

**CORPORATION OF THE MUNICIPALITY  
OF HASTINGS HIGHLANDS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**CORPORATION OF THE MUNICIPALITY  
OF HASTINGS HIGHLANDS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**TABLE OF CONTENTS**

|  | Page<br>Number |
|--|----------------|
| <b>MANAGEMENT REPORT</b>                         |                |
| <b>INDEPENDENT AUDITORS' REPORT</b>              |                |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>         |                |
| Statement of Financial Position                  | 1              |
| Statement of Operations and Accumulated Surplus  | 2              |
| Statement of Change in Net Financial Liabilities | 3              |
| Statement of Cash Flows                          | 4              |
| Notes to the Financial Statements                | 5 - 14         |
| Schedule of Tangible Capital Assets              | 15             |
| Schedules of Segment Disclosure                  | 16 - 17        |
| <b>TRUST FUNDS</b>                               |                |
| Independent Auditors' Report                     | 18             |
| Statement of Financial Position                  | 19             |
| Statement of Continuity                          | 20             |
| Notes to the Financial Statements                | 21             |

**Vivian Bloom**  
Mayor

**I. Craig Davidson**  
CAO/Treasurer



**Municipal Office**  
Tel: 613-338-2811  
Fax: 613-338-3292

**P.O. Box 130, Maynooth, Ontario, K0L 2S0**

**CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS**

**For The Year Ended December 31, 2012**

**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.

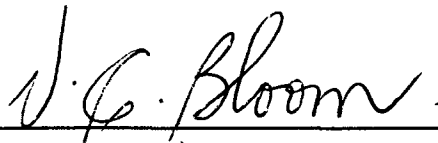
The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen 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 

Date 14 July 2013

CAO - Treasurer 

Date 14 July 2013

**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 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, 2012, 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, 2012 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 Accountants  
Licensed Public AccountantsPeterborough, Ontario  
August 14, 2013

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

|  | 2012              | 2011              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>FINANCIAL ASSETS</b>                              |                   |                   |
| Cash   | 2,026,316         | 2,812,882         |
| Accounts receivable                                  | 394,169           | 474,904           |
| Taxes receivable                                     | 1,483,745         | 1,515,182         |
| <b>TOTAL FINANCIAL ASSETS</b>                        | <b>3,904,230</b>  | <b>4,802,968</b>  |
| <b>LIABILITIES</b>                                   |                   |                   |
| Accounts payable and accrued liabilities             | 823,322           | 515,688           |
| Deferred revenue - obligatory reserve funds (note 3) | 205,115           | 626,873           |
| Deferred revenue - other (note 4)                    | 25,665            | 40,955            |
| Long term debt (note 5)                              | 3,049,155         | 3,289,255         |
| Landfill closure and post-closure liability (note 6) | 677,074           | 478,484           |
| <b>TOTAL LIABILITIES</b>                             | <b>4,780,331</b>  | <b>4,951,255</b>  |
| <b>NET FINANCIAL LIABILITIES</b>                     | <b>(876,101)</b>  | <b>(148,287)</b>  |
| <b>NON-FINANCIAL ASSETS</b>                          |                   |                   |
| Tangible capital assets (note 9)                     | 21,390,812        | 21,291,261        |
| Prepaid expenses                                     | 43,874            | 27,285            |
| <b>TOTAL NON-FINANCIAL ASSETS</b>                    | <b>21,434,686</b> | <b>21,318,546</b> |
| <b>ACCUMULATED SURPLUS (note 10)</b>                 | <b>20,558,585</b> | <b>21,170,259</b> |

