



**CORPORATION OF THE
MUNICIPALITY OF HASTINGS HIGHLANDS**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

**CORPORATION OF THE
MUNICIPALITY OF HASTINGS HIGHLANDS**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

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Hastings Highlands

Beautiful By Nature

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CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

For The Year Ended December 31, 2018

MANAGEMENT REPORT

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

The consolidated 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 Hastings Highlands. 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 consolidated 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



Date

July 17 / 2019

Treasurer/Deputy CAO



Date

July 17 / 2019

INDEPENDENT AUDITOR'S REPORT**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Hastings
Highlands****T: (705) 742-3418
F: (705) 742-9775****www.bakertilly.ca***Opinion*

We have audited the consolidated financial statements of the Corporation of the Municipality of Hastings Highlands and its local boards (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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

Other Matter

The financial statements of the Municipality as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements

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

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

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

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 30, 2019

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2018**

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	4,778,369	3,752,213
Accounts receivable	171,407	217,091
Taxes receivable	691,461	1,697,306
TOTAL FINANCIAL ASSETS	5,641,237	5,666,610
LIABILITIES		
Accounts payable and accrued liabilities	830,225	887,257
Deferred revenue - other (note 5)	41,253	-
Deferred revenue - obligatory reserve funds (note 4)	138,914	88,851
Long term debt (note 6)	2,002,181	2,372,971
Landfill closure and post-closure liability (note 7)	1,088,500	1,430,000
TOTAL LIABILITIES	4,101,073	4,779,079
NET FINANCIAL ASSETS	1,540,164	887,531
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	19,914,898	20,151,971
Prepaid expenses	32,514	32,514
TOTAL NON-FINANCIAL ASSETS	19,947,412	20,184,485
ACCUMULATED SURPLUS (note 12)	21,487,576	21,072,016

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2018**

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Property taxation	6,869,137	6,912,388	6,788,511
User charges	357,515	453,699	449,754
Government of Canada	20,000	19,100	2,736
Province of Ontario	2,134,775	1,925,744	1,563,212
Penalties and interest on taxes	180,000	129,273	219,514
Investment income	20,000	57,583	24,188
Gain on disposal of tangible capital assets	-	-	143,470
Other grants	-	1,000	-
Federal gas tax	269,500	210,742	265,346
TOTAL REVENUES	9,850,927	9,709,529	9,456,731
EXPENSES			
General government	1,338,481	1,333,377	1,350,207
Protection services	1,984,410	2,070,883	1,863,832
Transportation services	4,644,575	4,772,205	4,659,489
Environmental services	809,679	465,572	1,033,434
Health services	10,000	8,161	7,601
Recreation services	347,445	340,025	273,323
Planning and development	206,770	138,016	94,943
Library services	148,009	165,730	166,796
TOTAL EXPENSES	9,489,369	9,293,969	9,449,625
ANNUAL SURPLUS	<u>361,558</u>	415,560	7,106
ACCUMULATED SURPLUS - beginning of year		21,072,016	21,064,910
ACCUMULATED SURPLUS - end of year		21,487,576	21,072,016

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018**

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS	361,558	415,560	7,106
Amortization of tangible capital assets	1,550,949	1,595,781	1,550,949
Purchase of tangible capital assets	(1,782,344)	(1,358,708)	(1,402,862)
Gain on disposal of tangible capital assets	-	-	(143,470)
Proceeds on sale of tangible capital assets	-	-	154,956
INCREASE IN NET FINANCIAL ASSETS	130,163	652,633	166,679
NET FINANCIAL ASSETS - beginning of year	887,531	887,531	720,852
NET FINANCIAL ASSETS - end of year	1,017,694	1,540,164	887,531

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018**

	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	415,560	7,106
Items not involving cash		
Amortization of tangible capital assets	1,595,781	1,550,949
Gain on disposal of tangible capital assets	-	(143,470)
Change in landfill closure and post-closure liability	(341,500)	296,589
Change in non-cash assets and liabilities		
Accounts receivable	45,684	(20,417)
Taxes receivable	1,005,845	93,874
Accounts payable and accrued liabilities	(57,032)	(446,872)
Deferred revenue - other	41,253	(3,313)
Deferred revenue - obligatory reserve funds	50,063	(6,375)
Net change in cash from operating activities	2,755,654	1,328,071
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,358,708)	(1,402,862)
Proceeds on disposal of tangible capital assets	-	154,956
Net change in cash from capital activities	(1,358,708)	(1,247,906)
FINANCING ACTIVITIES		
Debt principal repayments	(370,790)	(359,056)
NET CHANGE IN CASH	1,026,156	(278,891)
CASH - beginning of year	3,752,213	4,031,104
CASH - end of year	4,778,369	3,752,213

