



CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

FINANCIAL STATEMENTS

DECEMBER 31, 2019

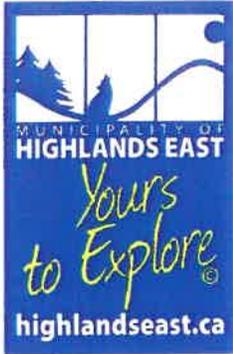
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DECEMBER 31, 2019

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CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

For The Year Ended December 31, 2019

MANAGEMENT REPORT

Dave Burton
Mayor
(705) 448-2981 Ext. 425
dburton@highlandseast.ca

Shannon Hunter, CMO, AMCT,
Dipl.M.M.
CAO/Treasurer
(705) 448-2981, Ext. 431
shunter@highlandseast.ca

Brittany McCaw
Deputy CAO/Treasurer
(705)448-2981, Ext. 430
bmccaw@highlandseast.ca

Robyn Rogers
Clerk
(705) 448-2981, Ext 422
rrogers@highlandseast.ca

**Bonnie Pettit, Tax Collector/
Deputy Treasurer**
(705) 448-2981 Ext. 423
bpettit@highlandseast.ca

Earl Covert, CRSI
Road Superintendent
(705) 448-2934
ecovert@highlandseast.ca

Stewart Hurd
Environmental Supervisor
(613) 339-2442
shurd@highlandseast.ca

**Jim Alden, Property and Arena
Supervisor**
(705) 448-2775
jalden@highlandseast.ca

**Laurie Devolin, Chief Building
Official**
(705) 447-0051
ldevolin@highlandseast.ca

Chris Baughman, Fire Chief
(705) 448-2981 Ext. 428
cbaughman@highlandseast.ca

Wayne Galloway
By-law Officer
(613) 339-2442
wgalloway@highlandseast.ca

The accompanying financial statements of the Corporation of the Municipality of Highlands East are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Municipality maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Municipality's assets are appropriately accounted for and adequately safeguarded.

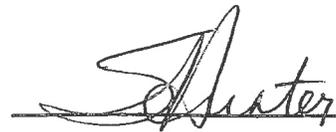
The Municipality's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Municipality's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Municipality of Highlands East. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Municipality. Baker Tilly KDN LLP has full and free access to Council.



Mayor



CAO/Treasurer

July 14, 2020

2249 Loop Road
P.O. Box 295, Wilberforce, Ontario K0L 3C0
Telephone: 705-448-2981 Fax: 705-448-2532
Website: www.highlandseast.ca
H.S.T. # 108133430RT0001

Geographic Townships of Bicroft, Cardiff, Glamorgan and Monmouth

INDEPENDENT AUDITOR'S REPORT**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Highlands East***Opinion*

We have audited the financial statements of the Corporation of the Municipality of Highlands East (the Municipality), which comprise the statement of financial position as at December 31, 2019, the statements of operations and accumulated surplus, change in net financial assets 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 financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2019, and the results of its operations 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 Financial Statements section of our report. We are independent of the Municipality 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 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 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 Municipality'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 Municipality'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 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 Municipality 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 17, 2020

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**STATEMENT OF FINANCIAL POSITION
At December 31, 2019**

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash	4,769,507	4,416,240
Accounts receivable	263,022	424,466
Taxes receivable	860,531	728,139
TOTAL FINANCIAL ASSETS	5,893,060	5,568,845
LIABILITIES		
Accounts payable and accrued liabilities	1,117,810	1,163,748
Deferred revenue - obligatory reserve funds (note 3)	28,000	28,000
Deferred revenue - other	59,685	91,493
Landfill closure and post-closure liability (note 4)	1,670,000	1,210,000
Employee future benefits (note 8)	112,400	98,600
TOTAL LIABILITIES	2,987,895	2,591,841
NET FINANCIAL ASSETS	2,905,165	2,977,004
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	14,520,790	12,926,551
Prepaid expenses	156,043	138,611
TOTAL NON-FINANCIAL ASSETS	14,676,833	13,065,162
ACCUMULATED SURPLUS (note 10)	17,581,998	16,042,166