*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, 2012

|  | Budget<br>2012<br>\$ | Actual<br>2012<br>\$ | Actual<br>2011<br>\$ |
|--|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                                |                      |                      |                      |
| Property taxation                              | 5,268,480            | 5,296,246            | 5,144,163            |
| User charges                                   | 332,739              | 328,524              | 350,508              |
| Government of Canada                           | 5,800                | 1,307                | 13,056               |
| Province of Ontario                            | 837,581              | 920,174              | 1,081,414            |
| Other municipalities                           | -                    | 49,884               | 18,328               |
| Penalties and interest on taxes                | 150,000              | 208,334              | 235,964              |
| Investment income                              | 10,000               | 14,344               | 10,409               |
| Federal gas tax                                | 750,000              | 691,026              | 42,321               |
| <b>TOTAL REVENUES</b>                          | <b>7,354,600</b>     | <b>7,509,839</b>     | <b>6,896,163</b>     |
| <b>EXPENSES</b>                                |                      |                      |                      |
| General government                             | 1,094,158            | 1,058,253            | 950,674              |
| Protection services                            | 1,458,675            | 1,177,999            | 1,245,737            |
| Transportation services                        | 4,048,500            | 4,322,340            | 3,670,982            |
| Environmental services                         | 704,500              | 978,220              | 719,782              |
| Health services                                | 28,000               | 11,387               | 14,685               |
| Recreation and cultural services               | 378,381              | 388,726              | 326,134              |
| Planning and development                       | 148,000              | 184,588              | 167,479              |
| <b>TOTAL EXPENSES</b>                          | <b>7,860,214</b>     | <b>8,121,513</b>     | <b>7,095,473</b>     |
| <b>ANNUAL DEFICIT</b>                          | <b>(505,614)</b>     | <b>(611,674)</b>     | <b>(199,310)</b>     |
| <b>ACCUMULATED SURPLUS - beginning of year</b> | <b>21,170,259</b>    | <b>21,170,259</b>    | <b>21,369,569</b>    |
| <b>ACCUMULATED SURPLUS - end of year</b>       | <b>20,664,645</b>    | <b>20,558,585</b>    | <b>21,170,259</b>    |

*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, 2012

|   | Budget<br>2012<br>\$ | Actual<br>2012<br>\$ | Actual<br>2011<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>ANNUAL DEFICIT</b>   | (505,614)            | (611,674)            | (199,310)            |
| Amortization of tangible capital assets                           | 1,733,013            | 1,811,180            | 1,733,013            |
| Acquisition of tangible capital assets                            | (2,020,000)          | (1,910,731)          | (2,000,485)          |
| Increase in prepaid expenses                                      | -                    | (16,589)             | (6,647)              |
| <b>INCREASE IN NET FINANCIAL LIABILITIES</b>                      | (792,601)            | (727,814)            | (473,429)            |
| <b>NET FINANCIAL ASSETS (LIABILITIES) - beginning of<br/>year</b> | (148,287)            | (148,287)            | 325,142              |
| <b>NET FINANCIAL LIABILITIES - end of year</b>                    | (940,888)            | (876,101)            | (148,287)            |

*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, 2012

|  | 2012             | 2011             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b> |                  |                  |
| <b>OPERATING</b>   |                  |                  |
| Annual deficit   | (611,674)        | (199,310)        |
| Decrease in accounts receivable  | 80,735           | 2,177,169        |
| Decrease in taxes receivable   | 31,437           | 201,910          |
| Increase in prepaid expenses   | (16,589)         | (6,647)          |
| Increase/(decrease) in accounts payable and accrued liabilities          | 307,634          | (1,185,546)      |
| Increase/(decrease) in deferred revenue - obligatory reserve funds       | (421,758)        | 208,716          |
| Increase/(decrease) in deferred revenue - other                          | (15,290)         | 9,105            |
| Non-cash charges to operations   |                  |                  |
| Amortization of tangible capital assets                                  | 1,811,180        | 1,733,013        |
| Increase in landfill closure and post-closure liability                  | 198,590          | 116,220          |
| Net increase in cash from operating transactions                         | 1,364,265        | 3,054,630        |
| <b>CAPITAL</b>   |                  |                  |
| Acquisition of tangible capital assets                                   | (1,910,731)      | (2,000,485)      |
| <b>FINANCING</b>   |                  |                  |
| Debt principal repayments  | (240,100)        | (68,679)         |
| <b>INCREASE/(DECREASE) IN CASH</b>                                       | <b>(786,566)</b> | <b>985,466</b>   |
| <b>CASH - beginning of year</b>  | <b>2,812,882</b> | <b>1,827,416</b> |
| <b>CASH - end of year</b>  | <b>2,026,316</b> | <b>2,812,882</b> |

*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, 2012

---

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 Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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.