The accompanying notes are an integral part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

The Municipality of Hastings Highlands 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 consolidated 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 consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned and controlled by the Municipality. These consolidated financial statements include:

- Hastings Highlands Public Library Board
- Cemetery Board

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 consolidated 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	15 - 20 years
Buildings	40 - 50 years
Building improvements	20 - 30 years
Machinery	10 - 15 years
Vehicles	8 - 10 years
Furniture and office equipment	3 - 20 years
Roads and bridges	15 - 40 years

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

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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.

(e) 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

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

Investment income is recorded when earned.

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

(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.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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 consolidated 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 consolidated 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; and
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2018, requisitions were made by the County of Hastings 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 \$
Property taxes	1,763,641	2,681,958
Taxation from other governments	8,689	13,176
Amounts requisitioned and remitted	1,772,330	2,695,134

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

3. 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 line of credit. Any balance borrowed will accrue interest at the bank's prime lending rate. Council authorized the temporary borrowing limit by By-law 2018-002. At December 31, 2018 there was no balance outstanding (2017 - \$Nil).

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

4. 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 balances in the obligatory reserve funds of the Municipality are summarized below:

	2018 \$	2017 \$
Federal gas tax	80,414	37,351
Parkland	58,500	51,500
	138,914	88,851

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

	2018 \$	2017 \$
Balance - beginning of year	88,851	95,226
Add amounts received:		
Federal gas tax received from County of Hastings	120,686	120,686
Federal gas tax received from AMO	132,755	128,964
Parkland fees received	7,000	9,000
Interest	364	321
	260,805	258,971
Less transfer to operations:		
Federal gas tax earned	210,742	265,346
Balance - end of year	138,914	88,851

5. DEFERRED REVENUE - OTHER

Included in deferred revenue - other are the following amounts:

	2018 \$	2017 \$
AMO Mainstreet Revitalization Grant	41,253	-

6. LONG TERM DEBT

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

	2018 \$	2017 \$
Ontario Infrastructure Projects Corporation due August 18, 2025, repayable in blended semi annual instalments of \$21,713 and bearing interest at 4.19% per annum.	261,113	292,605
Ontario Infrastructure Projects Corporation due July 15, 2021, repayable in blended semi annual instalments of \$94,261 and bearing interest at 3.45% per annum.	532,932	698,764
Ontario Infrastructure Projects Corporation due July 15, 2026, repayable in blended semi annual instalments of \$54,662 and bearing interest at 3.92% per annum.	744,545	822,387
Ontario Infrastructure and Lands Corporation due September 1, 2020, repayable in blended semi annual instalments of \$25,462 and bearing interest at 1.45% per annum.	100,029	148,971
Ontario Infrastructure and Lands Corporation due October 10, 2025, repayable in blended semi annual instalments of \$27,959 and bearing interest at 2.65% per annum.	363,562	410,244
	2,002,181	2,372,971

- (b) The long term debt in (a) issued in the name of the Municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long term debt amounted to \$78,652 (2017 - \$90,387).
- (d) The long term debt is secured by a chattel mortgage on the assets acquired.

6. LONG TERM DEBT, continued

(e) The long term debt reported in (a) of this note is repayable as follows:

	Principal \$	Interest \$	Total \$
2019	382,933	66,510	449,443
2020	395,498	53,944	449,442
2021	357,393	41,125	398,518
2022	179,958	30,038	209,996
2023	186,515	23,481	209,996
	1,502,297	215,098	1,717,395
2024 and subsequent years	499,884	29,432	529,316
	2,002,181	244,530	2,246,711

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The liability for landfill closure and post-closure costs of \$1,069,000 (2017 - \$1,430,000) has been estimated using discounted future cash flows associated with closure and post-closure care activities for the nine sites operated by the Municipality. 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. A reserve of \$517,004 (2017 - \$517,004) has been provided for this liability with the remaining costs to be funded from taxation. 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 nine landfill sites. The remaining capacity of the nine operating sites is estimated at approximately 35.96% (2017 - 27.47%) of their total capacity. The total discounted future cash flows for closure and post-closure cost is estimated at \$1,872,774 as at December 31, 2018 (2017 - \$2,258,232). The landfill sites are expected to reach their capacities between 2018 and 2145. The Municipality received revised estimates from their consultant for the year ended December 31, 2018.