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2019**

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
REVENUES			
Property taxation	6,056,805	6,080,344	5,655,508
User charges	726,965	898,179	894,188
Government of Canada	5,000	6,720	78,888
Province of Ontario	2,027,793	2,661,400	1,945,648
Other municipalities	109,520	171,390	152,714
Penalties and interest on taxes	100,000	123,905	111,849
Investment income	30,000	83,067	52,386
Donations	-	750	750
Donated tangible capital assets	-	23,048	-
Federal gas tax earned	101,414	206,825	103,484
Gain/(loss) on disposal of tangible capital assets	-	(83,677)	(16,805)
Other	-	217,920	1,380
TOTAL REVENUES	9,157,497	10,389,871	8,979,990
EXPENSES			
General government	1,003,820	1,067,233	886,909
Protection services	2,428,960	2,346,104	2,297,826
Transportation services	2,477,955	2,508,727	2,471,639
Environmental services	1,486,875	1,460,859	1,360,595
Health services	83,220	45,781	91,512
Recreation and cultural services	920,951	825,269	897,487
Planning and development	204,184	136,066	113,999
Change in landfill closure and post-closure liability	-	460,000	313,000
TOTAL EXPENSES	8,605,965	8,850,039	8,432,967
ANNUAL SURPLUS	<u>551,532</u>	1,539,832	547,023
ACCUMULATED SURPLUS - beginning of year		16,042,166	15,495,143
ACCUMULATED SURPLUS - end of year		17,581,998	16,042,166

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2019**

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS	551,532	1,539,832	547,023
Amortization of tangible capital assets	935,813	1,118,191	936,983
Addition of tangible capital assets	(2,850,015)	(2,778,559)	(1,220,563)
Loss on disposal of tangible capital assets	-	83,677	16,805
Proceeds on sale of tangible capital assets	-	5,500	36,201
Donated tangible capital assets	-	(23,048)	-
Change in prepaid expenses	-	(17,432)	(2,968)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(1,362,670)	(71,839)	313,481
NET FINANCIAL ASSETS - beginning of year	2,977,004	2,977,004	2,663,523
NET FINANCIAL ASSETS - end of year	1,614,334	2,905,165	2,977,004

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

	2019	2018
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	1,539,832	547,023
Items not involving cash		
Amortization of tangible capital assets	1,118,191	936,983
Loss on disposal of tangible capital assets	83,677	16,805
Donated tangible capital assets	(23,048)	-
Change in landfill closure and post-closure liability	460,000	313,000
Change in employee future benefits	13,800	(2,100)
Change in non-cash assets and liabilities		
Accounts receivable	161,444	114,466
Taxes receivable	(132,392)	7,155
Prepaid expenses	(17,432)	(2,968)
Accounts payable and accrued liabilities	(45,938)	74,718
Deferred revenue - other	(31,808)	90,603
Net change in cash from operating activities	3,126,326	2,095,685
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,778,559)	(1,220,563)
Proceeds on disposal of tangible capital assets	5,500	36,201
Net change in cash from capital activities	(2,773,059)	(1,184,362)
NET CHANGE IN CASH	353,267	911,323
CASH - beginning of year	4,416,240	3,504,917
CASH - end of year	4,769,507	4,416,240

The accompanying notes are an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

The Municipality of Highlands East is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the Municipality of Highlands East.

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust Funds

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

(c) 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, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	10 years
Buildings	40-60 years
Roads and bridges	7-50 years
Water and sewer	50-75 years
Vehicles and equipment	5-15 years

Tangible capital assets received as donations are recorded at their fair value at the date of receipt and are also recorded as revenue.

Landfills are amortized over the useful life of the landfill based on the total capacity.

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Municipality's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Municipality is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

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.

Government Funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Other revenue

Federal gas tax and parkland fees are recognized in the period in which the related expenditures are recorded.

User charges are recognized as revenue in the year the goods and services are provided, with the exception of building permits which are recognized when the permits are issued.

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Municipality because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Municipality unless they are sold.

