



**CORPORATION OF THE MUNICIPALITY OF
HIGHLANDS EAST**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

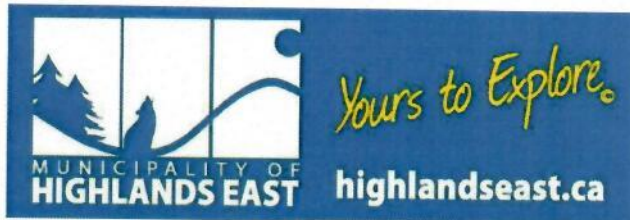
**CORPORATION OF THE MUNICIPALITY OF
HIGHLANDS EAST**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

TABLE OF CONTENTS

	Page Number
MANAGEMENT REPORT	
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Change in Net Financial Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 15
Schedule of Tangible Capital Assets	16
Schedules of Segment Disclosure	17 - 18
TRUST FUNDS	
Independent Auditor's Report	19
Statement of Financial Position	21
Statement of Continuity	22
Notes to the Financial Statements	23



CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

For The Year Ended December 31, 2020

MANAGEMENT REPORT

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 13, 2021

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, 2020, 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, 2020, 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 16, 2021

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**STATEMENT OF FINANCIAL POSITION
At December 31, 2020**

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash	6,291,443	4,769,507
Accounts receivable	241,042	263,022
Taxes receivable	933,144	860,531
TOTAL FINANCIAL ASSETS	7,465,629	5,893,060
LIABILITIES		
Accounts payable and accrued liabilities	1,029,697	1,117,810
Deferred revenue - obligatory reserve funds (note 3)	28,000	28,000
Deferred revenue - other (note 4)	122,429	59,685
Landfill closure and post-closure liability (note 5)	1,878,300	1,670,000
Employee future benefits (note 9)	123,900	112,400
TOTAL LIABILITIES	3,182,326	2,987,895
NET FINANCIAL ASSETS	4,283,303	2,905,165
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	14,638,422	14,520,790
Prepaid expenses	197,638	156,043
TOTAL NON-FINANCIAL ASSETS	14,836,060	14,676,833
ACCUMULATED SURPLUS (note 11)	19,119,363	17,581,998

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, 2020**

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
REVENUES			
Property taxation	6,506,607	6,500,965	6,080,344
User charges	786,476	1,011,513	898,178
Government of Canada	2,800	-	6,720
Province of Ontario	2,027,493	2,244,865	2,661,400
Other municipalities	110,520	97,999	171,391
Penalties and interest on taxes	110,000	124,737	123,905
Investment income	30,000	46,241	83,067
Donations	-	900	750
Donated tangible capital assets	-	-	23,048
Federal gas tax earned	101,414	101,414	206,825
Gain/(loss) on disposal of tangible capital assets	-	5,200	(83,677)
Other revenue	-	-	217,920
TOTAL REVENUES	9,675,310	10,133,834	10,389,871
EXPENSES			
General government	960,285	854,725	1,067,233
Protection services	2,552,068	2,558,109	2,346,104
Transportation services	2,577,624	2,496,328	2,508,727
Environmental services	1,560,373	1,561,676	1,460,859
Health services	79,686	54,999	45,781
Recreation and cultural services	938,181	716,245	825,269
Planning and development	210,518	146,087	136,066
Change in landfill closure and post-closure liability	-	208,300	460,000
TOTAL EXPENSES	8,878,735	8,596,469	8,850,039
ANNUAL SURPLUS	<u>796,575</u>	1,537,365	1,539,832
ACCUMULATED SURPLUS - beginning of year		17,581,998	16,042,166
ACCUMULATED SURPLUS - end of year		19,119,363	17,581,998

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, 2020**

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
ANNUAL SURPLUS	796,575	1,537,365	1,539,832
Amortization of tangible capital assets	1,117,021	1,128,502	1,118,191
Addition of tangible capital assets	(2,345,216)	(1,246,134)	(2,778,559)
Loss/(gain) on disposal of tangible capital assets	-	(5,200)	83,677
Proceeds on sale of tangible capital assets	-	5,200	5,500
Donated tangible capital assets	-	-	(23,048)
Change in prepaid expenses	-	(41,595)	(17,432)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(431,620)	1,378,138	(71,839)
NET FINANCIAL ASSETS - beginning of year	2,905,165	2,905,165	2,977,004
NET FINANCIAL ASSETS - end of year	2,473,545	4,283,303	2,905,165