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

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

---

### 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.

(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 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 processed by the Municipality upon receipt and recognized in the fiscal year they are determined. All property taxes are secured by the land and pose no significant collection risk.

(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, 2012

### 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. Such amounts are not expected to change materially in the near term.

- 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. 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 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 2012, 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<br>Boards<br>\$ | County<br>\$ |
|------------------------------------|------------------------|--------------|
| Property taxes                     | 1,969,956              | 2,421,018    |
| Taxation from other governments    | 850                    | 9,470        |
|                                    | 1,970,806              | 2,430,488    |
| Amounts requisitioned and remitted | 1,970,806              | 2,430,488    |

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, 2012

### 3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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

|                 | 2012    | 2011    |
|-----------------|---------|---------|
|                 | \$      | \$      |
| Federal gas tax | 205,115 | 626,873 |

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

|                                  | 2012    | 2011    |
|----------------------------------|---------|---------|
|                                  | \$      | \$      |
| Balance - beginning of year      | 626,873 | 418,157 |
| Add amounts received:            |         |         |
| County gas tax funding received  | 123,712 | 123,712 |
| Federal gas tax funding received | 141,897 | 123,712 |
| Interest                         | 3,659   | 3,613   |
|                                  | 269,268 | 251,037 |
| Less transfer to operations:     |         |         |
| Federal gas tax earned           | 691,026 | 42,321  |
| Balance - end of year            | 205,115 | 626,873 |

### 4. DEFERRED REVENUE - OTHER

Included in deferred revenue - other is the following amount:

|                          | 2012   | 2011   |
|--------------------------|--------|--------|
|                          | \$     | \$     |
| Healthy Communities Fund | 25,665 | 40,955 |

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

### 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:

|  | 2012             | 2011             |
|--|------------------|------------------|
|  | \$               | \$               |
| Long term capital lease repayable in blended monthly instalments of \$4,360, interest at 6%, due May 12, 2012.   | -                | 18,813           |
| 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. | 431,886          | 456,442          |
| 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.   | 1,447,937        | 1,583,000        |
| 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.   | 1,169,332        | 1,231,000        |
|  | <u>3,049,155</u> | <u>3,289,255</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 \$121,698 (2011 - \$50,435).
- (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            |
|---------------------------|------------------|----------------|------------------|
|                           | \$               | \$             | \$               |
| 2013                      | 229,467          | 111,805        | 341,272          |
| 2014                      | 237,952          | 103,320        | 341,272          |
| 2015                      | 246,752          | 94,520         | 341,272          |
| 2016                      | 255,880          | 85,392         | 341,272          |
| 2017                      | 265,347          | 75,925         | 341,272          |
| 2018 and subsequent years | 1,813,757        | 271,658        | 2,085,415        |
|                           | <u>3,049,155</u> | <u>742,620</u> | <u>3,791,775</u> |

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

### 6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The liability for landfill closure and post-closure costs of \$677,074 (2011 - \$478,484) 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 \$391,222 (2011 - \$351,222) 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 operating landfill sites. The remaining capacity of the nine operating sites is estimated at approximately 37.2% (2011 - 38.2%) of their total capacity. The total discounted future cash flows for closure and post-closure cost is estimated at \$1,234,024 as at December 31, 2012 (2011 - \$872,077). The landfill sites are expected to reach their capacities between 2014 and 2049.