(f) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(g) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Municipality's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements or changes in such estimates in future periods could be significant. The Municipality's significant estimates include:

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs;
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates; and
- The values of employee future benefits depend on certain actuarial and economic assumptions.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HALIBURTON

During 2019, requisitions were made by the County of Haliburton and School Boards requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
<u>Amounts requisitioned and remitted</u>	2,110,233	2,660,005

These amounts have not been included in the Statement of Operations and Accumulated Surplus.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Municipality is summarized below:

	2019	2018
	\$	\$
Parkland	28,000	28,000

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2019	2018
	\$	\$
Balance - beginning of year	28,000	28,000
Add amounts received:		
Federal gas tax	206,825	103,484
Less transfer to operations:		
Federal gas tax earned	206,825	103,484
Balance - end of year	28,000	28,000

4. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The estimated liability for landfill closure and post-closure costs for the one closed site and four operating sites of the Municipality is \$1,670,000 (2018 - \$1,210,000). The closure costs include final cover, vegetation and additional monitoring wells. Post-closure costs include monitoring, maintenance of control systems and consulting fees for 25 years after the site is closed. The discounted future cash flows are estimated using an inflation rate of 2.0% and a discount rate of 2.77%. There are no specific assets designated for settling this liability.

The reported liability is based upon estimates and assumptions with respect to events extending over the remaining life of the landfills. The total discounted future cash flows for closure and post-closure cost is estimated at \$2,751,799 as at December 31, 2019 (2018 - \$2,492,292). The remaining capacity of the four operating sites is estimated at approximately 103,678 m³ (2018 - 109,485 m³) which is 39.4% (2018 - 41.6%) of the sites' total capacity. The liability is calculated based on the capacity of the sites used to the end of the current year. The sites are anticipated to reach capacity in 4 to 21 years.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

5. PENSION AGREEMENTS

Certain employees of the Municipality are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2019 Annual Report disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The Municipality's required contributions to OMERS in 2019 were \$175,438 (2018 - \$165,125).

6. CREDIT FACILITY AGREEMENT

The Municipality has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. At December 31, 2019 there was no balance outstanding (2018 - \$Nil).

7. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social impact.

At the time of approval of these financial statements, the Municipality has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporarily closed most facilities for walk-in access
- Penalty and interest charges on outstanding property tax balances have been deferred
- Working from home requirements have been setup for those able to do so
- Reduced revenues from user charges.
- Additional costs for enhanced facility cleaning and acquisition of personal protective equipment
- Additional costs for IT upgrades
- Additional costs for retrofitting offices and facilities in preparation for reopening to the public

The Municipality plans to mitigate any additional operating costs with cost savings in other budget areas and tight controls over operating expenses.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities in subsequent years and may have a significant impact on future operations.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

8. EMPLOYEE FUTURE BENEFITS

The Municipality provides certain benefits to eligible employees that will require funding in the future. Actuarial estimates of the future liabilities have been completed and form the basis for the estimated liabilities reported in these financial statements.

Employee future benefits consist of the following:

	2019	2018
	\$	\$
Accrued benefit obligation	102,900	98,600
Unamortized actuarial gain	9,500	-
Accrued benefit liability	112,400	98,600

The Municipality sponsors defined benefit plans to pay costs of medical benefits for eligible employees after they retire and their eligible dependents. All benefits continue for a period of 3 years, but not beyond the age of 65, at which time the Municipality ceases to contribute towards the cost of the premiums.

The actuarial valuation for post-employment benefits as at December 31, 2019 was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases and employee turnover and mortality. These assumptions used reflect management's best estimate. The main actuarial assumptions employed for the valuation are as follows:

Discount rate	2.70%
Medical trend rate	
- Initial	5.58%
- Ultimate	4.00%
- Year ultimate reached	2040

The continuity of the liability for post-employment benefits is as follows:

	2019	2018
	\$	\$
Liability at January 1	98,600	100,700
Current year benefit cost	12,700	10,700
Interest	3,100	3,300
Benefit payments	-	(16,100)
Amortized actuarial gain	(2,000)	-
Liability at December 31	112,400	98,600

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

9. TANGIBLE CAPITAL ASSETS

The net book value of the Municipality's tangible capital assets is:

	2019	2018
	\$	\$
General		
Land	865,165	872,255
Land improvements	202,245	166,317
Buildings	1,987,117	2,078,097
Vehicles and equipment	2,819,961	2,636,616
Infrastructure		
Roads and bridges	5,912,127	3,878,754
Water and sewer	2,572,903	2,626,165
	14,359,518	12,258,204
Assets under construction	161,272	668,347
	14,520,790	12,926,551

For additional information, see the Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2018 - \$Nil) and no interest capitalized (2018 - \$Nil).

