

Consolidated Financial Statements of

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

Year ended December 31, 2019

Consolidated Financial Statements of

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Year ended December 31, 2019

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.

Marcia Wallace
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, 2019
- 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, 2019, 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,



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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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 22, 2020

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 25,369,704	\$ 21,538,312
Taxes receivable	3,408,810	2,751,749
Trade and other receivables	4,883,602	4,143,577
Long-term investments	55,763	55,763
	<u>33,717,879</u>	<u>28,489,401</u>
Liabilities:		
Accounts payable and accrued liabilities	9,017,299	8,799,100
Temporary borrowing (notes 4)	–	3,149,688
Prepaid property taxes (note 5)	1,926,182	1,753,994
Employee future benefit liabilities (note 14)	657,834	256,527
Solid waste landfill closure and post-closure liabilities (note 6)	1,372,825	1,336,112
Deferred revenue	1,275,223	1,077,055
Deferred obligatory reserve funds (note 7)	12,210,563	6,502,673
Long-term debt (note 8)	38,717,694	38,258,696
	<u>65,177,620</u>	<u>61,133,845</u>
Net debt	(31,459,741)	(32,644,444)
Non-financial assets:		
Tangible capital assets cost (note 9)	227,469,633	223,696,338
Inventory (note 10)	3,236,026	3,452,562
Prepaid expenses and deposits	132,712	208,823
	<u>230,838,371</u>	<u>227,357,723</u>
Contingent liabilities (note 15)		
Commitments (note 18)		
Subsequent event (note 22)		
Accumulated surplus (note 11)	\$ 199,378,630	\$ 194,713,279

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, 2019, with comparative information for 2018

	Budget 2019 (note 20)	Actual 2019	Actual 2018
Revenue:			
Net taxes available for municipal purposes	\$ 39,880,037	\$ 39,971,462	\$ 37,071,340
User fees and sale of goods and services	14,611,236	15,681,579	15,158,797
Government grants	9,124,402	10,121,804	9,046,954
Investment income	106,974	435,026	264,595
Fines and penalties	1,168,000	1,128,877	1,180,768
Donations	50,500	335,573	164,007
Total revenue	64,941,149	67,674,321	62,886,461
Expenses (note 17):			
General government	6,570,303	6,957,180	4,677,786
Protection services	9,848,058	9,992,040	9,399,435
Transportation services	13,808,115	15,170,452	14,455,976
Environmental services	12,662,338	12,661,634	12,288,713
Health services	3,920,437	3,892,299	3,823,987
Social and family services	7,839,481	8,245,830	8,643,599
Social housing	1,274,500	888,071	1,248,581
Recreation and cultural services	7,055,089	6,759,328	6,822,333
Planning and development	2,118,767	2,343,774	2,198,089
Total expenses	65,097,088	66,910,608	63,558,499
Annual surplus (deficit) before capital items	(155,939)	763,713	(672,038)
Other income (expense) related to capital:			
Government transfers:			
Federal capital grants	190,000	36,056	3,060,248
Provincial capital grants	–	822,179	1,768,994
Contributions from others (tangible capital assets)	–	3,058,392	–
Other	769,502	193,234	45,771
Revenue from deferred obligatory reserve funds	4,541,746	602,759	168,626
Loss on disposal of tangible capital assets	–	(810,982)	(124,220)
	5,501,248	3,901,638	4,919,419
Annual surplus	5,345,309	4,665,351	4,247,381
Accumulated surplus, beginning of year		194,713,279	190,465,898
Accumulated surplus, end of year		\$ 199,378,630	\$ 194,713,279

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, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 4,665,351	\$ 4,247,381
Amortization of tangible capital assets	9,619,581	9,546,319
Acquisition of tangible capital assets	(14,203,899)	(11,555,342)
Loss on disposal of tangible capital assets	810,982	124,220
Proceeds on sale of tangible capital assets	41	293,740
Change in inventory	216,536	(448,547)
Change in prepaid expenses and deposits	76,111	6,377
	(3,480,648)	(2,033,233)
Decrease in net debt	1,184,703	2,214,148
Net debt, beginning of year	(32,644,444)	(34,858,592)
Net debt, end of year	\$ (31,459,741)	\$ (32,644,444)