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, 2020**

	2020	2019
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	1,537,365	1,539,832
Items not involving cash		
Amortization of tangible capital assets	1,128,502	1,118,191
Loss/(gain) on disposal of tangible capital assets	(5,200)	83,677
Donated tangible capital assets	-	(23,048)
Change in landfill closure and post-closure liability	208,300	460,000
Change in employee future benefits	11,500	13,800
Change in non-cash assets and liabilities		
Accounts receivable	21,980	161,444
Taxes receivable	(72,613)	(132,392)
Prepaid expenses	(41,595)	(17,432)
Accounts payable and accrued liabilities	(88,113)	(45,938)
Deferred revenue - other	62,744	(31,808)
Net change in cash from operating activities	2,762,870	3,126,326
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,246,134)	(2,778,559)
Proceeds on disposal of tangible capital assets	5,200	5,500
Net change in cash from capital activities	(1,240,934)	(2,773,059)
NET CHANGE IN CASH	1,521,936	353,267
CASH - beginning of year	4,769,507	4,416,240
CASH - end of year	6,291,443	4,769,507

The accompanying notes are an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(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.

(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 of tangible capital assets are based on estimates of useful life and residual values; 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 2020, 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>	<u>2,075,327</u>	<u>2,789,475</u>

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, 2020**

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:

	2020	2019
	\$	\$
Parkland	28,000	28,000

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

	2020	2019
	\$	\$
Balance - beginning of year	28,000	28,000
Add amounts received:		
Federal gas tax	101,414	206,825
Less transfer to operations:		
Federal gas tax earned	101,414	206,825
Balance - end of year	28,000	28,000

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

4. DEFERRED REVENUE - OTHER

Included in deferred revenue - other are the following amounts:

	2020	2019
	\$	\$
Safe restart funding	103,347	-
OCLIF funding	18,192	18,192
Other	890	890
Main street revitalization	-	40,603
	122,429	59,685

The continuity of deferred revenue - other is as follows:

	2020	2019
	\$	\$
Balance - beginning of year	59,685	91,493
Add amounts received:		
OCLIF	-	18,192
Safe restart funding	281,700	-
	281,700	18,192
Less transfer to operations:		
OCIF	-	50,000
Safe restart funding	178,353	-
Main street revitalization	40,603	-
	218,956	50,000
Balance - end of year	122,429	59,685

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

5. 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 \$1,878,300 (2019 - \$1,670,000). 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 2.20%. 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 \$3,028,166 as at December 31, 2020 (2019 - \$2,492,292). The remaining capacity of the four operating sites is estimated at approximately 100,318 m³ (2019 - 103,678 m³) which is 38.2% (2019 - 39.4%) 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.

6. 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 2020 Annual Report disclosed total actuarial liabilities of \$113,055 million in respect of benefits accrued for service with actuarial assets of \$109,844 million indicating an actuarial deficit of \$3,211 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 2020 were \$193,267 (2019 - \$175,438).

7. 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, 2020 there was no balance outstanding (2019 - \$Nil).

8. UNCERTAINTY CAUSED BY COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Municipality'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 Municipality's operations. The extent of the impact of this outbreak and related containment measures on the Municipality's operations cannot be reliably estimated at this time.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

9. 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:

	2020	2019
	\$	\$
Accrued benefit obligation	115,900	102,900
Unamortized actuarial gain	8,000	9,500
Liability	123,900	112,400

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	5.51%
- Ultimate	4.00%
- Year ultimate reached	2040

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

	2020	2019
	\$	\$
Liability at January 1	112,400	98,600
Current year benefit cost	13,100	12,700
Interest	3,100	3,100
Benefit payments	(3,200)	-
Amortized actuarial gain	(1,500)	(2,000)
Liability at December 31	123,900	112,400

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

10. TANGIBLE CAPITAL ASSETS

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

	2020	2019
	\$	\$
General		
Land	863,534	865,165
Land improvements	182,800	202,245
Buildings	1,980,247	1,987,117
Vehicles and equipment	2,999,879	2,819,961
Infrastructure		
Roads and bridges	5,757,451	5,912,127
Water and sewer	2,524,364	2,572,903
	14,308,275	14,359,518
Assets under construction	330,147	161,272
	14,638,422	14,520,790

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

During the year there were no write-downs of assets (2019 - \$Nil) and no interest capitalized (2019 - \$Nil).

