	15,765
Government transfers	1,035,323	598,420	-	-	43,879	1,677,622	1,016,745
Donations	-	-	-	4,527	27,153	31,680	89,509
Other	-	-	-	-	42,805	42,805	52,466
	1,046,964	617,704	952	6,220	113,837	1,785,677	1,174,485
DEFERRED REVENUE EARNED							
To operations	-	-	-	12,569	177,800	190,369	48,677
To capital acquisitions	106,469	86,932	-	-	24,047	217,448	795,370
	106,469	86,932	-	12,569	201,847	407,817	844,047
BALANCE, Dec. 31, 2019	\$ 1,047,518	\$ 1,146,036	\$ 45,909	\$ 67,258	\$ 167,519	\$ 2,474,240	\$ 1,096,380

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED SCHEDULE OF LONG-TERM DEBT

YEAR ENDED DECEMBER 31, 2019

	By-Law Number	Date of Issue	Period	Amount of Issue	Rate of Interest	2019	2018
GENERAL MUNICIPAL ACTIVITIES							
Transportation Services:							
LED Street Lights	15-067	06/29/15	7 years	\$ 774,706	2.19%	\$ 290,503	\$ 402,311
Equipment	13-111	12/10/13	10 years	480,020	3.37%	211,597	260,185
King George Court	18-112	01/22/19	2 years	301,875	0.00%	150,938	-
Environmental Services:							
Waste Carts	16-073	12/09/16	5 years	250,000	2.019%	103,032	153,013
Health Services:							
Cemetery	14-120	11/24/14	n/a	100,000	0.00%	74,727	76,770
Social and Family Services:							
Teck Pioneer Residence	04-068	02/15/08	20 years	6,990,000	4.94%	3,808,335	4,161,178
Recreation and Cultural Services:							
Aquatic Centre	18-110	08/21/18	20 years	12,674,778	3.72%	11,970,947	12,567,175
Heritage North	12-050	05/23/12	7 years	2,383,674	3.04%	-	156,816
Planning and Development:							
Archer Drive (Note 11)	08-004	02/01/09	9 years	600,000	6.00%	379,129	429,754
TOTAL GENERAL MUNICIPAL ACTIVITIES						\$ 16,989,208	\$ 18,207,202

SUMMARY OF YEARLY LONG-TERM DEBT REPAYMENTS FOR GENERAL MUNICIPAL ACTIVITIES (NOTE 8)

Year	Principal	Interest	Total
2020	\$ 1,329,901	\$ 646,522	\$ 1,976,423
2021	1,209,752	609,619	1,819,371
2022	1,147,439	559,585	1,707,024
2023	1,073,370	510,751	1,584,121
2024	985,114	468,342	1,453,456
subsequent to 2024	11,243,632	2,754,600	13,998,232
	\$ 16,989,208	\$ 5,549,419	\$ 22,538,627

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEARS ENDED DECEMBER 31

	-----General Capital-----				--Infrastructure--			-----Totals-----	
	Land and Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Roads, Streets and Bridges	Water and Sewer	Work in Progress	2019	2018
COST									
BALANCE, Dec. 31, 2018	\$ 13,704,558	\$ 103,186,424	\$ 2,274,930	\$ 8,902,158	\$ 35,020,528	\$ 30,078,277	\$ 394,127	\$ 193,561,002	\$ 188,842,832
Additions	100,781	131,295	255,052	647,282	27,479	49,151	350,475	1,561,515	4,752,180
Disposals and writedowns	-	-	(143,566)	(269,581)	-	-	-	(413,147)	(34,010)
Transfer from work in progress	3,938	134,022	460	12,997	-	-	(151,417)	-	-
BALANCE, Dec. 31, 2019	13,809,277	103,451,741	2,386,876	9,292,856	35,048,007	30,127,428	593,185	194,709,370	193,561,002
ACCUMULATED AMORTIZATION									
BALANCE, Dec. 31, 2018	3,900,621	30,523,300	1,504,228	6,374,663	15,474,767	14,796,697	-	72,574,276	68,621,783
Amortization	275,292	2,468,944	119,608	398,735	669,133	567,668	-	4,499,380	3,958,564
Disposals and writedowns	-	-	(104,606)	(146,112)	-	-	-	(250,718)	(6,071)
BALANCE, Dec. 31, 2019	4,175,913	32,992,244	1,519,230	6,627,286	16,143,900	15,364,365	-	76,822,938	72,574,276
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,633,364	\$ 70,459,497	\$ 867,646	\$ 2,665,570	\$ 18,904,107	\$ 14,763,063	\$ 593,185	\$ 117,886,432	\$ 120,986,726

