

**CORPORATION OF THE
MUNICIPALITY OF HASTINGS HIGHLANDS**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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Vivian Bloom
Mayor



Tel: 613-338-2811 or
Toll Free 877-338-2818
Fax: 613-338-3292

Pat Pilgrim
CAO

#33011 Hwy 62, P.O Box 130
Maynooth, Ontario, K0L 2S0

Email:
info@hastingshighlands.ca

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

For The Year Ended December 31, 2014

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 auditors, 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 auditors' report.

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

Mayor

A handwritten signature in cursive script, reading "Vivian C. Bloom", written over a horizontal line.

Date

A handwritten date "June 3, 2015" written over a horizontal line.

Treasurer

A handwritten signature in cursive script, reading "Stewart", written over a horizontal line.

Date

A handwritten date "JUNE 3, 2015" written over a horizontal line.

INDEPENDENT AUDITORS' REPORT

www.collinsbarrowkawarthas.com

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Hastings Highlands and its local boards, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of Hastings Highlands and its local boards as at December 31, 2014 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Peterborough, Ontario
July 9, 2015

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash	1,963,943	2,193,725
Accounts receivable	706,339	435,930
Taxes receivable	1,941,325	1,667,250
TOTAL FINANCIAL ASSETS	4,611,607	4,296,905
LIABILITIES		
Accounts payable and accrued liabilities	884,943	744,094
Deferred revenue - obligatory reserve funds (note 3)	180,914	291,815
Deferred revenue - other (note 4)	22,373	45,994
Long term debt (note 5)	2,581,736	2,819,688
Landfill closure and post-closure liability (note 6)	1,128,756	924,212
TOTAL LIABILITIES	4,798,722	4,825,803
NET FINANCIAL LIABILITIES	(187,115)	(528,898)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	21,169,738	20,171,059
Prepaid expenses	31,847	-
TOTAL NON-FINANCIAL ASSETS	21,201,585	20,171,059
ACCUMULATED SURPLUS (note 10)	21,014,470	19,642,161

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, 2014

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
REVENUES			
Property taxation	5,742,310	5,772,576	5,492,424
User charges	286,119	373,163	324,431
Government of Canada	4,000	4,923	8,873
Province of Ontario	3,535,681	3,024,148	1,087,139
Penalties and interest on taxes	160,000	248,794	222,071
Investment income	10,000	15,569	11,197
Donations	-	-	77,073
Other	-	20,641	-
Other grants	1,000	12,761	27,206
Federal gas tax	451,500	374,607	161,871
TOTAL REVENUES	10,190,610	9,847,182	7,412,285
EXPENSES			
General government	1,394,755	1,464,805	1,162,064
Protection services	1,512,250	1,387,145	1,423,561
Transportation services	4,429,349	4,156,114	4,256,482
Environmental services	798,341	1,001,832	985,047
Health services	20,000	21,150	16,330
Recreation and cultural services	408,123	353,271	363,728
Planning and development	124,700	90,556	121,497
TOTAL EXPENSES	8,687,518	8,474,873	8,328,709
ANNUAL SURPLUS/(DEFICIT)	1,503,092	1,372,309	(916,424)
ACCUMULATED SURPLUS - beginning of year	19,642,161	19,642,161	20,558,585
ACCUMULATED SURPLUS - end of year	21,145,253	21,014,470	19,642,161

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 LIABILITIES

For the Year Ended December 31, 2014

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
ANNUAL SURPLUS/(DEFICIT)	1,503,092	1,372,309	(916,424)
Amortization of tangible capital assets	1,784,653	1,694,050	1,784,653
Acquisition of tangible capital assets	(3,551,500)	(2,721,923)	(564,900)
Loss on disposal of tangible capital assets	-	16,719	-
Proceeds on sale of tangible capital assets	-	12,475	-
(Increase)/decrease in prepaid expenses	-	(31,847)	43,874
DECREASE/(INCREASE) IN NET FINANCIAL LIABILITIES	(263,755)	341,783	347,203
NET FINANCIAL LIABILITIES - beginning of year	(528,898)	(528,898)	(876,101)
NET FINANCIAL LIABILITIES - end of year	(792,653)	(187,115)	(528,898)

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, 2014

	2014	2013
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus/(deficit)	1,372,309	(916,424)
Increase in accounts receivable	(270,409)	(41,761)
Increase in taxes receivable	(274,075)	(183,505)
(Increase)/decrease in prepaid expenses	(31,847)	43,874
Increase/(decrease) in accounts payable and accrued liabilities	140,849	(79,228)
Increase/(decrease) in deferred revenue - obligatory reserve funds	(110,901)	86,700
Increase/(decrease) in deferred revenue - other	(23,621)	20,329
Non-cash charges to operations		
Amortization of tangible capital assets	1,694,050	1,784,653
Loss on disposal of tangible capital assets	16,719	-
Increase in landfill closure and post-closure liability	204,544	247,138
Net increase in cash from operating transactions	2,717,618	961,776
CAPITAL		
Acquisition of tangible capital assets	(2,721,923)	(564,900)
Proceeds on disposal of tangible capital assets	12,475	-
Net decrease in cash from capital transactions	(2,709,448)	(564,900)
FINANCING		
Debt principal repayments	(237,952)	(229,467)
INCREASE/(DECREASE) IN CASH	(229,782)	167,409
CASH - beginning of year	2,193,725	2,026,316
CASH - end of year	1,963,943	2,193,725

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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 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.

