

Consolidated Financial Statements of

**THE CORPORATION
OF THE COUNTY OF
PRINCE EDWARD**

Year ended December 31, 2018

Consolidated Financial Statements of

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Year ended December 31, 2018

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the County of Prince Edward (the "County") are the responsibility of the County's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The County's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the County. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.

Robert McAuley
Acting Chief Administrative Officer

Amanda Carter
Director of Finance



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Prince Edward

Opinion

We have audited the consolidated financial statements of the Corporation of the County of Prince Edward (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



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

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

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 24, 2019

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 21,538,312	\$ 18,846,236
Taxes receivable	2,751,749	3,642,967
Trade and other receivables	4,143,577	6,063,002
Long-term investments	55,763	55,763
	<u>28,489,401</u>	<u>28,607,968</u>
Liabilities:		
Accounts payable and accrued liabilities	9,055,627	13,025,705
Temporary borrowing (notes 4 and 21)	3,149,688	–
Prepaid property taxes (note 5)	1,753,994	1,649,151
Solid waste landfill closure and post-closure liabilities (note 6)	1,336,112	1,416,031
Deferred revenue	1,077,055	427,708
Deferred obligatory reserve funds (note 7)	6,502,673	6,117,703
Long-term debt (note 8)	38,258,696	40,830,262
	<u>61,133,845</u>	<u>63,466,560</u>
Net debt	(32,644,444)	(34,858,592)
Non-financial assets:		
Tangible capital assets cost (note 9)	223,696,338	222,105,275
Inventory (note 10)	3,452,562	3,004,015
Prepaid expenses and deposits	208,823	215,200
	<u>227,357,723</u>	<u>225,324,490</u>
Contingent liabilities (note 14)		
Commitments (note 17)		
Subsequent event (note 21)		
Accumulated surplus (note 11)	\$ 194,713,279	\$ 190,465,898

The accompanying notes are an integral part of these consolidated financial statements.

Approved by Council:

_____ Steve Ferguson, Mayor

_____ Catalina Blumenberg, Clerk

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018 (note 19)	Actual 2018	Actual 2017
Revenue:			
Net taxes available for municipal purposes	\$ 36,534,612	\$ 37,071,340	\$ 34,917,782
User fees and sale of goods and services	13,494,425	15,158,797	14,008,265
Government grants	8,928,946	9,046,954	9,066,347
Investment income	98,271	264,595	167,995
Fines and penalties	1,259,000	1,180,768	1,202,089
Donations	40,800	164,007	442,622
Total revenue	60,356,054	62,886,461	59,805,100
Expenses (note 16):			
General government	5,324,300	4,677,786	5,506,054
Protection services	9,537,838	9,399,435	9,107,378
Transportation services	13,583,468	14,455,976	13,018,004
Environmental services	12,397,805	12,288,713	11,629,646
Health services	3,755,076	3,823,987	3,718,581
Social and family services	7,650,021	8,643,599	7,625,904
Social housing	1,263,800	1,248,581	1,239,000
Recreation and cultural services	7,157,569	6,822,333	6,274,309
Planning and development	2,268,628	2,198,089	2,074,271
Total expenses	62,938,505	63,558,499	60,193,147
Annual deficit before capital items	(2,582,451)	(672,038)	(388,047)
Other income (expense) related to capital:			
Government transfers:			
Federal capital grants	3,943,900	3,060,248	3,595,247
Provincial capital grants	100,000	1,768,994	4,154,656
Other	504,174	45,771	53,514
Revenue from deferred obligatory reserve funds	1,507,175	168,626	2,349,464
Loss on disposal of tangible capital assets	–	(124,220)	(389,833)
	6,055,249	4,919,419	9,763,048
Annual surplus	3,472,798	4,247,381	9,375,001
Accumulated surplus, beginning of year		190,465,898	181,090,897
Accumulated surplus, end of year		\$ 194,713,279	\$ 190,465,898

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 4,247,381	\$ 9,375,001
Amortization of tangible capital assets	9,546,319	9,440,514
Acquisition of tangible capital assets	(11,555,342)	(18,194,126)
Loss on disposal of tangible capital assets	124,220	389,833
Proceeds on sale of tangible capital assets	293,740	2,754
Change in inventory	(448,547)	(143,378)
Change in prepaid expenses and deposits	6,377	44,129
	(2,033,233)	(8,460,274)
Decrease in net debt	2,214,148	914,727
Net debt, beginning of year	(34,858,592)	(35,773,319)
Net debt, end of year	\$ (32,644,444)	\$ (34,858,592)