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, 2019, with comparative information for 2018

	2019	2018
Operating activities:		
Annual surplus	\$ 4,665,351	\$ 4,247,381
Items not involving cash:		
Amortization	9,619,581	9,546,319
Loss on disposal of tangible capital assets	810,982	124,220
Solid waste landfill closure and post-closure liabilities	36,713	(79,919)
Change in non-cash assets and liabilities:		
Taxes receivable	(657,061)	891,218
Trade and other receivables	(740,025)	1,919,425
Inventory	216,536	(448,547)
Prepaid expenses and deposits	76,111	6,377
Accounts payable and accrued liabilities	218,199	(3,976,146)
Prepaid property taxes	172,188	104,843
Change in employee future benefit liabilities	401,307	6,068
Deferred revenue	198,168	649,347
Deferred obligatory reserve funds	5,707,890	384,970
Net change in cash from operating activities	20,725,940	13,375,556
Capital activities:		
Acquisition of tangible capital assets	(14,203,899)	(11,555,342)
Proceeds on sale of tangible capital assets	41	293,740
Net change in cash from capital activities	(14,203,858)	(11,261,602)
Financing activities:		
Proceeds from long-term debt	3,149,688	—
Proceeds from (repayment of) temporary borrowing	(3,149,688)	3,149,688
Repayment of long-term debt	(2,690,690)	(2,571,566)
Net change in cash from financing activities	(2,690,690)	578,122
Increase in cash	3,831,392	2,692,076
Cash, beginning of year	21,538,312	18,846,236
Cash, end of year	\$ 25,369,704	\$ 21,538,312

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, 2019

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

The Prince Edward County Affordable Housing 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, 2019

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, 2019

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 cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service life of the related employee groups.

(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

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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.

(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.

(v) Impairment:

When conditions indicate that a tangible capital asset no longer contributes to the County's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations.

(j) Inventories of supplies:

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

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(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 \$603,465 (2018 - \$577,726) 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, 2019, \$Nil (2018 - \$Nil) was drawn.

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, 2019, \$Nil (2018 - \$3,149,688) was outstanding.

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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 over 80 years for Ameliasburgh, over 100 years for Hillier, 17 years for South Marysburgh and 6 years from when the site becomes active again 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 \$1,393,673 at December 31, 2019 (2018 - \$1,328,673).

	Remaining capacity (cubic meters)	Liability December 31, 2019	Liability December 31, 2018
Ameliasburgh	76,845	\$ 113,102	\$ 111,506
Hillier	41,123	71,956	71,013
South Marysburgh	15,425	538,361	504,186
Wellington	8,150	649,406	649,407
		\$ 1,372,825	\$ 1,336,112

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

7. Deferred obligatory reserves funds:

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

	Balance December 31, 2018	Additions	Transferred to income	Balance December 31, 2019
Externally restricted:				
Parkland	\$ 416,794	\$ 145,989	\$ -	\$ 562,783
Parking	97,684	32,434	-	130,118
Development charges	4,955,145	1,768,341	(445,925)	6,277,561
Gasoline tax - Federal	194,675	3,186,828	(36,056)	3,345,447
Building services	536,003	11,513	(163,834)	383,682
Water/sewer operations	302,372	6,874	-	309,246
OCIF	-	1,887,437	(685,711)	1,201,726
Total	\$ 6,502,673	\$ 7,039,416	\$(1,331,526)	\$12,210,563

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Long-term debt:

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

	2019	2018
Bank of Montreal - repayable by monthly payments of \$32,794, interest at a rate of 3.90%, maturing in 2019	\$ –	\$ 384,658
Bank of Montreal - repayable by monthly payments of \$12,441, interest at a rate of 2.64%, maturing in 2020	124,401	268,362
Bank of Montreal – repayable by monthly payments of \$3,429, interest at a rate of 3.19%, maturing in 2022	114,467	151,335
Bank of Montreal - repayable by monthly payments of \$13,530, interest at a rate of 3.19%, maturing in 2022	451,639	597,104
Infrastructure Ontario loan bears interest at 2.84%, payable in semi-annual payments of \$121,112 with maturity date of July 3, 2022	691,882	909,805
Bank of Montreal - repayable by monthly payments of \$14,354, interest at a rate of 4.88%, maturing in 2023	621,850	762,233
Bank of Montreal - repayable by monthly payments of \$10,058, interest at a rate of 3.75%, maturing in 2023	447,835	549,688
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	6,942,356	7,405,660
Bank of Montreal - repayable by monthly payments of \$5,842, interest at a rate of 4.35%, maturing in 2024	314,272	369,414
Infrastructure Ontario loan bears interest at 3.51%, payable in semi-annual payments of \$87,508 with maturity date of July 3, 2032	1,814,310	1,922,781
Infrastructure Ontario loan bears interest at 3.51%, payable in semi-annual payments of \$242,335 with maturity date of July 3, 2032	5,024,314	5,324,699
Infrastructure Ontario loan bears interest at 4.22%, payable in semi-annual payments of \$286,938 with maturity date of October 1, 2033	6,020,265	6,330,240
Balance forward	22,567,591	24,975,979

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Long-term debt (continued):

	2019	2018
Balance carried	\$ 22,567,591	\$ 24,975,979
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$44,318 with maturity date of September 1, 2047	1,570,178	1,602,683
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$44,750 with maturity date of September 1, 2047	1,585,484	1,618,305
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$82,569 with maturity date of September 1, 2047	2,925,443	2,986,002
Infrastructure Ontario loan bears interest at 3.52%, payable in semi-annual payments of \$129,822 with maturity date of September 1, 2047	4,599,629	4,694,845
Infrastructure Ontario loan bears interest at 3.55%, payable in semi-annual payments of \$85,742 with maturity date of March 1, 2049	3,119,853	-
Infrastructure Ontario loan bears interest at 5.32%, payable in semi-annual payments of \$78,809 with maturity date of October 1, 2049	2,349,516	2,380,882
	\$ 38,717,694	\$ 38,258,696

Interest included in expenses in the Consolidated Statement of Operations relating to long-term debt totals \$1,381,906 (2018 - \$1,362,899).

Principal payments are estimated to be as follows:

2020	\$ 2,390,044
2021	2,340,535
2022	2,400,945
2023	2,047,135
2024	1,821,570
2025 and thereafter	27,717,465
	\$ 38,717,694

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals/ Adjustments	Balance at December 31, 2019
General:				
Land	\$ 8,977,991	\$ –	\$ –	\$ 8,977,991
Land improvements	12,754,804	390,684	–	13,145,488
Building and leasehold improvements	35,231,503	422,782	(144,838)	35,509,447
Vehicles	16,310,139	773,846	–	17,083,985
Computer hardware and software	1,807,883	204,013	(145)	2,011,751
Equipment	8,141,813	1,300,526	(87,598)	9,354,741
Infrastructure:				
Plants and facilities	55,337,097	79,784	–	55,416,881
Roads	181,328,574	9,577,542	(2,889,547)	188,016,569
Underground and other networks	48,417,212	905,422	–	49,322,634
Bridges and other structures	11,420,087	–	–	11,420,087
Assets under construction	19,557,034	8,189,765	(7,640,465)	20,106,334
Total	\$ 399,284,137	\$ 21,844,364	\$ (10,762,593)	\$ 410,365,908