(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.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(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.

(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.

(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) 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.

(i) 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.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) 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 of changes in such estimates in future periods could be significant. The Municipality's significant estimates include:

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs;
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates; and
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

(k) Financial Instruments

The Municipality's financial instruments consist of cash, accounts receivable, taxes receivable, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values and that the Municipality does not have any significant concentration of interest, currency or credit risk.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2014, 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	1,887,568	2,478,719
Taxation from other governments	5,054	11,568
Amounts requisitioned and remitted	1,892,622	2,490,287

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

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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

	2014	2013
	\$	\$
Federal gas tax	153,314	291,815
Parkland	27,600	-
	180,914	291,815

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

	2014	2013
	\$	\$
Balance - beginning of year	291,815	205,115
Add amounts received:		
County gas tax received	123,991	123,712
Federal gas tax received	110,653	123,712
Parkland fees received	27,600	-
Interest	1,462	1,147
	263,706	248,571
Less transfer to operations:		
Federal gas tax earned	374,607	161,871
Balance - end of year	180,914	291,815

4. DEFERRED REVENUE - OTHER

Included in deferred revenue - other are the following amounts:

	2014	2013
	\$	\$
Asset Management grant	22,373	22,373
Creative Community Prosperity Fund	-	16,987
Trillium Foundation	-	6,634
	22,373	45,994

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

5. LONG TERM DEBT

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

	2014	2013
	\$	\$
Ontario Infrastructure Projects Corporation due August 18, 2025, repayable in blended semi annual instalments of \$21,713 and bears interest at 4.19% per annum.	379,612	406,291
Ontario Infrastructure Projects Corporation due July 15, 2021, repayable in blended semi annual instalments of \$94,261 and bears interest at 3.45% per annum.	1,163,547	1,308,173
Ontario Infrastructure Projects Corporation due July 15, 2026, repayable in blended semi annual instalments of \$54,662 and bears interest at 3.92% per annum.	1,038,577	1,105,224
	<u>2,581,736</u>	<u>2,819,688</u>

- (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 \$103,320 (2013 - \$111,805).
- (d) The long term debt is secured by a chattel mortgage on the assets acquired.
- (e) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	246,752	94,520	341,272
2016	255,880	85,392	341,272
2017	265,347	75,925	341,272
2018	275,167	66,105	341,272
2019	285,352	55,920	341,272
2020 and subsequent years	1,253,238	149,633	1,402,871
	<u>2,581,736</u>	<u>527,495</u>	<u>3,109,231</u>

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The liability for landfill closure and post-closure costs of \$1,128,756 (2013 - \$924,212) 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 \$371,222 (2013 - \$431,222) 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 35.1% (2013 - 36.1%) of their total capacity. The total discounted future cash flows for closure and post-closure cost is estimated at \$2,003,060 as at December 31, 2014 (2013 - \$1,797,284) using a discount factor of 4% and an inflation rate of 2%. The landfill sites are expected to reach their capacities between 2015 and 2058.

7. EXPENSES BY OBJECT

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

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Salaries and benefits	2,717,450	2,673,787	2,477,481
Interest charges	106,422	103,320	111,805
Materials	2,293,065	2,096,852	2,226,457
Contracted services	1,540,698	1,653,717	1,500,802
Rents and financial	13,700	11,473	41,010
External transfers	231,530	224,955	186,501
Amortization	1,784,653	1,694,050	1,784,653
Loss on disposal of tangible capital assets	-	16,719	-
	8,687,518	8,474,873	8,328,709

8. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions required on account of current service in 2014 were \$137,820 (2013 - \$136,276).

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

9. TANGIBLE CAPITAL ASSETS

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

	2014	2013
	\$	\$
General		
Land and land improvements	1,089,187	1,075,925
Buildings	5,253,234	5,411,474
Vehicles and equipment	1,740,115	1,774,562
Computer equipment, furnishings and other	26,228	29,702
Infrastructure		
Roads and bridges	10,994,638	11,879,396
	19,103,402	20,171,059
Assets under construction	2,066,336	-
	21,169,738	20,171,059

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

During the year there were no write-downs of assets (2013 - \$Nil) and no interest capitalized (2013 - \$Nil).