	2019	2018
	\$	\$
General government	182,655	86,964
Protection services	1,187,548	796,401
Transportation services	7,794,136	6,611,068
Environmental services	3,450,582	3,503,465
Health services	19,099	20,270
Recreation and cultural services	1,886,770	1,908,383
	14,520,790	12,926,551

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

10. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2019	2018
	\$	\$
Surplus/(Deficit)		
Landfill closure and post-closure liability	(1,670,000)	(1,210,000)
Employee future benefits	(112,400)	(98,600)
	(1,782,400)	(1,308,600)
Invested In Capital Assets		
Tangible capital assets - net book value	14,520,790	12,926,551
Unfunded capital - water	(154,524)	(171,843)
	14,366,266	12,754,708
Surplus	12,583,866	11,446,108
Reserves		
Building and by-law enforcement	211,009	188,509
Bicroft mines	22,335	22,335
Medical centre	86,012	31,512
Medical centre rent	11,999	11,999
Wilberforce water	63,255	57,255
Pool	31,657	2,968
Recreation	222,101	188,750
Working capital	2,952,148	2,595,811
Bicroft future development	74,660	85,634
Roads equipment	211,467	100,780
Administration	42,110	42,110
Fire	388,549	609,414
Ground source water	22,987	19,766
Landfill	235,216	215,216
Junior firefighter funds	1,506	1,506
Septage	30,508	40,508
Cemeteries	13,560	8,560
Policing	119,694	119,694
Future capital	183,350	183,350
Council committees	60,573	56,945
Septic	13,436	13,436
Total Reserves	4,998,132	4,596,058
	17,581,998	16,042,166

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

11. EXPENSES BY OBJECT

The expenses for the year reported on the Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Salaries and benefits	3,191,972	2,450,921	2,297,717
Materials	2,802,076	3,198,975	3,242,728
Contracted services	1,580,064	1,977,119	1,853,382
Rents and financial	22,750	27,703	23,670
External transfers	73,290	77,130	78,487
Amortization	935,813	1,118,191	936,983
	8,605,965	8,850,039	8,432,967

12. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$182,787 (2018 - \$178,579) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

13. BUDGET FIGURES

The budget, approved by the Municipality, for 2019 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

14. CONTINGENT LIABILITIES

The Municipality, in the course of its operations, has been named in several lawsuits the outcomes of which are indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

15. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

16. SEGMENTED INFORMATION

The Municipality of Highlands East is a municipal government organization that provides a range of services to its residents. Municipality services are reported by function and their activities are separately disclosed in the segmented information.

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. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure.

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 include police, fire, conservation authority and protective inspection and control.

Transportation Services

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

Water and Sewer

This function is responsible for providing water and sewer services to certain areas within the Municipality.

Other Environmental Services

This function is responsible for providing waste collection, waste disposal and recycling services to ratepayers.

Health Services

The health services function consists of the operations of the cemetery and the medical centre.

Recreation and Cultural Services

The recreation and cultural services function provides indoor and outdoor recreational facilities and programs and library services.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the Municipality.