### 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<br>2012<br>\$ | Actual<br>2012<br>\$ | Actual<br>2011<br>\$ |
|-----------------------|----------------------|----------------------|----------------------|
| Salaries and benefits | 2,463,600            | 2,475,046            | 2,157,139            |
| Interest charges      | 126,994              | 121,698              | 50,435               |
| Materials             | 2,315,107            | 2,183,010            | 1,918,755            |
| Contracted services   | 1,135,800            | 1,447,090            | 1,197,446            |
| Rents and financial   | 5,700                | 3,816                | 4,100                |
| External transfers    | 80,000               | 79,673               | 34,585               |
| Amortization          | 1,733,013            | 1,811,180            | 1,733,013            |
|                       | <u>7,860,214</u>     | <u>8,121,513</u>     | <u>7,095,473</u>     |

### 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 2012 were \$119,217 (2011 - \$99,883).

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

### 9. TANGIBLE CAPITAL ASSETS

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

|   | 2012       | 2011       |
|---|------------|------------|
|   | \$         | \$         |
| General                                   |            |            |
| Land and land improvements                | 947,003    | 927,003    |
| Buildings                                 | 5,568,623  | 5,711,313  |
| Vehicles and equipment                    | 1,814,831  | 1,597,659  |
| Computer equipment, furnishings and other | 33,465     | 50,116     |
| Infrastructure                            |            |            |
| Roads and bridges                         | 13,026,890 | 11,874,044 |
|   | 21,390,812 | 20,160,135 |
| Assets under construction                 | -          | 1,131,126  |
|   | 21,390,812 | 21,291,261 |

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

During the year there were no write-downs of assets (2011 - \$Nil) and no interest capitalized (2011 - \$Nil).

|                                  | 2012       | 2011       |
|----------------------------------|------------|------------|
|                                  | \$         | \$         |
| General government               | 4,075,015  | 4,183,643  |
| Protection services              | 423,206    | 410,440    |
| Transportation services          | 15,944,148 | 15,801,305 |
| Environmental services           | 99,871     | 15,373     |
| Recreation and cultural services | 848,572    | 880,500    |
|                                  | 21,390,812 | 21,291,261 |

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

### 10. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

|  | 2012        | 2011        |
|--|-------------|-------------|
|  | \$          | \$          |
| <b>Surplus/(Deficit)</b>                         |             |             |
| Municipality                                     | 27,334      | 57,313      |
| Hastings Highlands Public Library Board          | 1,810       | 2,807       |
| Cemetery Board                                   | 4,353       | 4,415       |
| Unfunded landfill closure and post-closure costs | (677,074)   | (478,484)   |
|  | (643,577)   | (413,949)   |
| <b>Invested In Capital Assets</b>                |             |             |
| Tangible capital assets - net book value         | 21,390,812  | 21,291,261  |
| Long term debt                                   | (3,049,155) | (3,289,255) |
|  | 18,341,657  | 18,002,006  |
| <b>Surplus</b>                                   | 17,698,080  | 17,588,057  |
| <b>Reserves</b>                                  |             |             |
| Working funds                                    | 934,780     | 884,780     |
| Insurance  | 20,065      | 20,065      |
| General administration                           | 183,112     | 833,833     |
| Equipment replacement                            | 476,566     | 586,204     |
| Paving and construction                          | 191,401     | 191,401     |
| Election   | 23,500      | 15,500      |
| Waste disposal                                   | 524,878     | 569,216     |
| Policing costs                                   | 110,000     | 110,000     |
| Recreation capital                               | 14,203      | 54,203      |
| Fire   | 280,000     | 230,000     |
| Economic development                             | 77,000      | 77,000      |
| Health   | 25,000      | 10,000      |
| <b>Total Reserves</b>                            | 2,860,505   | 3,582,202   |
|  | 20,558,585  | 21,170,259  |

### 11. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$105,574 (2011 - \$105,844) 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, 2012

---

### 12. BUDGET FIGURES

The budget, approved by the Municipality, for 2012 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 PSAB 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 2011-015. At December 31, 2012 there was no balance outstanding.

### 14. COMMITMENT

The Municipality has accepted a tender for the collection and disposal of household garbage and recyclable materials with a cost of \$246,500 per annum. The term of the agreement is for two years, from January 1, 2012 to December 31, 2013.

### 15. 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.

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

---

### 15. SEGMENTED INFORMATION, continued

#### **Environmental Services**

The environmental function is responsible for providing waste collection, 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 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.