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Annual surplus	\$ 4,247,381	\$ 9,375,001
Items not involving cash:		
Amortization	9,546,319	9,440,514
Loss on disposal of tangible capital assets	124,220	389,833
Solid waste landfill closure and post-closure liabilities	(79,919)	(465,907)
Change in non-cash assets and liabilities:		
Taxes receivable	891,218	659,491
Trade and other receivables	1,919,425	(213,949)
Inventory	(448,547)	(143,378)
Prepaid expenses and deposits	6,377	44,129
Accounts payable and accrued liabilities	(3,970,078)	3,440,090
Prepaid property taxes	104,843	166,241
Deferred revenue	649,347	177,411
Deferred obligatory reserve funds	384,970	(2,395,555)
Net change in cash from operating activities	13,375,556	20,473,921
Capital activities:		
Acquisition of tangible capital assets	(11,555,342)	(18,194,126)
Proceeds on sale of tangible capital assets	293,740	2,754
Net change in cash from capital activities	(11,261,602)	(18,191,372)
Financing activities:		
Proceeds from long-term debt	–	11,115,354
Proceeds from (repayment of) temporary borrowing	3,149,688	(12,617,907)
Repayment of long-term debt	(2,571,566)	(2,280,630)
Net change in cash from financing activities	578,122	(3,783,183)
Increase (decrease) in cash	2,692,076	(1,500,634)
Cash, beginning of year	18,846,236	20,346,870
Cash, end of year	\$ 21,538,312	\$ 18,846,236

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements

Year ended December 31, 2018

The Corporation of the County of Prince Edward is a municipality in the Province of Ontario, Canada and operates under the provisions of the Ontario Municipal Act.

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the County of Prince Edward (the "County") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue and expenses of the County and include the activities of all committees of Council which are owned or controlled by the County.

Interdepartmental and inter-organizational transactions and balances between these organizations have been eliminated.

These consolidated financial statements include:

The County of Prince Edward Public Library Board

Picton Business Improvement Area Board of Management

The Prince Edward County Cultivation Corporation

Proportionate consolidation:

Centre and South Hastings Waste Services Board is accounted for using the proportionate consolidation method of accounting and reporting, whereby the County's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the consolidated financial statements.

(ii) Trust funds and their related operations administered by the County are not consolidated, but are reported separately on the "Trust Funds Statements of Financial Position and Financial Activities".

(iii) Non-consolidated entities:

The following local board is not consolidated:

The Hastings and Prince Edward Counties Health Unit.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iv) Accounting for school board transactions:

Taxation and other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements. Taxation collected on behalf of the school boards and transferred to the school boards during the year is reported in note 12 to these consolidated financial statements.

(b) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the year it is earned 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.

(c) Deferred revenue:

The County receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(d) Deferred obligatory reserve funds:

The County receives restricted contributions under the authority of provincial legislation and Municipal by-laws. These funds by their nature are restricted in their use, and until applied to applicable expenses, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expended.

(e) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available general funds, reserve funds (other than obligatory funds) are reported as revenue in the period earned.

(f) Government transfers:

Government transfers are recognized as revenue or expenditures in the year that the events giving rise to the transfer occurred, provided the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) Taxation and related revenues:

Property tax billings are prepared by the County based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by County Council incorporating amounts to be raised for local services and amounts the County is required to collect on behalf of the school boards.

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

(h) Employee future benefits:

The County provides post-employment benefits to its employees as well as benefits to employees on long-term disability leave. The County has estimated this liability based on the value of estimated future premium payments. Calculation of this liability on an actuarial basis could result in amounts that differ from this estimate.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

(i) 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, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	20 to 40
Buildings	20 to 50
Leasehold improvements	10
Vehicles	5 to 20
Computer hardware and software	5 to 10
Equipment	5 to 30
Plant and facilities	20 to 50
Roads	5 to 50
Underground and other networks	15 to 80
Bridges and other structures	40 to 75

Annual amortization is charged in the first year after acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time the costs are transferred to the appropriate asset category.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

(iii) Works of art:

Assets that have a historical or cultural significance, which include works of art, monuments and other cultural artifacts, are not recognized as tangible capital assets because a reasonable estimate of future benefits associated with this property cannot be made.

(iv) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(j) Inventories of supplies:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that 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. Actual results could differ from those estimates.

2. Contributions to consolidated joint boards:

Further to note 1(a)(i), the County paid \$577,726 (2017 - \$562,143) to Centre & South Hastings Waste Services Board for recycling services.

3. Bank indebtedness:

The County has an operating line of credit of \$5 million at an interest rate of prime less 0.25%. As at December 31, 2018, \$Nil (2017 - \$Nil) was drawn.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Temporary borrowing:

The County has arranged bridge funding for a number of capital projects through the Ontario Infrastructure and Lands Corporation (OILC).

As at December 31, 2018, \$3,149,688 (2017 - \$Nil) was outstanding. Subsequent to year-end, this temporary borrowing was converted to amortizing debentures (note 21).

5. Prepaid property taxes:

As a service to landowners, the County offers a monthly payment plan for property tax billings. The plan is set up such that the annual bill is paid by the end of September. As the billings are spread over the full twelve-month period, this leads to a prepayment of the subsequent year tax billings that is credited to the land-owner account. These amounts reverse to net taxation revenue annually.

6. Solid Waste landfill and post closure liabilities:

The Ontario Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. The estimated liability for these expenditures is recognized based on the cumulative capacity used to date, compared to the total estimated landfill capacity.

The remaining life for the landfill sites is estimated to be 86 years for Ameliasburgh, 123 years for Hillier, 19 years for South Marysburgh and 6 years for the Wellington site. Post-closure care is estimated to continue for a period of approximately 25 years.

