

AUDITORS' REPORT

TO THE MEMBERS OF COUNCIL, INHABITANTS AND RATEPAYERS OF THE CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

We have examined the consolidated financial statements of the Corporation of the Municipality of Highlands East for the year ended December 31, 2006 from which the accompanying summary financial statements have been prepared. We have reported on the consolidated financial statements without qualification on January 30, 2007.

In our opinion, the accompanying summary financial statements fairly summarize the information contained in the consolidated financial statements upon which we have reported.

Collins Barrow Kawarthas

Chartered Accountants
Licensed Public Accountants

Peterborough, Ontario
January 30, 2007

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2006

	2006 \$	2005 \$
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments	169,320	665,874
Taxes and grants in lieu receivable	1,104,002	1,148,726
Accounts receivable	309,966	925,833
Other	15,233	21,612
TOTAL ASSETS	1,598,521	2,762,045
LIABILITIES AND MUNICIPAL POSITION		
LIABILITIES		
Bank indebtedness	383,572	1,418,161
Accounts payable	485,983	244,708
Deferred revenue - obligatory reserve funds	58,927	29,464
Deferred revenue - other	-	176
Long term debt	264,058	373,758
Landfill closure and post-closure liability	2,290,000	2,425,000
	3,482,540	4,491,267
MUNICIPAL POSITION		
Fund Balances		
Capital fund	(1,946,331)	(1,371,899)
Reserves	2,616,370	2,441,435
	670,039	1,069,536
Amounts To Be Recovered		
Long term debt	(264,058)	(373,758)
Landfill closure and post-closure liability	(2,290,000)	(2,425,000)
	(2,554,058)	(2,798,758)
	(1,884,019)	(1,729,222)
TOTAL LIABILITIES AND MUNICIPAL POSITION	1,598,521	2,762,045

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For The Year Ended December 31, 2006

	Budget 2006 \$	Actual 2006 \$	Actual 2005 \$
REVENUES			
Property taxation	3,194,722	3,240,937	3,253,470
Taxation from other governments	29,614	23,143	29,708
User charges	256,251	405,900	352,277
Government of Canada	-	-	427,342
Province of Ontario	984,612	998,438	1,177,242
Other municipalities	58,500	66,812	46,039
Penalties and interest on taxes	150,000	154,103	173,200
Investment income	15,000	38,705	16,322
Sale of property	-	37,476	429,341
	4,688,699	4,965,514	5,904,941
EXPENDITURES			
General government	578,879	627,605	604,498
Protection to persons and property	1,334,816	1,248,776	1,070,262
Transportation services	1,342,827	1,350,959	1,325,328
Environmental services	1,755,958	1,288,708	1,913,023
Health services	42,880	45,660	47,317
Recreation and cultural services	520,275	516,466	414,184
Planning and development	46,100	42,137	42,543
	5,621,735	5,120,311	5,417,155
NET REVENUES/(EXPENDITURES)	(933,036)	(154,797)	487,786
INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED			
Debt principal repayments	(74,400)	(109,700)	(116,638)
Landfill closure and post-closure liability	-	(135,000)	175,000
Proceeds from long term debt	-	-	230,456
	(74,400)	(244,700)	288,818
INCREASE (DECREASE) IN FUND BALANCES	(1,007,436)	(399,497)	776,604
OPENING FUND BALANCES	1,069,536	1,069,536	292,932
CLOSING FUND BALANCES	62,100	670,039	1,069,536

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2006

1. The 2006 Financial Statements consolidate the operations, assets and liabilities of the Municipality of Highlands East.

2. **OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HALIBURTON**

	School Boards \$	County \$
Property taxes	1,914,178	1,258,395
Taxation from other governments	9,874	9,701
Amount requisitioned and remitted	1,924,052	1,268,096

3. The above data has been extracted from the audited 2006 Financial Statements of the Municipality. Copies of the 2006 Financial Statements and the auditor's report thereon, are available at the Municipality's Offices to any resident who wishes to review or analyze the financial operations of the Municipality in greater detail.