### 16. CONTINGENT LIABILITIES

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

### 17. COMPARATIVE FIGURES

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

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2012

|  | General                             |                  |                                 |  | Infrastructure             |                                    | Totals<br>\$      |
|--|-------------------------------------|------------------|---------------------------------|--|----------------------------|------------------------------------|-------------------|
|  | Land and Land<br>Improvements<br>\$ | Buildings<br>\$  | Vehicles and<br>Equipment<br>\$ | Computer<br>Equipment,<br>Furnishings and<br>Other<br>\$ | Roads and<br>Bridges<br>\$ | Assets Under<br>Construction<br>\$ |                   |
| <b>COST</b>                                      |                                     |                  |                                 |  |                            |                                    |                   |
| Balance, beginning of year                       | 927,003                             | 6,446,022        | 6,469,922                       | 135,949  | 33,754,559                 | 1,131,126                          | 48,864,581        |
| Add: additions during the year                   | 20,000                              | 29,923           | 525,917                         | 6,270  | 1,328,621                  | -                                  | 1,910,731         |
| Less: disposals during the year                  | -                                   | -                | -                               | 8,765  | -                          | -                                  | 8,765             |
| Internal transfers                               | -                                   | -                | -                               | -  | 1,131,126                  | (1,131,126)                        | -                 |
| <b>Balance, end of year</b>                      | <b>947,003</b>                      | <b>6,475,945</b> | <b>6,995,839</b>                | <b>133,454</b>   | <b>36,214,306</b>          | <b>-</b>                           | <b>50,766,547</b> |
| <b>ACCUMULATED AMORTIZATION</b>                  |                                     |                  |                                 |  |                            |                                    |                   |
| Balance, beginning of year                       | -                                   | 734,709          | 4,872,263                       | 85,833   | 21,880,515                 | -                                  | 27,573,320        |
| Add: additions during the year                   | -                                   | 172,613          | 308,745                         | 22,921   | 1,306,901                  | -                                  | 1,811,180         |
| Less: disposals during the year                  | -                                   | -                | -                               | 8,765  | -                          | -                                  | 8,765             |
| <b>Balance, end of year</b>                      | <b>-</b>                            | <b>907,322</b>   | <b>5,181,008</b>                | <b>99,989</b>  | <b>23,187,416</b>          | <b>-</b>                           | <b>29,375,735</b> |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | <b>947,003</b>                      | <b>5,568,623</b> | <b>1,814,831</b>                | <b>33,465</b>  | <b>13,026,890</b>          | <b>-</b>                           | <b>21,390,812</b> |