Reserves set aside for landfill site closure and post-closure requirements amounted to \$1,328,673 at December 31, 2018 (2017 - \$1,263,673).

	Remaining capacity (cubic meters)	Liability December 31, 2018	Liability December 31, 2017
Ameliasburgh	80,080	\$ 111,506	\$ 143,877
Hillier	42,270	71,013	159,024
South Marysburgh	18,635	504,186	464,298
Wellington	8,150	649,407	648,832
		\$ 1,336,112	\$ 1,416,031

Landfill site closure and post-closure care requirements include final cover and vegetation, and monitoring of leachate, gas, and ground and surface water.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Deferred obligatory reserves funds:

The balance of deferred obligatory reserve funds consists of the following:

	Balance December 31, 2017	Additions	Transferred to income	Balance December 31, 2018
Externally restricted:				
Parkland	\$ 329,667	\$ 87,127	\$ –	\$ 416,794
Parking	73,969	23,715	–	97,684
Development charges	3,465,385	1,665,386	(175,626)	4,955,145
Gasoline tax - Federal	1,443,592	1,814,003	(3,062,920)	194,675
Building services	508,414	27,589	–	536,003
Water/sewer operations	299,676	2,696	–	302,372
Total	\$ 6,117,703	\$ 3,620,516	\$(3,238,546)	\$ 6,502,673

8. Long-term debt:

The balance of long-term debt consists of the following:

	2018	2017
Bank of Montreal - repayable by monthly payments of \$5,842, interest at a rate of 4.35%, maturing in 2019	\$ 369,414	\$ 422,212
Bank of Montreal - repayable by monthly payments of \$32,794, interest at a rate of 3.90%, maturing in 2019	384,658	755,398
Bank of Montreal - repayable by monthly payments of \$12,441, interest at a rate of 2.64%, maturing in 2020	268,362	408,575
Bank of Montreal – repayable by monthly payments of \$3,429, interest at a rate of 3.19%, maturing in 2022	151,335	187,046
Bank of Montreal - repayable by monthly payments of \$13,530, interest at a rate of 3.19%, maturing in 2022	597,104	738,007
Infrastructure Ontario loan bears interest at 2.84%, payable in semi-annual payments of \$121,112 with maturity date of July 3, 2022	909,805	1,121,667
Bank of Montreal - repayable by monthly payments of \$14,354, interest at a rate of 4.88%, maturing in 2023	762,233	893,836
Balance forward	3,442,911	4,526,741

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Long-term debt (continued):

	2018	2017
Balance carried	3,442,911	4,526,741
Bank of Montreal - repayable by monthly payments of \$10,058, interest at a rate of 3.75%, maturing in 2023	549,688	647,798
Federation of Canadian Municipalities loan bears interest at 2.0%, payable in semi-annual payments of \$304,543 with maturity date of October 2, 2023	7,405,660	7,859,834
Infrastructure Ontario loan bears interest at 3.51%, payable in semi-annual payments of \$87,508 with maturity date of July 3, 2032	1,922,781	2,027,542
Infrastructure Ontario loan bears interest at 3.51%, payable in semi-annual payments of \$242,335 with maturity date of July 3, 2032	5,324,699	5,614,812
Infrastructure Ontario loan bears interest at 4.22%, payable in semi-annual payments of \$286,938 with maturity date of October 1, 2033	6,330,240	6,627,537
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$44,318 with maturity date of September 1, 2047	1,602,683	1,634,072
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$44,750 with maturity date of September 1, 2047	1,618,305	1,650,000
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$82,569 with maturity date of September 1, 2047	2,986,002	3,044,485
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$129,822 with maturity date of September 1, 2047	4,694,845	4,786,797
Infrastructure Ontario loan bears interest at 5.32%, payable in semi-annual payments of \$78,809 with maturity date of October 1, 2049	2,380,882	2,410,644
	<u>\$ 38,258,696</u>	<u>\$ 40,830,262</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Long-term debt (continued):

Interest included in expenses in the Consolidated Statement of Operations relating to long-term debt totals \$1,362,899 (2017 - \$1,313,587).

Principal payments are estimated to be as follows:

2019	\$ 2,660,929
2020	2,327,600
2021	2,276,411
2022	2,335,171
2023	1,979,625
2024 and thereafter	26,678,960
	\$ 38,258,696

9. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals/ Adjustments	Balance at December 31, 2018
General:				
Land	\$ 8,881,772	\$ 96,219	\$ –	\$ 8,977,991
Land improvements	12,371,627	513,640	(130,463)	12,754,804
Building and leasehold improvements	34,755,436	518,444	(42,377)	35,231,503
Vehicles	14,823,037	1,537,610	(50,508)	16,310,139
Computer hardware and software	1,620,548	339,145	(151,810)	1,807,883
Equipment	7,855,992	482,231	(196,410)	8,141,813
Infrastructure:				
Plants and facilities	54,121,976	1,428,229	(213,108)	55,337,097
Roads	180,651,694	2,573,405	(1,896,525)	181,328,574
Underground and other networks	48,512,942	–	(95,730)	48,417,212
Bridges and other structures	11,420,087	–	–	11,420,087
Assets under construction	15,490,615	7,199,783	(3,133,364)	19,557,034
Total	\$ 390,505,726	\$ 14,688,706	\$ (5,910,295)	\$ 399,284,137