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2018	Disposals/ Adjustments	Amortization expense	Balance at December 31, 2019
General:				
Land improvements	\$ 6,113,828	\$ -	\$ 393,797	\$ 6,507,625
Building and leasehold improvements	13,334,859	(47,867)	969,151	14,256,143
Vehicles	8,896,537	-	888,306	9,784,843
Computer hardware and software	1,004,612	(76)	216,591	1,221,127
Equipment	3,787,825	(85,406)	547,430	4,249,849
Infrastructure:				
Plants and facilities	21,092,736	-	1,437,499	22,530,235
Roads	105,548,545	(2,177,756)	4,362,576	107,733,365
Underground and other networks	13,025,755	-	624,632	13,650,387
Bridges and other structures	2,783,102	-	179,599	2,962,701
Total	\$ 175,587,799	\$ (2,311,105)	\$ 9,619,581	\$ 182,896,275

	Net book value December 31, 2018	Net book value December 31, 2019
General:		
Land	\$ 8,977,991	\$ 8,977,991
Land improvements	6,640,976	6,637,863
Building and leasehold improvements	21,896,644	21,253,304
Vehicles	7,413,600	7,299,142
Computer hardware and software	803,271	790,624
Equipment	4,353,988	5,104,892
Infrastructure:		
Plants and facilities	34,244,361	32,886,646
Roads	75,780,029	80,283,204
Underground and other networks	35,391,457	35,672,247
Bridges and other structures	8,636,985	8,457,386
Assets under construction	19,557,034	20,106,334
Total	\$ 223,696,338	\$ 227,469,633

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

(a) Work-in-progress:

Assets under construction having a value of \$20,106,334 (2018 - \$19,557,034) 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 \$810,982 (2018 - \$124,220).

10. Inventory:

The inventory is comprised of the following:

	2019	2018
Inventory for resale	\$ 412,588	\$ 407,926
Inventory for own consumption	493,236	736,066
Gravel and sand supplies	2,330,202	2,308,570
Balance, end of year	\$ 3,236,026	\$ 3,452,562

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Accumulated surplus:

The accumulated surplus is comprised of the following:

	2019	2018
Equity in tangible capital assets	\$ 227,469,633	\$ 223,696,338
Less: temporary borrowing	–	(3,149,688)
Less: related debt	(38,717,694)	(38,258,696)
Less: unfinanced capital projects	(8,623,978)	(4,292,778)
	180,127,961	177,995,176
Reserves set aside for specific purpose by Council:		
Acquisition of capital assets	4,225,524	4,007,653
Solid waste landfill and post-closure	1,393,673	1,328,673
Roads construction	2,443,235	827,010
Recreation programs and facilities	378,739	374,370
Working capital	604,670	604,670
Contingencies	3,170,361	2,020,866
Protection services	(8,626)	22,400
Water and sewer systems	6,762	6,762
Planning and development	662,143	606,074
Business Improvement Area	56,371	12,652
Social services	98,529	56,371
Pits and quarries	12,652	98,529
Cemetery maintenance	3,000	3,000
Total reserves	13,047,033	9,969,030
Reserve funds set aside for specific purpose by Council:		
Acquisition of capital assets	87,282	85,158
Roads construction	484,320	473,555
Recreation programs and facilities	91,127	10,156
Water and sewer systems	5,057,233	3,646,053
Cemetery maintenance	140,359	132,275
Parking	51,105	38,091
Lot levies	4,161	4,070
Total reserve funds	5,915,587	4,389,358
Total reserves and reserve funds	18,962,620	14,358,388
Amounts to be recovered:		
Landfill closure and post-closure costs	(1,372,825)	(1,336,112)
Employee future benefits (note 1(h))	(657,834)	(256,527)
Unrestricted surplus:		
The County of Prince Edward	1,313,706	3,223,498
The County of Prince Edward Public Library Board	350,459	329,124
Centre & South Hastings Waste Services Board	284,112	399,732
The Prince Edward County Affordable Housing Corporation	370,431	–
	\$ 199,378,630	\$ 194,713,279

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Operations of school boards:

During 2019, 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:

	2019	2018
Amounts requisitioned	\$ 8,290,543	\$ 8,318,677

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, 2019. At that time, the plan reported \$3.4 billion actuarial deficit (2018 - \$4.2 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 2019 was \$1,322,472 (2018 - \$1,267,793) 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. Employee future benefit liabilities:

The County provides extended health care, dental and other benefits to its employees while in early retirement. An independent actuarial study of the post-retirement and post-employment benefits was undertaken in November 2019.

