

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, 2007 from which the accompanying summary financial statements have been prepared. We have reported on the consolidated financial statements without qualification on January 25, 2008.

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 325, 2008

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2007

	2007 \$	2006 \$
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments	80,012	169,320
Taxes and grants in lieu receivable	1,103,884	1,104,002
Accounts receivable	1,399,680	309,966
Other	14,148	15,233
TOTAL ASSETS	2,597,724	1,598,521
LIABILITIES AND MUNICIPAL POSITION		
LIABILITIES		
Bank indebtedness	753,572	383,572
Accounts payable	345,246	485,983
Deferred revenue - obligatory reserve funds	99,207	58,927
Long term debt	193,550	264,058
Landfill closure and post-closure liability	2,740,000	2,290,000
	4,131,575	3,482,540
MUNICIPAL POSITION		
Fund Balances		
Current fund	509,874	-
Capital fund	(1,753,632)	(1,946,331)
Reserves	2,643,457	2,616,370
	1,399,699	670,039
Amounts To Be Recovered		
Long term debt	(193,550)	(264,058)
Landfill closure and post-closure liability	(2,740,000)	(2,290,000)
	(2,933,550)	(2,554,058)
	(1,533,851)	(1,884,019)
TOTAL LIABILITIES AND MUNICIPAL POSITION	2,597,724	1,598,521

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For The Year Ended December 31, 2007

	Budget 2007 \$	Actual 2007 \$	Actual 2006 \$
REVENUES			
Property taxation	3,510,912	3,579,810	3,264,080
User charges	245,000	361,323	405,900
Government of Canada	-	347,910	-
Province of Ontario	1,276,917	2,063,645	998,438
Other municipalities	61,500	66,001	66,812
Penalties and interest on taxes	150,000	142,287	154,103
Investment income	5,000	38,290	38,705
Sale of property	25,000	8,000	37,476
	5,274,329	6,607,266	4,965,514
EXPENDITURES			
General government	622,974	598,407	627,605
Protection to persons and property	1,271,249	1,124,624	1,248,776
Transportation services	2,665,185	2,498,508	1,350,959
Environmental services	1,124,659	1,406,726	1,288,708
Health services	60,964	66,412	45,660
Recreation and cultural services	576,212	512,272	516,466
Planning and development	45,000	50,149	42,137
TOTAL EXPENDITURES	6,366,243	6,257,098	5,120,311
NET REVENUES/(EXPENDITURES)	(1,091,914)	350,168	(154,797)
INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED			
Debt principal repayments	(133,768)	(130,701)	(109,700)
Landfill closure and post-closure liability	-	450,000	(135,000)
Proceeds from long term debt	200,000	60,193	-
	66,232	379,492	(244,700)
INCREASE (DECREASE) IN FUND BALANCES	(1,025,682)	729,660	(399,497)
OPENING FUND BALANCES	670,039	670,039	1,069,536
CLOSING FUND BALANCES	(355,643)	1,399,699	670,039

CORPORATION OF THE MUNICIPALITY OF HIGHLANDS EAST

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2007**

1. The 2007 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	1,925,804	1,352,730
Taxation from other governments	16,746	12,096
Amount requisitioned and remitted	1,942,550	1,364,826

3. The above data has been extracted from the audited 2007 Financial Statements of the Municipality. Copies of the 2007 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.