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2017	Disposals/ Adjustments	Amortization expense	Balance at December 31, 2018
General:				
Land improvements	\$ 5,771,921	\$ (57,744)	\$ 399,651	\$ 6,113,828
Building and leasehold improvements	12,418,463	(29,921)	946,317	13,334,859
Vehicles	8,118,917	(50,175)	827,795	8,896,537
Computer hardware and software	965,504	(151,810)	190,918	1,004,612
Equipment	3,463,798	(196,410)	520,437	3,787,825
Infrastructure:				
Plants and facilities	19,948,332	(206,717)	1,351,121	21,092,736
Roads	102,708,292	(1,665,099)	4,505,352	105,548,545
Underground and other networks	12,401,721	(1,095)	625,129	13,025,755
Bridges and other structures	2,603,503	–	179,599	2,783,102
Total	\$ 168,400,451	\$ (2,358,971)	\$ 9,546,319	\$ 175,587,799

	Net book value December 31, 2017	Net book value December 31, 2018
General:		
Land	\$ 8,881,772	\$ 8,977,991
Land improvements	6,599,706	6,640,976
Building and leasehold improvements	22,336,973	21,896,644
Vehicles	6,704,120	7,413,600
Computer hardware and software	655,044	803,271
Equipment	4,392,194	4,353,988
Infrastructure:		
Plants and facilities	34,173,644	34,244,361
Roads	77,943,402	75,780,029
Underground and other networks	36,111,221	35,391,457
Bridges and other structures	8,816,584	8,636,985
Assets under construction	15,490,615	19,557,034
Total	\$ 222,105,275	\$ 223,696,338

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Tangible capital assets (continued):

(a) Work-in-progress:

Assets under construction having a value of \$19,557,034 (2017 - \$15,490,615) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Works of art and historical treasures:

The County manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at County sites and public display areas, these assets are deemed worth of preservation because of the social rather than financial benefits they provide to the community.

(c) Loss on disposal of tangible capital assets:

The loss on disposal of tangible capital assets during the year was \$124,220 (2017 - \$389,833).

10. Inventory:

The inventory is comprised of the following:

	2018	2017
Inventory for resale	\$ 407,926	\$ 36,071
Inventory for own consumption	736,066	667,868
Gravel and sand supplies	2,308,570	2,300,076
Balance, end of year	\$ 3,452,562	\$ 3,004,015

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Accumulated surplus:

The accumulated surplus is comprised of the following:

	2018	2017
Equity in tangible capital assets	\$ 223,696,338	\$ 222,105,275
Less: temporary borrowing	(3,149,688)	-
Less: related debt	(38,258,696)	(40,830,262)
Less: unfinanced capital projects	(4,292,778)	(5,812,729)
	177,995,176	175,462,284
Reserves set aside for specific purpose by Council:		
Acquisition of capital assets	4,007,653	4,712,254
Solid waste landfill and post-closure	1,328,673	1,263,673
Roads construction	827,010	1,175,114
Recreation programs and facilities	374,370	471,446
Working capital	604,670	604,670
Contingencies	2,020,866	1,918,098
Protection services	22,400	22,400
Water and sewer systems	6,762	6,762
Planning and development	606,074	626,478
Business Improvement Area	12,652	37,652
Social services	56,371	56,371
Pits and quarries	98,529	98,529
Cemetery maintenance	3,000	3,000
Total reserves	9,969,030	10,996,447
Reserve funds set aside for specific purpose by Council:		
Acquisition of capital assets	85,158	83,399
Roads construction	473,555	464,633
Recreation programs and facilities	10,156	16,458
Water and sewer systems	3,646,053	2,169,558
Cemetery maintenance	132,275	127,152
Parking	38,091	(11,417)
Lot levies	4,070	3,995
Total reserve funds	4,389,358	2,853,778
Total reserves and reserve funds	14,358,388	13,850,225
Amounts to be recovered:		
Landfill closure and post-closure costs	(1,336,112)	(1,416,031)
Employee future benefits (note 1(h))	(256,527)	(250,459)
Unrestricted surplus:		
The County of Prince Edward	3,223,498	2,043,733
The County of Prince Edward Public Library Board	329,124	329,353
Centre & South Hastings Waste Services Board	399,732	446,793
	\$ 194,713,279	\$ 190,465,898

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

12. Operations of school boards:

During 2018, requisitions were made by the school boards requesting the County to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	2018	2017
Amounts requisitioned	\$ 8,318,677	\$ 8,142,018

13. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS) which is a multiemployer plan, on behalf of the members of its staff. As a result, the County does not recognize any share of the OMERS' pension surplus or deficit. The last available report of the OMERS plan was December 31, 2018. At that time, the plan reported \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit). 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.

The amounts contributed to OMERS for current service in 2018 was \$1,267,793 (2017 - \$1,225,467) for current service and are included as an expense on the Consolidated Statement of Operations and Accumulated Surplus. There is no past service liability.