8. 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 2018 Annual Report disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 were \$157,424 (2017 - \$146,343).

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

9. TANGIBLE CAPITAL ASSETS

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

	2018	2017
	\$	\$
General		
Land and land improvements	1,078,354	1,082,130
Buildings and building improvements	4,632,597	4,778,514
Machinery and vehicles	2,043,120	1,996,267
Furniture and office equipment	47,533	37,781
Infrastructure		
Roads and bridges	12,113,294	12,257,279
	19,914,898	20,151,971

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

During the year there were no write-downs of assets (2017 - \$Nil) and no interest capitalized (2017 - \$Nil).

Tangible capital assets allocated by segment are as follows:

	2018	2017
	\$	\$
General government	3,544,077	3,641,632
Protection services	790,502	748,148
Transportation services	14,571,403	14,747,866
Environmental services	162,995	173,914
Recreation and cultural services	845,921	840,411
	19,914,898	20,151,971

10. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$57,373 (2017 - \$53,773) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated 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.

11. 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.

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

12. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Surplus/(Deficit)		
Hastings Highlands Public Library Board	-	33,454
Cemetery Board	5,188	5,188
Unfunded landfill closure and post-closure costs	(1,088,500)	(1,430,000)
	(1,083,312)	(1,391,358)
Invested In Capital Assets		
Tangible capital assets - net book value	19,914,898	20,151,971
Long term debt	(2,002,181)	(2,372,971)
	17,912,717	17,779,000
Surplus	16,829,405	16,387,642
Reserves		
Working funds	2,164,318	2,412,691
Insurance	30,065	30,065
General administration	511,529	312,517
Equipment replacement	494,297	490,187
Paving and construction	224,775	259,366
Election	17,500	47,500
Waste disposal	689,642	679,642
Recreation capital	32,500	32,500
Fire	342,559	307,906
Economic development	87,000	87,000
Health	25,000	25,000
Library Board projects	33,803	-
Library DVD pool	5,183	-
Total Reserves	4,658,171	4,684,374
	21,487,576	21,072,016

13. COMPARATIVE FIGURES

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

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

14. BUDGET FIGURES

The budget, approved by the Municipality, for 2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budget 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.

The following is a reconciliation of the Council approved budget amounts to the PSA amounts:

	(Unaudited) Revenue \$	(Unaudited) Expenses \$
Council approved budget:		
Operating	9,493,202	9,493,202
Capital	1,782,344	1,782,344
Total Council approved budget	11,275,546	11,275,546
Less: Tangible capital assets capitalized	-	(1,782,344)
Add: Amortization of tangible capital assets	-	1,550,949
Less: Principal repayment of long term debt	-	(370,792)
Less: Transfers to/from reserves	(1,144,350)	(903,721)
Internal eliminations	(280,269)	(280,269)
Adjusted budget per Consolidated Statement of Operations	9,850,927	9,489,369

15. EXPENSES BY OBJECT

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

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Salaries and benefits	3,093,536	3,180,399	2,963,763
Interest charges	78,655	78,652	90,387
Materials	2,548,630	2,657,837	2,491,372
Contracted services	1,968,532	1,533,606	2,125,219
Rents and financial	22,075	21,085	20,177
External transfers	226,992	226,609	207,758
Amortization	1,550,949	1,595,781	1,550,949
	9,489,369	9,293,969	9,449,625

16. SEGMENTED INFORMATION

The Municipality of Hastings Highlands 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 consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated 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 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.

Environmental Services

The environmental function is responsible for providing waste disposal and recycling services to ratepayers.

Health Services

The health services function consists of external transfers to the local medical centre and cemetery operations.

Recreation Services

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

Planning and Development

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

Library Services

The library services function provides informational needs to residents within the Municipality.