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

YEAR ENDED DECEMBER 31, 2019

	Social and Family Services	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Other	Capital	Consolidated
REVENUES								
Taxation	\$ 2,725,614	\$ 1,758,608	\$ 1,578,046	\$ 1,874,284	\$ 1,432,178	\$ 1,929,951	\$ -	\$ 11,298,681
Sales of services and user fees	2,064,612	238,188	245,064	4,994,260	762,560	509,452	15,773	8,829,909
Government transfers	5,582,417	1,162,952	969,636	1,151,660	988,217	1,275,909	472,724	11,603,515
Other	13,202	101,733	1,519	46,683	43,012	771,622	38,696	1,016,467
TOTAL REVENUES	10,385,845	3,261,481	2,794,265	8,066,887	3,225,967	4,486,934	527,193	32,748,572
EXPENSES								
Salaries and benefits	4,855,860	2,327,214	1,897,546	1,039,312	1,838,676	1,805,464	-	13,764,072
Materials	472,589	172,234	1,159,403	1,314,806	1,063,631	1,098,085	-	5,280,748
Contracted services	701,373	2,603,046	141,626	2,078,130	64,159	241,833	-	5,830,167
External transfers	371,299	-	-	-	10,000	1,487,922	-	1,869,221
Amortization	299,289	121,795	881,029	2,228,576	816,451	152,240	-	4,499,380
Other	197,697	10,771	305,484	81,288	491,306	73,873	-	1,160,419
TOTAL EXPENSES	6,898,107	5,235,060	4,385,088	6,742,112	4,284,223	4,859,417	-	32,404,007
ANNUAL SURPLUS (DEFICIT)	\$ 3,487,738	\$ (1,973,579)	\$ (1,590,823)	\$ 1,324,775	\$ (1,058,256)	\$ (372,483)	\$ 527,193	\$ 344,565

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE (CONT'D)

YEAR ENDED DECEMBER 31, 2018

	Social and Family Services	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Other	Capital	Consolidated
REVENUES								
Taxation	\$ 2,554,775	\$ 1,584,803	\$ 1,189,608	\$ 1,845,940	\$ 1,180,705	\$ 1,889,334	\$ -	\$ 10,245,165
Sales of services and user fees	2,011,841	253,129	202,739	4,473,081	745,740	370,630	18,726	8,075,886
Government transfers	5,288,569	1,054,788	738,013	1,121,888	818,554	1,179,954	2,312,419	12,514,185
Other	16,617	158,744	1,540	183,385	22,189	584,189	2,057	968,721
TOTAL REVENUES	9,871,802	3,051,464	2,131,900	7,624,294	2,767,188	4,024,107	2,333,202	31,803,957
EXPENSES								
Salaries and benefits	4,903,673	1,561,694	1,916,686	1,039,174	1,761,466	2,299,815	-	13,482,508
Materials	491,046	242,526	742,029	1,414,280	1,019,081	608,737	-	4,517,699
Contracted services	683,345	2,384,833	92,941	1,949,052	47,823	333,751	-	5,491,745
External transfers	369,243	-	-	-	-	1,509,160	-	1,878,403
Amortization	297,563	120,709	837,398	2,221,940	660,642	(179,688)	-	3,958,564
Other	221,813	1,728	408,149	231,169	178,694	77,552	-	1,119,105
TOTAL EXPENSES	6,966,683	4,311,490	3,997,203	6,855,615	3,667,706	4,649,327	-	30,448,024
ANNUAL SURPLUS (DEFICIT)	\$ 2,905,119	\$ (1,260,026)	\$ (1,865,303)	\$ 768,679	\$ (900,518)	\$ (625,220)	\$ 2,333,202	\$ 1,355,933

MUNICIPAL CORPORATION OF THE TOWN OF KIRKLAND LAKE

SCHEDULE OF LIBRARY OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31

	-----2019-----		2018
	Actual	Budget	Actual
REVENUES			
GRANTS			
Ministry of Heritage, Sport, Tourism and Culture Industries	\$ 27,922	\$ 27,922	\$ 27,922
Town of Kirkland Lake	293,595	293,595	270,283
SPECIAL GRANTS			
Employment Grants	8,100	8,100	5,618
Capacity Building Grant	-	-	8,002
OTHER REVENUES	30,236	25,514	24,201
TOTAL REVENUES	359,853	355,131	336,026
EXPENSES			
CURRENT OPERATIONS			
Ball bequest	9,782	9,354	10,845
Books, cataloguing	15,339	11,750	11,006
Building repairs and maintenance	2,529	3,000	2,884
Coin operations supplies	3,617	3,400	3,385
Custodian	14,400	14,400	14,400
Insurance	3,510	3,750	3,632
Miscellaneous	6,857	6,930	6,949
Office stationary and supplies	2,401	2,500	3,091
Professional fees	1,630	3,122	2,875
Programming supplies	7,926	6,000	10,931
Records and periodicals	3,030	5,000	5,723
Salaries and wages	265,751	269,796	258,416
Utilities	13,919	16,129	14,092
TOTAL EXPENSES	350,691	355,131	348,229
ANNUAL SURPLUS (DEFICIT)	9,162	-	(12,203)
DEFICIT, beginning of year	(38,781)	(38,781)	(26,578)
DEFICIT, end of year	\$ (29,619)	\$ (38,781)	\$ (38,781)