14. Contingent liabilities:

(a) As a result of arbitration awards provided in 1992, McFarland Home for the Aged employees can use the portion of accumulated sick leave benefits that have not vested to increase their income under the short-term or long-term disability plans or Workplace Safety and Insurance Board benefits to regular payroll levels.

Water department employees can use the portion of sick leave benefits accumulated to April 30, 1997 that have not vested to increase their income under the long-term disability plan to 85% of regular payroll levels, and to 100% of regular payroll levels under the short-term disability plan or Workplace Safety and Insurance Board benefits.

These amounts are not available for cash payment and are forfeited upon retirement.

The contingent liability for these accumulated days amounted to \$4,687 at December 31, 2018 (2017 - \$34,260). No amount has been accrued in the consolidated financial statements for this contingent liability.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

14. Contingent liabilities (continued):

- (b) As at December 31, 2018, certain legal actions are pending against the County. An estimate of the contingency cannot be made since the outcome of these matters cannot be determined at this time. The County carries liability insurance. Any settlement in excess of amounts which have been recorded in the accounts and insurance coverage will be accounted for as a current transaction in the year of settlement.
- (c) The County has seven open gravel pit sites which will be reclaimed in the future. The estimated future costs of reclamation have not been accrued in these consolidated financial statements as an estimate cannot be reasonably determined at this time.

15. Trust funds:

Trust funds administered by the County amounting to \$2,021,665 (2017 - \$1,640,818) have not been included in the Consolidated Statement of Financial Position nor have their operations been included on the Consolidated Statement of Operations and Accumulated Surplus. Such balances are held in trust by the County for the benefit of others and are therefore not presented as part of the County's consolidated financial statement.

16. Supplementary information:

	Budget 2018	Actual 2018	Actual 2017
Salaries, wages and employee benefits	\$ 22,975,680	\$ 23,214,637	\$ 21,275,037
Interest on long-term debt	1,466,353	1,362,899	1,313,587
Materials and supplies	10,379,170	10,811,270	9,893,628
Contracted services and general services	12,797,866	14,050,380	13,665,090
Rents and financial services	757,661	739,445	945,538
External transfers	5,027,640	3,880,703	3,659,753
Inter-functional adjustments	14,200	(47,154)	—
Amortization of tangible capital assets	9,519,935	9,546,319	9,440,514
	<u>\$ 62,938,505</u>	<u>\$ 63,558,499</u>	<u>\$ 60,193,147</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Commitments:

The County has contracts committing it to payments in future years. The following agreements existed at December 31, 2018:

- (a) At December 31, 2018, the County has outstanding capital project contractual commitments of approximately \$1,437,482.
- (b) An agreement with the Corporation of the County of Hastings for the provision of land ambulance services. Costs will be charged on the basis of services used. Budgeted costs for 2019 are \$2,783,168.
- (c) An agreement with the Province of Ontario for policing services. Costs will be charged on the basis of services used. Budgeted costs for 2019 are \$4,885,746.
- (d) An agreement with the Corporation of the City of Quinte West for the provision of bulk water to the areas of Consecon and Carrying Place to July 27, 2027. Costs will be charged on the basis of water used. Base charges for the 2019 year are \$101,150.
- (e) An agreement with the Corporation of the City of Belleville for the provision of bulk water to the areas of Rossmore and Fenwood Gardens to December 31, 2020. Costs will be charged on the basis of water used. Base charges for the 2019 year are \$343,978.
- (f) An agreement with Waste Management of Canada Corporation for the collection of household waste and organics. Budgeted costs for 2019 are \$984,500.
- (g) The County has commitments under various operating leases. The minimum lease payments under these leases are as follows:

2019	\$ 205,447
------	------------

- (h) The County approved a maximum sum of \$4.5 million to the Prince Edward County Memorial Hospital Foundation as part of the community's share of capital funding requirements, to be spent on equipment and related expenditures for the construction of the new Prince Edward County Memorial Hospital. The funds for this commitment will be provided by reserves and new long-term debt.

The County approved funding in 2019 and subsequent budgets, in the amount of \$232,716 - \$328,996, to support the Eastern Ontario Regional Network's EORN Cell Gap and Capacity Expansion project.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

18. Provincial offences administration:

The Provincial Offences Act 1997 (POA) is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor License Act, Municipal bylaws and minor federal offences. The POA governs all aspects of the legal process from serving notice to a defendant to conducting trials, including sentencing and appeals.

Balances arising from the operation of the POA office have been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Picton Court. Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. Total revenue and expenditures recorded as of December 31, 2018 are as follows:

	2018	2017
Gross revenue received	\$ 597,747	\$ 589,673
Gross expenditures	274,998	283,265
Net revenue	\$ 322,749	\$ 306,408

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

19. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council. In accordance with Ontario Regulation 284/09, the budget approved by Council excluded amortization expense. Estimates for certain revenue and expenses that were not included as part of the approved operating budgets have been included in the 2018 budget figures reported on the consolidated statement of operations, including an estimate for amortization expense. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is detailed below:

	2018 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 51,548,130
Add:	
Water and Wastewater Services	7,790,004
Library Board	1,291,172
Center & South Hastings Waste Services	1,304,203
Less:	
Reserve fund transfers and other budget adjustments	(1,577,455)
Total adjusted budget for revenue	60,356,054
Operating expenses	51,498,140
Add:	
Water and Wastewater Services	7,790,004
Library Board	1,223,172
Center & South Hastings Waste Services	1,295,372
Estimate for amortization	9,428,415
Less:	
Principal repayments of debt	(2,571,567)
Reserve fund transfers and other budget adjustments	(5,725,031)
Total adjusted budget for expenses	62,938,505
Net budgeted expenses per statement of operations	(2,582,451)
Capital budgeted tax revenue	-
Capital grant and other revenue	6,055,249
Capital transfer from reserves	9,656,534
Capital expenditures	15,711,783

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

20. Adoption of new accounting policies:

Effective January 1, 2018, the County adopted the following accounting standards: PS2200 Related party transactions, PS3420 Inter-entity transactions, PS3210 Assets, PS3320 Contingent Assets and PS3380 Contractual rights. The adoption of these standards did not result in an accounting policy change for the County, and did not result in any adjustments to the consolidated financial statements as at January 1, 2018.

21. Subsequent event:

On March 1, 2019, the County converted its temporary borrowing into amortizing debentures with the Ontario Infrastructure and Lands Corporation (OILC). These funds will be directed towards the cost of the Picton Water Distribution System Reconstruction, the Belleville Street Reconstruction, the Picton Water Treatment Plant Upgrades and the Wellington Water Treatment Plant Upgrades. The principal balance of \$3,149,688 matures on March 1, 2049, is unsecured, bears interest at 3.55% per annum and is payable in blended, semi-annual installments of \$85,742.

22. Segmented information:

The County provides a wide range of services to its residents. Segmented information has been identified based upon lines of service provided by the County. Services are delivered directly by departments of the County, by boards and agencies or by contract through other organizations. The lines of service that have been separately disclosed along with the department or body responsible for providing the service are as follows:

(a) General Government:

The General Government Services segment is comprised of the following service areas: Council and Mayor's Office, Administration/CAO's Office, Clerk's Office, Finance Department, Purchasing Department, Information Technology and Human Resources.

(b) Protection services:

The Protection Services segment is comprised of the following service areas: Police Services, Source Water Protection, Fire Protection and Rescue, Building Services, By-law Enforcement and Canine Control, Provincial Offences Administration and Quinte Conservation Authority. Policing is provided by contract with the Ontario Provincial Police.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

22. Segmented information (continued):

(c) Transportation services:

The Transportation Services segment is comprised of the following service areas: Roads & Bridges including road and roadside maintenance, storm water maintenance, winter control, street lights and traffic signals, project planning, engineering and management, development planning and servicing, and parking.

(d) Environmental services:

The Environmental Services segment is comprised of Water treatment and distribution, Wastewater collection and treatment and Waste Management Services. Most waste management services are provided under contract.

(e) Health services:

The Health Services segment is comprised of Ambulance Services, Public Health Services provided by the Hastings and Prince Edward Health Unit and Cemetery Maintenance. Ambulance service is provided under contract with the Corporation of the County of Hastings.

(f) Social and family services:

Social and Family Services segment is comprised of Children's Services and Ontario Works provided by Prince Edward Lennox and Addington Social Services and Assistance to Aged Persons - H. J. McFarland Memorial Home.

(g) Social housing:

Social Housing services are provided by Prince Edward Lennox and Addington Social Services.

(h) Recreation and cultural services:

The Recreation and Cultural Services segment is comprised of the following service areas: Parks, Trails and Sports fields, Community Centres and Arenas, Harbours, Marinas and Boat Launches, Libraries and Archives, Community Halls/Theatre, Museums, and Recreational and Cultural Activities.

(i) Planning and development:

The Planning and Development Services segment is comprised of the following service areas: Planning and Zoning and Community Development.

The segmented information is provided in accordance with the financial reporting guidelines established by the Public Sector Accounting Board of Canada. Certain allocation methodologies are employed in the preparation of segmented financial information.

User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Schedule of Segment Disclosure