17. CHANGES IN ACCOUNTING POLICIES

The Municipality has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Municipality's consolidated financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the Municipality having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Municipality's consolidated financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. These sections have been applied retroactively with restatement of prior periods. The adoption of these standards did not have an impact on the Municipality's consolidated financial statements.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2018

	General				Infrastructure	Totals \$
	Land and Land Improvements \$	Buildings and Building Improvements \$	Machinery and Vehicles \$	Furniture and Office Equipment \$	Roads and Bridges \$	
COST						
Balance, beginning of year	1,100,158	6,492,466	7,598,589	160,291	39,518,788	54,870,292
Add: additions during the year	-	12,639	374,958	30,540	940,571	1,358,708
Less: disposals during the year	-	-	-	7,687	1,188,633	1,196,320
Balance, end of year	1,100,158	6,505,105	7,973,547	183,144	39,270,726	55,032,680
ACCUMULATED AMORTIZATION						
Balance, beginning of year	18,028	1,713,952	5,602,322	122,510	27,261,509	34,718,321
Add: additions during the year	3,776	158,556	328,105	20,788	1,084,556	1,595,781
Less: disposals during the year	-	-	-	7,687	1,188,633	1,196,320
Balance, end of year	21,804	1,872,508	5,930,427	135,611	27,157,432	35,117,782
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,078,354	4,632,597	2,043,120	47,533	12,113,294	19,914,898

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS



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

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development \$	Library Services \$	Consolidated \$
Revenues									
Property taxation	1,099,587	2,012,510	2,608,911	622,760	10,000	326,350	102,270	130,000	6,912,388
User charges	53,832	169,558	37,844	129,068	-	16,102	23,400	23,895	453,699
Government transfers - operating	2,887	10,444	1,722,800	68,041	-	-	21,668	20,323	1,846,163
Government transfers - capital	-	-	82,623	-	-	16,058	-	-	98,681
Penalties and interest on taxes	129,273	-	-	-	-	-	-	-	129,273
Investment income	57,583	-	-	-	-	-	-	-	57,583
Gain on disposal of tangible capital assets	(1,312)	1,312	-	-	-	-	-	-	-
Other grants	-	-	-	-	-	-	-	1,000	1,000
Federal gas tax	-	-	210,742	-	-	-	-	-	210,742
Total revenues	1,341,850	2,193,824	4,662,920	819,869	10,000	358,510	147,338	175,218	9,709,529
Expenses									
Salaries and benefits	832,837	334,798	1,539,295	208,497	-	26,514	105,543	132,915	3,180,399
Interest charges	31,482	1,983	45,187	-	-	-	-	-	78,652
Materials	187,886	284,977	1,638,793	249,249	3,161	242,727	30,900	20,144	2,657,837
Contracted services	146,620	1,146,802	186,005	(3,093)	-	53,699	1,573	2,000	1,533,606
Rents and financial	21,010	-	-	-	-	-	-	75	21,085
External transfers	-	215,609	-	-	5,000	6,000	-	-	226,609
Amortization	113,542	86,714	1,362,925	10,919	-	11,085	-	10,596	1,595,781
Total expenses	1,333,377	2,070,883	4,772,205	465,572	8,161	340,025	138,016	165,730	9,293,969
Net surplus/(deficit)	8,473	122,941	(109,285)	354,297	1,839	18,485	9,322	9,488	415,560

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the Year Ended December 31, 2017

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development \$	Library Services \$	Consolidated \$
Revenues									
Property taxation	821,654	1,999,168	2,882,604	574,965	10,000	276,040	94,080	130,000	6,788,511
User charges	58,656	148,224	45,064	145,791	-	15,075	22,800	14,144	449,754
Government transfers - operating	-	10,293	1,402,300	66,759	-	-	-	28,628	1,507,980
Government transfers - capital	-	-	57,968	-	-	-	-	-	57,968
Penalties and interest on taxes	219,514	-	-	-	-	-	-	-	219,514
Investment income	24,188	-	-	-	-	-	-	-	24,188
Gain on disposal of tangible capital assets	-	-	130,160	13,310	-	-	-	-	143,470
Federal gas tax	-	-	265,346	-	-	-	-	-	265,346
Total revenues	1,124,012	2,157,685	4,783,442	800,825	10,000	291,115	116,880	172,772	9,456,731
Expenses									
Salaries and benefits	869,191	159,705	1,525,367	191,635	-	18,269	71,818	127,778	2,963,763
Interest charges	34,446	2,685	53,256	-	-	-	-	-	90,387
Materials	193,515	236,928	1,537,275	254,431	2,601	219,683	22,020	24,919	2,491,372
Contracted services	124,740	1,223,914	174,664	576,449	-	18,601	1,105	5,746	2,125,219
Rents and financial	20,102	-	-	-	-	-	-	75	20,177
External transfers	-	196,758	-	-	5,000	6,000	-	-	207,758
Amortization	108,213	43,842	1,368,927	10,919	-	10,770	-	8,278	1,550,949
Total expenses	1,350,207	1,863,832	4,659,489	1,033,434	7,601	273,323	94,943	166,796	9,449,625
Net surplus/(deficit)	(226,195)	293,853	123,953	(232,609)	2,399	17,792	21,937	5,976	7,106