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2012

|                                  | General<br>Government<br>\$ | Protection<br>Services<br>\$ | Transportation<br>Services<br>\$ | Environmental<br>Services<br>\$ | Health<br>Services<br>\$ | Recreation and<br>Cultural<br>Services<br>\$ | Planning and<br>Development<br>\$ | Consolidated<br>\$ |
|----------------------------------|-----------------------------|------------------------------|----------------------------------|---------------------------------|--------------------------|--|-----------------------------------|--------------------|
| <b>Revenues</b>                  |                             |                              |                                  |                                 |                          |  |                                   |                    |
| Property taxation                | 570,715                     | 1,211,313                    | 2,829,950                        | 684,268                         | -                        | -  | -                                 | 5,296,246          |
| User charges                     | 18,581                      | 93,001                       | 16,094                           | 135,309                         | 900                      | 28,198                                       | 36,441                            | 328,524            |
| Government transfers - operating | 463,965                     | 13,238                       | -                                | -                               | 25,487                   | 320,528                                      | 98,263                            | 921,481            |
| Other municipalities             | -                           | -                            | -                                | -                               | -                        | -  | 49,884                            | 49,884             |
| Penalties and interest on taxes  | 208,334                     | -                            | -                                | -                               | -                        | -  | -                                 | 208,334            |
| Investment income                | 14,344                      | -                            | -                                | -                               | -                        | -  | -                                 | 14,344             |
| Federal gas tax                  | -                           | -                            | 608,963                          | 82,063                          | -                        | -  | -                                 | 691,026            |
| <b>Total revenues</b>            | <b>1,275,939</b>            | <b>1,317,552</b>             | <b>3,455,007</b>                 | <b>901,640</b>                  | <b>26,387</b>            | <b>348,726</b>                               | <b>184,588</b>                    | <b>7,509,839</b>   |
| <b>Expenses</b>                  |                             |                              |                                  |                                 |                          |  |                                   |                    |
| Salaries and benefits            | 573,135                     | 372,036                      | 1,117,556                        | 224,750                         | -                        | 132,133                                      | 55,436                            | 2,475,046          |
| Interest charges                 | 47,657                      | -                            | 74,041                           | -                               | -                        | -  | -                                 | 121,698            |
| Materials                        | 290,839                     | 198,298                      | 1,250,201                        | 189,159                         | 150                      | 128,571                                      | 125,792                           | 2,183,010          |
| Contracted services              | 21,673                      | 560,235                      | 253,344                          | 564,311                         | -                        | 44,167                                       | 3,360                             | 1,447,090          |
| Rents and financial              | 3,751                       | -                            | -                                | -                               | -                        | 65   | -                                 | 3,816              |
| External transfers               | 12,571                      | 10,273                       | -                                | -                               | 11,237                   | 45,592                                       | -                                 | 79,673             |
| Amortization                     | 108,627                     | 37,157                       | 1,627,198                        | -                               | -                        | 38,198                                       | -                                 | 1,811,180          |
| <b>Total expenses</b>            | <b>1,058,253</b>            | <b>1,177,999</b>             | <b>4,322,340</b>                 | <b>978,220</b>                  | <b>11,387</b>            | <b>388,726</b>                               | <b>184,588</b>                    | <b>8,121,513</b>   |
| <b>Net surplus/(deficit)</b>     | <b>217,686</b>              | <b>139,553</b>               | <b>(867,333)</b>                 | <b>(76,580)</b>                 | <b>15,000</b>            | <b>(40,000)</b>                              | <b>-</b>                          | <b>(611,674)</b>   |

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2011

|                                  | General<br>Government<br>\$ | Protection<br>Services<br>\$ | Transportation<br>Services<br>\$ | Environmental<br>Services<br>\$ | Health<br>Services<br>\$ | Recreation and<br>Cultural<br>Services<br>\$ | Planning and<br>Development<br>\$ | Consolidated<br>\$ |
|----------------------------------|-----------------------------|------------------------------|----------------------------------|---------------------------------|--------------------------|--|-----------------------------------|--------------------|
| <b>Revenues</b>                  |                             |                              |                                  |                                 |                          |  |                                   |                    |
| Property taxation                | -                           | 983,604                      | 3,861,553                        | 299,006                         | -                        | -  | -                                 | 5,144,163          |
| User charges                     | 38,828                      | 112,466                      | 27,592                           | 124,196                         | 500                      | 21,032                                       | 25,894                            | 350,508            |
| Government transfers - operating | 163,430                     | 80,761                       | 5,000                            | 254,259                         | 14,072                   | 283,867                                      | 137,806                           | 939,195            |
| Government transfers - capital   | 17,420                      | -                            | 137,855                          | -                               | -                        | -  | -                                 | 155,275            |
| Other municipalities             | -                           | -                            | -                                | -                               | -                        | -  | 18,328                            | 18,328             |
| Penalties and interest on taxes  | 235,964                     | -                            | -                                | -                               | -                        | -  | -                                 | 235,964            |
| Investment income                | 10,409                      | -                            | -                                | -                               | -                        | -  | -                                 | 10,409             |
| Federal gas tax                  | -                           | -                            | -                                | 42,321                          | -                        | -  | -                                 | 42,321             |
| <b>Total revenues</b>            | <b>466,051</b>              | <b>1,176,831</b>             | <b>4,032,000</b>                 | <b>719,782</b>                  | <b>14,572</b>            | <b>304,899</b>                               | <b>182,028</b>                    | <b>6,896,163</b>   |
| <b>Expenses</b>                  |                             |                              |                                  |                                 |                          |  |                                   |                    |
| Salaries and benefits            | 492,181                     | 357,063                      | 1,014,769                        | 138,653                         | -                        | 103,056                                      | 51,417                            | 2,157,139          |
| Interest charges                 | 26,429                      | -                            | 24,006                           | -                               | -                        | -  | -                                 | 50,435             |
| Materials                        | 271,788                     | 270,984                      | 967,042                          | 151,346                         | 22                       | 149,627                                      | 107,946                           | 1,918,755          |
| Contracted services              | 38,373                      | 540,024                      | 152,095                          | 429,783                         | -                        | 29,055                                       | 8,116                             | 1,197,446          |
| Rents and financial              | 3,970                       | -                            | -                                | -                               | -                        | 130  | -                                 | 4,100              |
| External transfers               | 9,306                       | 4,311                        | -                                | -                               | 14,663                   | 6,305  | -                                 | 34,585             |
| Amortization                     | 108,627                     | 73,355                       | 1,513,070                        | -                               | -                        | 37,961                                       | -                                 | 1,733,013          |
| <b>Total expenses</b>            | <b>950,674</b>              | <b>1,245,737</b>             | <b>3,670,982</b>                 | <b>719,782</b>                  | <b>14,685</b>            | <b>326,134</b>                               | <b>167,479</b>                    | <b>7,095,473</b>   |
| <b>Net surplus/(deficit)</b>     | <b>(484,623)</b>            | <b>(68,906)</b>              | <b>361,018</b>                   | <b>-</b>                        | <b>(113)</b>             | <b>(21,235)</b>                              | <b>14,549</b>                     | <b>(199,310)</b>   |