Year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and family services	Social Housing	Recreation and Cultural Services	Planning and Development Services	Total
Revenues:										
User Charges	\$ (224,450)	\$ (903,068)	\$ (408,267)	\$ (10,685,819)	\$ (45,329)	\$ (1,778,164)	\$ -	\$ (827,366)	\$ (286,336)	\$ (15,158,797)
Government Grants	(1,657,291)	(1,192,740)	(4,432,846)	(838,000)	(1,506,463)	(3,902,557)	-	(296,519)	(49,780)	(13,876,196)
Other Municipalities	-	-	-	-	-	-	-	-	-	-
Investment Income	(243,038)	-	-	(8,392)	-	-	-	(13,165)	-	(264,595)
Fines and penalties	(470,249)	(629,499)	(26,725)	(54,295)	-	-	-	-	-	(1,180,768)
Donations	-	(12,323)	(5,000)	-	-	(1,488)	-	(24,314)	(120,882)	(164,007)
Other Revenue	-	-	-	-	-	-	-	(45,771)	-	(45,771)
Additional Revenues- Obligatory	(60,955)	(96,218)	(11,453)	-	-	-	-	-	-	(168,626)
	(2,655,984)	(2,833,848)	(4,884,291)	(11,586,505)	(1,551,792)	(5,682,209)	-	(1,207,135)	(456,998)	(30,858,760)
Expenses:										
Salaries, Wages and Employee Benefits	3,308,991	2,663,530	4,012,506	2,661,281	-	6,363,276	-	2,988,453	1,216,603	23,214,637
Interest on Long Term Debt	-	126,431	236,384	884,055	36,523	-	-	74,576	4,930	1,362,899
Materials	791,749	948,523	2,500,014	3,260,875	35,034	789,044	-	1,565,664	920,366	10,811,270
Contracted and general services	555,754	4,634,057	2,166,469	2,986,163	2,755,381	580,375	-	360,191	11,989	14,050,380
Rents and financial expenses	245,174	33,948	317,613	48,832	-	2,498	-	11,960	79,421	739,445
External transfers	-	421,708	-	-	641,315	742,111	1,248,581	826,988	-	3,880,703
Inter-Functional Adjustments	(435,000)	(32,154)	-	240,000	230,000	-	-	-	(50,000)	(47,154)
Amortization	211,118	603,392	5,222,990	2,207,507	125,735	166,296	-	994,501	14,780	9,546,319
	4,677,786	9,399,435	14,455,976	12,288,714	3,823,987	8,643,600	1,248,581	6,822,333	2,198,089	63,558,499
Excess of expenses over revenue before property tax	\$ 2,021,802	\$ 6,565,587	\$ 9,571,685	\$ 702,208	\$ 2,272,196	\$ 2,961,391	\$ 1,248,581	\$ 5,615,198	\$ 1,741,091	\$ 32,699,739
Property Taxation										(37,071,340)
Net loss on disposal of tangible capital assets										124,220
Annual Surplus										\$ (4,247,381)



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Prince Edward

Opinion

We have audited the financial statements of the Trust Funds of The Corporation of the County of Prince Edward (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of financial activities and changes in fund balances for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 24, 2019

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	\$ 1,781,140	\$ 1,405,655
Investments (note 3)	238,442	233,080
Loans to homeowners	2,083	2,083
	<u>\$ 2,021,665</u>	<u>\$ 1,640,818</u>
Liabilities and Fund Balances		
Due to the County of Prince Edward	\$ 6,284	\$ 53,958
Fund balances	2,015,381	1,586,860
	<u>\$ 2,021,665</u>	<u>\$ 1,640,818</u>

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Statement of Financial Activities and Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Individuals' deposits	\$ 619,840	\$ 346,121
Interest earned	37,250	19,203
	<u>657,090</u>	<u>365,324</u>
Expenditures:		
Deposits refunded	176,050	136,172
Payments on behalf of individuals	41,593	54,119
Cemetery maintenance	4,813	2,907
Collection and management fees	2,113	2,294
Library books	4,000	4,000
	<u>228,569</u>	<u>199,492</u>
Change in fund balances	428,521	165,832
Fund balances, beginning of year	1,586,860	1,421,028
Fund balances, end of year	<u>\$ 2,015,381</u>	<u>\$ 1,586,860</u>

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds
Notes to Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

The financial statements of the Trust Funds of The Corporation of the County of Prince Edward are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

Revenue and expenditures are recorded on an accrual basis of accounting.

The accrual basis recognizes revenues in the period in which the transactions or events occurred and are measurable. Expenditures are recognized in the period in which they are incurred and measurable and a legal obligation to pay is created. Refunds are reported in the period that they are issued.

(b) Investments:

Investments are recorded at cost.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that 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 expenditures during the period. Actual results could differ from those estimates.

2. Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2018 are comprised of repayable loans of \$2,083 (2017 - \$2,083) and no forgivable loans. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Investments:

Investments consist of the following:

	2018		2017	
	Cost	Market value	Cost	Market value
Bloomfield Cemetery Perpetual Care - Mutual Fund	\$ 89,768	\$ 88,218	\$ 88,335	\$ 88,876
Rose Cemetery Perpetual Care - Mutual Fund	45,526	44,141	44,184	44,629
Sophiasburgh Cemetery Perpetual Care - Mutual Fund	68,639	67,216	66,817	67,550
Bowerman/McFaul Cemetery Perpetual Care - Mutual Fund	23,319	22,847	22,620	22,795
Salem Cemetery Perpetual Care - Mutual Fund	11,190	11,020	11,124	11,201
	<u>\$ 238,442</u>	<u>\$ 233,442</u>	<u>\$ 233,080</u>	<u>\$ 235,051</u>

4. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as the information is readily determinable.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Schedule of Trust Fund Assets and Liabilities