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST



SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2019

	General				Infrastructure		Assets Under Construction	Totals
	Land	Land Improvements	Buildings	Vehicles and Equipment	Roads and Bridges	Water and Sewer		
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year	927,065	701,317	4,891,177	5,994,831	6,364,838	3,585,942	668,347	23,133,517
Add: additions during the year	-	55,373	-	605,750	1,961,490	20,759	158,235	2,801,607
Less: disposals during the year	-	-	-	22,327	360,260	-	-	382,587
Internal transfers	-	-	-	49,404	615,906	-	(665,310)	-
Balance, end of year	927,065	756,690	4,891,177	6,627,658	8,581,974	3,606,701	161,272	25,552,537
ACCUMULATED AMORTIZATION								
Balance, beginning of year	54,810	535,000	2,813,080	3,358,215	2,486,084	959,777	-	10,206,966
Add: additions during the year	7,090	19,445	90,980	469,398	457,257	74,021	-	1,118,191
Less: disposals during the year	-	-	-	19,916	273,494	-	-	293,410
Balance, end of year	61,900	554,445	2,904,060	3,807,697	2,669,847	1,033,798	-	11,031,747
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	865,165	202,245	1,987,117	2,819,961	5,912,127	2,572,903	161,272	14,520,790

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST



SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2019

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Change in landfill closure and post- closure liability \$	Consolidated \$
Revenues										
Property taxation	322,114	1,446,001	2,486,563	-	656,410	70,196	955,479	143,581	-	6,080,344
User charges	16,785	133,163	46,381	316,859	298,453	20,467	42,294	23,777	-	898,179
Government transfers - operating	1,473,896	1,041,897	-	-	-	-	38,055	-	-	2,553,848
Government transfers - capital	-	-	100,000	11,472	-	-	2,800	-	-	114,272
Other municipalities	-	67,784	103,606	-	-	-	-	-	-	171,390
Penalties and interest on taxes	123,905	-	-	-	-	-	-	-	-	123,905
Investment income	83,067	-	-	-	-	-	-	-	-	83,067
Donations	500	250	-	-	-	-	-	-	-	750
Donated tangible capital assets	-	-	-	-	-	-	23,048	-	-	23,048
Federal gas tax earned	-	-	206,825	-	-	-	-	-	-	206,825
Gain/(loss) on disposal of tangible capital assets	-	3,089	(86,766)	-	-	-	-	-	-	(83,677)
Other	155,420	-	-	-	-	62,500	-	-	-	217,920
Total revenues	2,175,687	2,692,184	2,856,609	328,331	954,863	153,163	1,061,676	167,358	-	10,389,871
Expenses										
Salaries and benefits	662,882	534,181	234,228	178,585	393,146	13,720	351,622	82,557	-	2,450,921
Materials	321,485	346,392	1,539,613	229,661	366,452	19,000	361,709	14,663	-	3,198,975
Contracted services	35,835	1,237,186	43,230	10,867	141,410	9,325	420	38,846	460,000	1,977,119
Rents and financial	23,656	-	-	-	-	2,566	1,481	-	-	27,703
External transfers	19,840	57,290	-	-	-	-	-	-	-	77,130
Amortization	3,535	171,055	691,656	103,773	36,965	1,170	110,037	-	-	1,118,191
Total expenses	1,067,233	2,346,104	2,508,727	522,886	937,973	45,781	825,269	136,066	460,000	8,850,039
Net surplus/(deficit)	1,108,454	346,080	347,882	(194,555)	16,890	107,382	236,407	31,292	(460,000)	1,539,832

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST



SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2018

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Change in landfill closure and post- closure liability \$	Consolidated \$
Revenues										
Property taxation	79,279	1,601,836	2,363,044	-	550,714	89,846	817,898	152,891	-	5,655,508
User charges	17,766	213,773	42,248	305,504	234,815	16,507	31,911	31,664	-	894,188
Government transfers - operating	1,196,060	720,810	-	-	-	-	96	-	-	1,916,966
Government transfers - capital	-	-	-	75,000	-	-	32,570	-	-	107,570
Other municipalities	-	82,030	70,684	-	-	-	-	-	-	152,714
Penalties and interest on taxes	111,849	-	-	-	-	-	-	-	-	111,849
Investment income	52,386	-	-	-	-	-	-	-	-	52,386
Donations	750	-	-	-	-	-	-	-	-	750
Federal gas tax earned	-	-	103,484	-	-	-	-	-	-	103,484
Gain/(loss) on disposal of tangible capital assets	-	700	(18,003)	-	-	-	501	(3)	-	(16,805)
Other	1,380	-	-	-	-	-	-	-	-	1,380
Total revenues	1,459,470	2,619,149	2,561,457	380,504	785,529	106,353	882,976	184,552	-	8,979,990
Expenses										
Salaries and benefits	602,974	494,762	198,755	171,949	363,464	28,620	372,458	64,735	-	2,297,717
Materials	214,794	354,387	1,662,667	256,148	288,314	46,664	414,317	5,437	-	3,242,728
Contracted services	41,299	1,263,635	40,493	13,086	130,167	5,625	2,250	43,827	313,000	1,853,382
Rents and financial	10,322	-	-	-	-	9,433	3,915	-	-	23,670
External transfers	13,500	64,987	-	-	-	-	-	-	-	78,487
Amortization	4,020	120,055	569,724	104,212	33,255	1,170	104,547	-	-	936,983
Total expenses	886,909	2,297,826	2,471,639	545,395	815,200	91,512	897,487	113,999	313,000	8,432,967
Net surplus/(deficit)	572,561	321,323	89,818	(164,891)	(29,671)	14,841	(14,511)	70,553	(313,000)	547,023