INDEPENDENT AUDITOR'S REPORT**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Hastings
Highlands****T: (705) 742-3418
F: (705) 742-9775****www.bakertilly.ca***Opinion*

We have audited the financial statements of the Trust Funds of the Corporation of the Municipality of Hastings Highlands (the Trust Funds), which comprise the statement of financial position as at December 31, 2018, 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, 2018, and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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.

Other Matter

The financial statements of the Trust Funds as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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 30, 2019

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
At December 31, 2018**

	Train Trust \$	Papineau Cemetery Perpetual Care \$	Zion Cemetery Perpetual Care \$	Emmanuel Cemetery Perpetual Care \$	Grace Cemetery Perpetual Care \$	2018 Total \$	2017 Total \$
FINANCIAL ASSETS							
Cash	12,026	9,175	2,999	14,740	18,433	57,373	53,773
FUND BALANCES							
Capital	12,026	8,570	2,999	14,740	18,433	56,768	53,168
Income	-	605	-	-	-	605	605
	12,026	9,175	2,999	14,740	18,433	57,373	53,773

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**TRUST FUNDS
STATEMENT OF CONTINUITY
For the Year Ended December 31, 2018**

	Train Trust \$	Papineau Cemetery Perpetual Care \$	Zion Cemetery Perpetual Care \$	Emmanuel Cemetery Perpetual Care \$	Grace Cemetery Perpetual Care \$	2018 Total \$	2017 Total \$
BALANCES - beginning of year	12,026	8,425	2,999	12,740	17,583	53,773	51,873
RECEIPTS							
Perpetual care	-	750	-	2,000	850	3,600	1,900
Interest earned	129	92	32	154	196	603	196
	129	842	32	2,154	1,046	4,203	2,096
EXPENSES							
Transfer to Municipality	129	92	32	154	196	603	196
BALANCES - end of year	12,026	9,175	2,999	14,740	18,433	57,373	53,773

**TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

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. CEMETERY PERPETUAL CARE

The Perpetual Care 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 perform 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 Cemeteries Act.

**CORPORATION OF THE
MUNICIPALITY OF HASTINGS HIGHLANDS**

HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT**To the Members of the Hastings Highlands Public Library Board, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Hastings Highlands****T: (705) 742-3418**
F: (705) 742-9775**www.bakertilly.ca***Qualified Opinion*

We have audited the financial statements of the Hastings Highlands Public Library Board of the Corporation of the Municipality of Hastings Highlands (the Board), which comprise the statement of financial position as at December 31, 2018, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

In common with many Public Library Boards, the Board derives revenue from fees, fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to fees, fundraising and donations revenue, annual surplus, assets and accumulated surplus.

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 Board 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 qualified opinion.

Other Matter

The financial statements of the Board as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

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Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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 Board'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 Board'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 Board 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 30, 2019

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2018**

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	49,069	173,530
Accounts receivable	-	200
TOTAL FINANCIAL ASSETS	49,069	173,730
LIABILITIES		
Due to Municipality of Hastings Highlands	8,083	136,419
Accounts payable	2,000	3,857
TOTAL LIABILITIES	10,083	140,276
NET FINANCIAL ASSETS	38,986	33,454
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	32,012	28,056
ACCUMULATED SURPLUS (note 3)	70,998	61,510