Tangible capital assets allocated by segment are as follows:

	2014	2013
	\$	\$
General government	3,953,440	4,039,750
Protection services	358,669	386,049
Transportation services	15,860,775	14,770,095
Environmental services	125,962	90,029
Recreation and cultural services	870,892	885,136
	21,169,738	20,171,059

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

10. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2014 \$	2013 \$
Surplus/(Deficit)		
Municipality	27,334	130,491
Hastings Highlands Public Library Board	31,174	23,213
Cemetery Board	5,123	4,173
Unfunded landfill closure and post-closure costs	(1,128,756)	(924,212)
	(1,065,125)	(766,335)
Invested In Capital Assets		
Tangible capital assets - net book value	21,169,738	20,171,059
Long term debt	(2,581,736)	(2,819,688)
	18,588,002	17,351,371
Surplus	17,522,877	16,585,036
Reserves		
Working funds	1,411,856	984,780
Insurance	20,065	20,065
General administration	29,751	109,751
Equipment replacement	663,142	588,547
Paving and construction	294,559	191,401
Election	7,500	31,500
Waste disposal	524,878	574,878
Policing costs	110,000	110,000
Recreation capital	-	14,203
Fire	327,842	330,000
Economic development	77,000	77,000
Health	25,000	25,000
Total Reserves	3,491,593	3,057,125
	21,014,470	19,642,161

11. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$142,934 (2013 - \$142,616) 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.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

12. BUDGET FIGURES

The budget, approved by the Municipality, for 2014 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Liabilities. 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.

13. 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 2014-017. At December 31, 2014 there was no balance outstanding. (2013 - \$Nil).

14. 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 collection, waste disposal and recycling services to ratepayers.

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

14. SEGMENTED INFORMATION, continued

Health Services

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

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.

15. 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

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2014

	General				Infrastructure		Totals \$
	Land and Land Improvements \$	Buildings \$	Vehicles and Equipment \$	Computer Equipment, Furnishings and Other \$	Roads and Bridges \$	Assets Under Construction \$	
COST							
Balance, beginning of year	1,078,849	6,492,466	7,278,785	140,135	36,336,740	-	51,326,975
Add: additions during the year	17,038	-	276,493	7,797	354,259	2,066,336	2,721,923
Less: disposals during the year	-	-	694,581	13,154	-	-	707,735
Balance, end of year	1,095,887	6,492,466	6,860,697	134,778	36,690,999	2,066,336	53,341,163
ACCUMULATED AMORTIZATION							
Balance, beginning of year	2,924	1,080,992	5,504,223	110,433	24,457,344	-	31,155,916
Add: additions during the year	3,776	158,240	281,746	11,271	1,239,017	-	1,694,050
Less: disposals during the year	-	-	665,387	13,154	-	-	678,541
Balance, end of year	6,700	1,239,232	5,120,582	108,550	25,696,361	-	32,171,425
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,089,187	5,253,234	1,740,115	26,228	10,994,638	2,066,336	21,169,738

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2014

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	173,811	1,379,769	3,125,946	702,400	20,400	271,350	98,900	5,772,576
User charges	48,617	103,226	56,931	119,306	600	45,463	(980)	373,163
Government transfers - operating	1,056,496	-	-	73,683	-	32,869	6,321	1,169,369
Government transfers - capital	-	-	1,859,702	-	-	-	-	1,859,702
Penalties and interest on taxes	248,794	-	-	-	-	-	-	248,794
Investment income	15,569	-	-	-	-	-	-	15,569
Other	20,641	-	-	-	-	-	-	20,641
Other grants	-	-	2,740	-	-	-	-	2,740
Federal gas tax	-	-	374,607	-	-	10,021	-	12,761
	-	-	-	-	-	-	-	374,607
Total revenues	1,563,928	1,482,995	5,419,926	895,389	21,000	359,703	104,241	9,847,182
Expenses								
Salaries and benefits	807,873	250,430	1,151,578	241,441	-	159,940	62,525	2,673,787
Interest charges	42,678	-	60,642	-	-	-	-	103,320
Materials	355,015	205,472	1,220,533	145,152	11,150	138,873	20,657	2,096,852
Contracted services	137,365	704,180	175,392	602,989	-	26,417	7,374	1,653,717
Rents and financial	11,473	-	-	-	-	-	-	11,473
External transfers	7,052	201,903	-	-	10,000	6,000	-	224,955
Amortization	103,349	25,160	1,531,250	12,250	-	22,041	-	1,694,050
Loss on disposal of tangible capital assets	-	-	16,719	-	-	-	-	16,719
Total expenses	1,464,805	1,387,145	4,156,114	1,001,832	21,150	353,271	90,556	8,474,873
Net surplus/(deficit)	99,123	95,850	1,263,812	(106,443)	(150)	6,432	13,685	1,372,309