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Highlands East

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Municipality of Highlands East (the Trust Funds), which comprise the statement of financial position as at December 31, 2019, the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2019, and the continuity of the Trust Funds 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 Financial Statements section of our report. We are independent of the Trust Funds 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is responsible for assessing the Trust Funds' 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the 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 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 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 Trust Funds' 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 Trust Funds' 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 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 Trust Funds 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 17, 2020

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
At December 31, 2019**

	Care and Maintenance Markers \$	Care and Maintenance Interment Rights \$	Ontario Home Renewal Program \$	2019 Total \$	2018 Total \$
FINANCIAL ASSETS					
Investments (note 2)	32,130	143,304	-	175,434	170,514
Loans receivable (note 3)	-	-	10,433	10,433	10,433
Due from Municipality	-	-	16,234	16,234	16,234
	32,130	143,304	26,667	202,101	197,181
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Municipality	1,659	2,004	-	3,663	2,951
Due to Province	-	-	15,651	15,651	15,651
	1,659	2,004	15,651	19,314	18,602
FUND BALANCES	30,471	141,300	11,016	182,787	178,579
	32,130	143,304	26,667	202,101	197,181

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**TRUST FUNDS
STATEMENT OF CONTINUITY
For the Year Ended December 31, 2019**

	Care and Maintenance Markers \$	Care and Maintenance Interment Rights \$	Ontario Home Renewal Program \$	2019 Total \$	2018 Total \$
BALANCES - beginning of year	29,821	137,742	11,016	178,579	173,549
RECEIPTS					
Sale of interment rights	-	3,558	-	3,558	4,180
Sale of markers	650	-	-	650	850
Interest	679	3,031	-	3,710	1,458
	1,329	6,589	-	7,918	6,488
EXPENSES					
Transfer to Municipality	679	3,031	-	3,710	1,458
BALANCES - end of year	30,471	141,300	11,016	182,787	178,579

The accompanying notes are an integral part of these financial statements

**TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook.

(a) Basis of Accounting

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

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Municipality's best information and judgment. Actual results could differ from these estimates.

2. INVESTMENTS

The investments are stated at cost which approximates fair market value. The investments are guaranteed investment certificates earning an annual interest rate of 2.19%, maturing in 2020.

3. ONTARIO HOME RENEWAL PROGRAM LOANS

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable is \$4,000. Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

Ontario Home Renewal Program loans receivable at December 31, 2019 are comprised of repayable loans of \$10,433 (2018 - \$10,433).

The Province of Ontario cancelled the Ontario Home Renewal Program as of July 16, 1993. As of that date, no new loans are to be issued and surplus funds are to be returned to the Province annually.

4. CEMETERY PERPETUAL CARE

These trust funds represent a portion of the sale of cemetery plots, markers and monument foundations at the various cemeteries under the control of the Municipality. The capital amounts are to be retained intact in perpetuity, with investment income earned on these funds used to maintain the cemeteries.

5. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Trust's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Trust's operations. The extent of the impact of this outbreak and related containment measures on the Trust's operations cannot be reliably estimated at this time.