	2020	2019
	\$	\$
General government	222,012	182,655
Protection services	1,127,800	1,187,548
Transportation services	7,988,217	7,794,136
Environmental services	3,413,004	3,450,582
Health services	17,929	19,099
Recreation and cultural services	1,869,460	1,886,770
	14,638,422	14,520,790

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

11. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2020	2019
	\$	\$
Surplus/(Deficit)		
Landfill closure and post-closure liability	(1,878,300)	(1,670,000)
Employee future benefits	(123,900)	(112,400)
	<u>(2,002,200)</u>	<u>(1,782,400)</u>
Invested In Capital Assets		
Tangible capital assets - net book value	14,638,422	14,520,790
Unfunded capital - water	(137,205)	(154,524)
	<u>14,501,217</u>	<u>14,366,266</u>
Surplus	<u>12,499,017</u>	<u>12,583,866</u>
Reserves		
Building and by-law enforcement	232,009	211,009
Bicroft mines	22,335	22,335
Medical centre	96,012	86,012
Medical centre rent	11,999	11,999
Wilberforce water	63,255	63,255
Pool	31,657	31,657
Recreation	303,451	222,101
Working capital	4,060,094	2,952,148
Bicroft future development	75,660	74,660
Roads equipment	311,467	211,467
Administration	42,110	42,110
Fire	661,460	388,549
Ground source water	22,987	22,987
Landfill	245,216	235,216
Junior firefighter funds	1,506	1,506
Septage	30,508	30,508
Cemeteries	18,560	13,560
Policing	119,694	119,694
Future capital	183,350	183,350
Council committees	73,580	60,573
Septic	13,436	13,436
Total Reserves	<u>6,620,346</u>	<u>4,998,132</u>
	<u>19,119,363</u>	<u>17,581,998</u>

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

12. EXPENSES BY OBJECT

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

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
Salaries and benefits	3,439,721	3,256,859	2,910,591
Materials	2,703,530	2,413,181	2,739,305
Contracted services	1,531,722	1,712,504	1,977,119
Rents and financial	18,295	20,941	27,703
External transfers	68,446	64,482	77,130
Amortization	1,117,021	1,128,502	1,118,191
	8,878,735	8,596,469	8,850,039

13. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$188,291 (2019 - \$182,787) 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.

14. BUDGET FIGURES

The budget, approved by the Municipality, for 2020 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.

15. CONTINGENT LIABILITIES

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

16. COMPARATIVE FIGURES

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

17. 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, 2020

	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	756,690	4,891,177	6,627,658	8,581,974	3,606,701	161,272	25,552,537
Add: additions during the year	5,661	-	87,421	528,496	330,454	26,002	268,100	1,246,134
Less: disposals during the year	-	-	-	72,260	9	-	-	72,269
Internal transfers	-	-	-	99,225	-	-	(99,225)	-
Balance, end of year	932,726	756,690	4,978,598	7,183,119	8,912,419	3,632,703	330,147	26,726,402
ACCUMULATED AMORTIZATION								
Balance, beginning of year	61,900	554,445	2,904,060	3,807,697	2,669,847	1,033,798	-	11,031,747
Add: additions during the year	7,292	19,445	94,291	447,803	485,130	74,541	-	1,128,502
Less: disposals during the year	-	-	-	72,260	9	-	-	72,269
Balance, end of year	69,192	573,890	2,998,351	4,183,240	3,154,968	1,108,339	-	12,087,980
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	863,534	182,800	1,980,247	2,999,879	5,757,451	2,524,364	330,147	14,638,422