**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, 2012, 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 Municipality as at December 31, 2012 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 Accountants  
Licensed Public AccountantsPeterborough, Ontario  
August 14, 2013

# CORPORATION OF THE MUNICIPALITY OF HASTINGS HIGHLANDS

## TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2012

|                         | Community<br>Trust<br>\$ | Papineau<br>Cemetery<br>Perpetual<br>Care<br>\$ | Zion<br>Cemetery<br>Perpetual<br>Care<br>\$ | 2012<br>Total<br>\$ | 2011<br>Total<br>\$ |
|-------------------------|--------------------------|---|---|---------------------|---------------------|
| <b>FINANCIAL ASSETS</b> |                          |   |   |                     |                     |
| Cash                    | 96,823                   | 5,691   | 3,060                                       | 105,574             | 105,844             |
| <b>FUND BALANCES</b>    |                          |   |   |                     |                     |
| Capital                 | 96,823                   | 5,036   | 3,057                                       | 104,916             | 105,166             |
| Income                  | -                        | 655   | 3   | 658                 | 678                 |
|                         | 96,823                   | 5,691   | 3,060                                       | 105,574             | 105,844             |
|                         | 96,823                   | 5,691   | 3,060                                       | 105,574             | 105,844             |

*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, 2012**

|                                    | Community<br>Trust<br>\$ | Papineau<br>Cemetery<br>Perpetual<br>Care<br>\$ | Zion<br>Cemetery<br>Perpetual<br>Care<br>\$ | 2012<br>Total<br>\$ | 2011<br>Total<br>\$ |
|------------------------------------|--------------------------|---|---|---------------------|---------------------|
| <b>BALANCE - beginning of year</b> | 97,049                   | 5,711   | 3,084                                       | 105,844             | 80,295              |
| <b>RECEIPTS</b>                    |                          |   |   |                     |                     |
| Donations                          | -                        | -   | -   | -                   | 25,803              |
| Interest earned                    | -                        | 3   | -   | 3                   | 8                   |
|                                    | -                        | 3   | -   | 3                   | 25,811              |
| <b>EXPENSES</b>                    |                          |   |   |                     |                     |
| Bank charges                       | 226                      | 23  | 24  | 273                 | 262                 |
| <b>BALANCE - end of year</b>       | 96,823                   | 5,691   | 3,060                                       | 105,574             | 105,844             |

*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, 2012

---

### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments and their boards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(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. It is management's opinion that the fair value of the financial instrument is not materially different from its 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.