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2018**

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Municipal contribution	130,000	130,000	130,000
Province of Ontario	17,281	17,281	28,628
Fees, fundraising and donations	11,250	23,895	14,144
Other grants	-	1,000	-
Government of Canada	-	3,042	-
TOTAL REVENUES	158,531	175,218	172,772
EXPENSES			
Salaries and benefits	118,901	132,915	127,778
Supplies and postage	2,305	2,142	1,086
Materials	5,600	4,975	4,734
Programs	3,000	4,432	2,687
Advertising	700	1,100	717
Office administration	2,775	2,048	3,879
Professional development	1,250	1,588	807
Contracted services	3,000	2,000	5,746
Memberships	200	256	116
IT maintenance	2,000	2,783	2,751
Amortization	8,278	10,596	8,278
Digital services	-	-	5,298
Equipment	-	895	2,261
Miscellaneous	-	-	658
TOTAL EXPENSES	148,009	165,730	166,796
ANNUAL SURPLUS	<u>10,522</u>	9,488	5,976
ACCUMULATED SURPLUS - beginning of year		61,510	55,534
ACCUMULATED SURPLUS - end of year		70,998	61,510

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018**

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS	10,522	9,488	5,976
Amortization of tangible capital assets	8,278	10,596	8,278
Acquisition of tangible capital assets	(18,800)	(14,552)	(11,940)
INCREASE IN NET FINANCIAL ASSETS	-	5,532	2,314
NET FINANCIAL ASSETS - beginning of year	33,454	33,454	31,140
NET FINANCIAL ASSETS - end of year	33,454	38,986	33,454

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE MUNICIPALITY OF
HASTINGS HIGHLANDS**



**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018**

	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	9,488	5,976
Items not involving cash		
Amortization of tangible capital assets	10,596	8,278
Change in non-cash assets and liabilities		
Accounts receivable	200	(200)
Due to Municipality of Hastings Highlands	(128,336)	32,131
Accounts payable	(1,857)	3,857
Deferred revenue - Ontario Library Capacity Fund	-	(3,313)
Net change in cash from operating activities	(109,909)	46,729
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(14,552)	(11,940)
NET CHANGE IN CASH	(124,461)	34,789
CASH - beginning of year	173,530	138,741
CASH - end of year	49,069	173,530

The accompanying notes are an integral part of these financial statements

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 adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of 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.

Government funding and other grants are 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.

Fees, fundraising and donations revenue is recognized when the amounts are received.

(b) 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 Board's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Board's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

(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:

Books	7 years
Furniture and equipment	5 years

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

Tangible capital assets are not amortized until they are put into service.

(d) Non-Financial Assets

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

**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Reserves

Certain amounts, as approved by the Board, 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.

(f) Inter-Entity Transactions

The Hastings Highlands Public Library Board is a Board of the Municipality of Hastings Highlands and is consolidated with the Municipality's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Municipality.

2. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Books \$	Furniture and Equipment \$	2018 Totals \$	2017 Totals \$
COST				
Balance, beginning of year	61,152	49,039	110,191	106,905
Add: additions during the year	9,937	4,615	14,552	11,940
Less: disposals during the year	7,687	-	7,687	8,654
Balance, end of year	63,402	53,654	117,056	110,191
ACCUMULATED AMORTIZATION				
Balance, beginning of year	33,096	49,039	82,135	82,511
Add: additions during the year	9,058	1,538	10,596	8,278
Less: disposals during the year	7,687	-	7,687	8,654
Balance, end of year	34,467	50,577	85,044	82,135
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	28,935	3,077	32,012	28,056

**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Surplus		
Operations	-	33,454
Invested In Capital Assets		
Tangible capital assets - net book value	32,012	28,056
Surplus	32,012	61,510
Reserves		
Projects	33,803	-
DVD pool	5,183	-
Total Reserves	38,986	-
	70,998	61,510

4. BUDGET FIGURES

The operating budget, approved by the Board, for 2018 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 expenditure 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.

The following is a reconciliation of the Board approved budget amounts to the PSA amounts:

	(Unaudited) 2018 Revenue \$	(Unaudited) 2018 Expenses \$
Board approved budget	158,531	158,531
Less: Tangible capital assets capitalized	-	(18,800)
Add: Amortization of tangible capital assets	-	8,278
	158,531	148,009

**HASTINGS HIGHLANDS PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

5. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Municipality of Hastings Highlands.

As part of the budgeting process, the Municipality approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus.

In addition, the following services are provided to the Board by the Municipality at no cost:

- Accounting and administrative services
- Rental of buildings
- Buildings and grounds maintenance
- Other occupancy costs

All balances with the Municipality of Hastings Highlands have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

6. CHANGES IN ACCOUNTING POLICIES

The Board has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Board's financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the Board having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Board's financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. These sections have been applied retroactively with restatement of prior periods. The adoption of these standards resulted in additional disclosure in note 5.