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2013

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	239,527	1,271,550	2,917,647	697,700	23,000	245,800	97,200	5,492,424
User charges	31,907	151,307	22,932	53,261	1,150	30,169	33,705	324,431
Government transfers - operating	830,012	112,579	-	62,914	-	90,507	-	1,096,012
Penalties and interest on taxes	222,071	-	-	-	-	-	-	222,071
Investment income	11,197	-	-	-	-	-	-	11,197
Donations	-	77,073	-	-	-	-	-	77,073
Other grants	-	-	-	-	-	-	-	27,206
Federal gas tax	-	-	122,433	39,438	-	27,206	-	161,871
Total revenues	1,334,714	1,612,509	3,063,012	853,313	24,150	393,682	130,905	7,412,285
Expenses								
Salaries and benefits	607,023	259,703	1,214,535	212,746	-	128,404	55,070	2,477,481
Interest charges	45,216	-	66,589	-	-	-	-	111,805
Materials	291,778	393,505	1,189,752	161,588	1,330	130,034	58,470	2,226,457
Contracted services	54,836	588,890	189,651	600,872	-	58,596	7,957	1,500,802
Rents and financial	40,945	-	-	-	-	65	-	41,010
External transfers	13,639	144,306	-	-	15,000	13,556	-	186,501
Amortization	108,627	37,157	1,595,955	9,841	-	33,073	-	1,784,653
Total expenses	1,162,064	1,423,561	4,256,482	985,047	16,330	363,728	121,497	8,328,709
Net surplus/(deficit)	172,650	188,948	(1,193,470)	(131,734)	7,820	29,954	9,408	(916,424)

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Hastings Highlands***Report on the Financial Statements*

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the Municipality of Hastings Highlands, which comprise the statement of financial position as at December 31, 2014, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the Municipality of Hastings Highlands as at December 31, 2014 and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Peterborough, Ontario
July 9, 2015

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2014

	Community Trust \$	Papineau Cemetery Perpetual Care \$	Zion Cemetery Perpetual Care \$	Emmanuel Cemetery Perpetual Care \$	Grace Cemetery Perpetual Care \$	Train Trust \$	2014 Total \$	2013 Total \$
FINANCIAL ASSETS								
Cash	96,361	6,944	3,009	9,980	13,714	12,026	142,034	141,009
Due from Municipality	-	900	-	-	-	-	900	1,607
	<u>96,361</u>	<u>7,844</u>	<u>3,009</u>	<u>9,980</u>	<u>13,714</u>	<u>12,026</u>	<u>142,934</u>	<u>142,616</u>
FUND BALANCES								
Capital	96,361	7,231	3,009	9,980	13,714	12,026	142,321	141,979
Income	-	613	-	-	-	-	613	637
	<u>96,361</u>	<u>7,844</u>	<u>3,009</u>	<u>9,980</u>	<u>13,714</u>	<u>12,026</u>	<u>142,934</u>	<u>142,616</u>

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2014

	Community Trust \$	Papineau Cemetery Perpetual Care \$	Zion Cemetery Perpetual Care \$	Emmanuel Cemetery Perpetual Care \$	Grace Cemetery Perpetual Care \$	Train Trust \$	2014 Total \$	2013 Total \$
BALANCES - beginning of year	96,595	7,265	3,036	9,980	13,714	12,026	142,616	105,574
RECEIPTS								
Donations	-	-	-	-	-	-	-	12,014
Perpetual Care	-	600	-	-	-	-	600	2,645
Interest earned	-	3	-	50	69	-	122	90
Emmanuel Cemetery (note 3)	-	-	-	-	-	-	-	9,680
Grace Cemetery (note 3)	-	-	-	-	-	-	-	12,964
	-	603	-	50	69	-	722	37,393
EXPENSES								
Bank charges	234	24	27	-	-	-	285	276
Transfer to Cemetery	-	-	-	50	69	-	119	75
	234	24	27	50	69	-	404	351
BALANCES - end of year	96,361	7,844	3,009	9,980	13,714	12,026	142,934	142,616

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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) Financial Instruments

The Trust Funds financial instruments consist of cash and due from Municipality. It is management's opinion that the fair value of the financial instruments are not materially different from their carrying value unless otherwise noted. The Trust Funds do not have any significant concentration of credit, currency or interest rate risk.

(c) 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 Fund administered by the Municipality is 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.

3. EMMANUEL CEMETERY AND GRACE CEMETERY

During 2013, the Municipality agreed to act as Trustee for the Emmanuel Community Cemetery Committee and the Grace United Church Cemetery perpetual care trust funds. Transactions in the trust have been applied prospectively from the date of transfer of the funds to the Municipality.