December 31, 2018

Description	Cash	Investments	Loans to Homeowners	Total Assets	Fund Balances
McFarland Home Residents	\$ 107,956	\$ -	\$ -	\$ 107,956	\$ 101,672
Bequests to HJ McFarland Home - Trust Account	1,675	-	-	1,675	1,675
McFarland Home Craft	3,708	-	-	3,708	3,708
Macaulay Heritage Park - Trust Account	102,681	-	-	102,681	102,681
Library Large Print Books	11,175	-	-	11,175	11,175
Performance guarantee	1,508,666	-	-	1,508,666	1,508,666
Ameliasburgh Scholarship Trust Account	22,283	-	-	22,283	22,283
Ameliasburgh Museum Endowment - Trust Account	5,100	-	-	5,100	5,100
Wellington Msm Lily Walt Endowment - Trust Account	3,130	-	-	3,130	3,130
Consecon Cemetery Perpetual Care - Trust Account	14,259	-	-	14,259	14,259
Bloomfield Cemetery Perpetual Care - Trust Account	6	78,209	-	78,215	78,215
Bloomfield Cemetery - Stone Care - Trust Account	3	11,559	-	11,562	11,562
Rose Cemetery - Perpetual Care - Trust Account	4	45,526	-	45,530	45,530
Sophiasburgh Cemetery Perpetual Care Trust Account	7	68,639	-	68,646	68,646
Bowerman/McFaul Perpetual Care Trust Account	3	23,319	-	23,322	23,322
Salem Cemetery Care Trust Account	2	11,190	-	11,192	11,192
Pioneer Cemeteries Perpetual Care - Trust Account	488	-	-	488	488
Ontario Home Renewal Program Loan to Home Owner	-	-	2,083	2,083	2,083
Totals	\$ 1,781,140	\$ 238,442	\$ 2,083	\$ 2,021,665	\$ 2,015,381

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds Schedule of Continuity of Trust Funds

Year ended December 31, 2018

Description	Balance (Jan. 1/18) Beginning of Year	Revenues		
		Individuals' Deposits	Interest Earned	Total Receipts
McFarland Home Residents	\$ 103,735	\$ 37,785	\$ 1,560	\$ 39,345
Bequests to HJ McFarland Home - Trust Account	1,644	-	31	31
McFarland Home Craft	3,819	-	69	69
Macaulay Heritage Park - Trust Account	100,797	-	1,884	1,884
Library Large Print Books	14,897	-	278	278
Performance guarantee	1,081,851	577,925	24,940	602,865
Ameliasburgh Scholarship Trust Account	21,865	-	418	418
Ameliasburgh Museum Endowment - Trust Account	5,006	-	94	94
Wellington Msm Lily Walt Endowment - Trust Account	3,073	-	57	57
Consecon Cemetery Perpetual Care - Trust Account	13,997	-	262	262
Bloomfield Cemetery Perpetual Care - Trust Account	77,092	720	2,512	3,232
Bloomfield Cemetery - Stone Care - Trust Account	11,752	250	388	638
Rose Cemetery - Perpetual Care - Trust Account	44,188	1,110	1,447	2,557
Sophiasburgh Cemetery Perpetual Care Trust Account	66,824	1,470	2,197	3,667
Bowerman/McFaul Perpetual Care Trust Account	22,623	580	743	1,323
Salem Cemetery Care Trust Account	11,134	-	363	363
Pioneer Cemeteries Perpetual Care - Trust Account	480	-	8	8
Ontario Home Renewal Program Loan to Home Owner	2,083	-	-	-
Totals	\$ 1,586,860	\$ 619,840	\$ 37,250	\$ 657,090

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Schedule of Continuity of Trust Funds (continued)

Year ended December 31, 2018

Description	Deposits Refunded	Payments on Behalf of Individuals	Cemetery Maintenance	Collection and Management Fees	Library Books	Total Expenditures	Balance, end of year
McFarland Home Residents	\$ -	41,408	\$ -	\$ -	\$ -	\$ 41,408	101,672
Bequests to HJ McFarland Home - Trust Account	-	-	-	-	-	-	1,675
McFarland Home Craft	-	185	-	-	-	184.60	3,708
Macaulay Heritage Park - Trust Account	-	-	-	-	-	-	102,681
Library Large Print Books	-	-	-	-	4,000	4,000	11,175
Performance guarantee	176,050	-	-	-	-	176,050	1,508,666
Ameliasburgh Scholarship Trust Account	-	-	-	-	-	-	22,283
Ameliasburgh Museum Endowment - Trust Account	-	-	-	-	-	-	5,100
Wellington Msm Lily Walt Endowment - Trust Account	-	-	-	-	-	-	3,130
Consecon Cemetery Perpetual Care - Trust Account	-	-	-	-	-	-	14,259
Bloomfield Cemetery Perpetual Care - Trust Account	-	-	1,495	614	-	2,109	78,215
Bloomfield Cemetery - Stone Care - Trust Account	-	-	500	328	-	828	11,562
Rose Cemetery - Perpetual Care - Trust Account	-	-	861	353	-	1,215	45,530
Sophiasburgh Cemetery Perpetual Care Trust Account	-	-	1,310	535	-	1,845	68,646
Bowerman/McFaul Perpetual Care Trust Account	-	-	342	283	-	624	23,322
Salem Cemetery Care Trust Account	-	-	305	-	-	305	11,192
Pioneer Cemeteries Perpetual Care - Trust Account	-	-	-	-	-	-	488
Ontario Home Renewal Program Loan to Home Owner	-	-	-	-	-	-	2,083
Totals	\$ 352,100	\$ 41,777	\$ 4,813	\$ 2,113	\$ 4,000	\$ 228,569	\$ 2,015,381