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST



SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2020

	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	391,087	1,521,934	2,671,570	-	588,081	61,886	1,116,492	149,915	-	6,500,965
User charges	33,993	140,354	57,182	328,841	364,185	11,909	14,999	60,050	-	1,011,513
Government transfers - operating	1,018,090	1,136,172	-	-	-	-	40,603	-	-	2,194,865
Government transfers - capital	-	-	50,000	-	-	-	-	-	-	50,000
Other municipalities	-	66,680	31,319	-	-	-	-	-	-	97,999
Penalties and interest on taxes	124,737	-	-	-	-	-	-	-	-	124,737
Investment income	46,241	-	-	-	-	-	-	-	-	46,241
Donations	750	150	-	-	-	-	-	-	-	900
Federal gas tax earned	-	-	101,414	-	-	-	-	-	-	101,414
Gain/(loss) on disposal of tangible capital assets	-	5,200	-	-	-	-	-	-	-	5,200
Total revenues	1,614,898	2,870,490	2,911,485	328,841	952,266	73,795	1,172,094	209,965	-	10,133,834
Expenses										
Salaries and benefits	636,174	786,325	837,325	198,382	424,988	31,109	308,189	34,367	-	3,256,859
Materials	151,253	325,249	925,641	295,438	347,321	17,519	292,751	58,009	-	2,413,181
Contracted services	36,370	1,254,038	10,648	11,735	127,774	5,201	4,727	53,711	208,300	1,712,504
Rents and financial	10,580	-	-	-	9,790	-	571	-	-	20,941
External transfers	1,503	62,979	-	-	-	-	-	-	-	64,482
Amortization	18,845	129,518	722,714	104,871	41,377	1,170	110,007	-	-	1,128,502
Total expenses	854,725	2,558,109	2,496,328	610,426	951,250	54,999	716,245	146,087	208,300	8,596,469
Net surplus/(deficit)	760,173	312,381	415,157	(281,585)	1,016	18,796	455,849	63,878	(208,300)	1,537,365

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	16,784	133,163	46,381	316,859	298,453	20,467	42,294	23,777	-	898,178
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	-	67,785	103,606	-	-	-	-	-	-	171,391
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 revenue	155,420	-	-	-	-	62,500	-	-	-	217,920
Total revenues	2,175,686	2,692,185	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	693,898	178,585	393,146	13,720	351,622	82,557	-	2,910,591
Materials	321,485	346,392	1,079,942	229,661	366,453	19,000	361,709	14,663	-	2,739,305
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	2,508,726	522,886	937,974	45,781	825,269	136,066	460,000	8,850,039
Net surplus/(deficit)	1,108,453	346,081	347,883	(194,555)	16,889	107,382	236,407	31,292	(460,000)	1,539,832

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, 2020, 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, 2020, 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 16, 2021

**CORPORATION OF THE
MUNICIPALITY OF HIGHLANDS EAST**



**TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
At December 31, 2020**

	Care and Maintenance Markers \$	Care and Maintenance Interment Rights \$	Ontario Home Renewal Program \$	2020 Total \$	2019 Total \$
FINANCIAL ASSETS					
Investments (note 2)	32,688	149,418	-	182,106	175,434
Loans receivable (note 3)	-	-	10,433	10,433	10,433
Due from Municipality	-	-	16,234	16,234	16,234
	32,688	149,418	26,667	208,773	202,101
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Municipality	1,411	3,420	-	4,831	3,663
Due to Province	-	-	15,651	15,651	15,651
	1,411	3,420	15,651	20,482	19,314
FUND BALANCES	31,277	145,998	11,016	188,291	182,787
	32,688	149,418	26,667	208,773	202,101

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, 2020**

	Care and Maintenance Markers \$	Care and Maintenance Interment Rights \$	Ontario Home Renewal Program \$	2020 Total \$	2019 Total \$
BALANCES - beginning of year	30,471	141,300	11,016	182,787	178,579
RECEIPTS					
Sale of interment rights	-	4,698	-	4,698	3,558
Sale of markers	806	-	-	806	650
Interest	582	2,660	-	3,242	3,710
	1,388	7,358	-	8,746	7,918
EXPENSES					
Transfer to Municipality	582	2,660	-	3,242	3,710
BALANCES - end of year	31,277	145,998	11,016	188,291	182,787

The accompanying notes are an integral part of these financial statements

**TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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 1.80%, maturing in 2021.

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, 2020 are comprised of repayable loans of \$10,433 (2019 - \$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. CARE AND MAINTENANCE FUNDS

The Care and Maintenance Funds administered by the Municipality are funded by the sale of cemetery plots. These funds are invested and earnings derived there from are used to preform perpetual care maintenance to the Municipality's cemeteries. The operations and investments of the Fund are undertaken by the Municipality in accordance with the regulations of the Funeral, Burial and Cremation Services Act.