At December 31, 2019, the County's accrued benefit liability relating to post-employment benefits plans is \$657,834 (2018 - \$256,527).

The significant actuarial assumptions adopted in estimating the County's accrued benefit obligation are as follows:

Discount rate	3.75% per annum
Inflation rate	1.75% per annum
Salary escalation	2.75% per annum
Dental benefits escalation	3.75% per annum
Health benefits escalation	6.41% in 2019 reducing by 0.33% per year to 3.75% in 2029

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

14. Employee future benefit liabilities (continued):

Information with respect to the County's post-employment benefit obligations is as follows:

	2019
Accrued benefit liability, January 1	\$ 256,527
Actuarial adjustment to opening liability	437,546
Service cost	24,555
Benefits paid for the period	(85,676)
Interest cost	24,882
Accrued benefit liability, December 31	\$ 657,834

The accrued benefit obligations at December 31 includes the following components

	2019
Accrued benefit obligations	\$ 657,834
Unamortized actuarial gain/loss	-
Accrued benefit obligations, December 31	\$ 657,834

15. 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, 2019 (2018 - \$4,687). 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, 2019

15. Contingent liabilities (continued):

- (b) As at December 31, 2019, 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.

16. Trust funds:

Trust funds administered by the County amounting to \$1,292,273 (2018 - \$2,021,665) 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 statements.

17. Supplementary information:

	Budget 2019	Actual 2019	Actual 2018
Salaries, wages and employee benefits	\$ 24,216,732	\$ 24,293,658	\$ 23,214,637
Interest on long-term debt	1,352,102	1,381,906	1,362,899
Materials and supplies	11,122,889	12,655,284	10,811,270
Contracted services and general services	14,374,568	14,669,028	14,050,380
Rents and financial services	732,602	892,740	739,445
External transfers	3,629,781	3,323,238	3,880,703
Inter-functional adjustments	77,210	75,173	(47,154)
Amortization of tangible capital assets	9,591,204	9,619,581	9,546,319
	<u>\$ 65,097,088</u>	<u>\$ 66,910,608</u>	<u>\$ 63,558,499</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

18. Commitments:

The County has contracts committing it to payments in future years. The following agreements existed at December 31, 2019:

- (a) At December 31, 2019, the County has outstanding capital project contractual commitments of approximately \$12,848,544 with costs incurred to date of \$6,050,467.
- (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 2020 are \$2,774,031.
- (c) An agreement with the Province of Ontario for policing services. Costs will be charged on the basis of services used. Budgeted costs for 2020 are \$4,918,806.
- (d) An agreement with Waste Management of Canada Corporation for the collection of household waste and organics. Budgeted costs for 2020 are \$1,307,500.
- (e) 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, and tax levies. In 2019, tax levies in the amount of \$371,955 were raised to fund this commitment.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

19. 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, 2019 are as follows:

	2019	2018
Gross revenue received	\$ 560,577	\$ 597,747
Gross expenditures	273,710	274,998
Net revenue	\$ 286,867	\$ 322,749

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

20. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2019 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 2019 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:

	2019 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 54,570,399
Add:	
Water and Wastewater Services	8,245,290
Library Board	1,335,702
Center & South Hastings Waste Services	1,295,103
Less:	
Reserve fund transfers and other budget adjustments	(505,345)
<u>Total adjusted budget for revenue</u>	<u>64,941,149</u>
Operating expenses	54,545,843
Add:	
Water and Wastewater Services	8,245,290
Library Board	1,332,522
Center & South Hastings Waste Services	1,188,047
Estimate for amortization	9,506,628
Less:	
Principal repayments of debt	(2,690,689)
Reserve fund transfers and other budget adjustments	(7,030,553)
<u>Total adjusted budget for expenses</u>	<u>65,097,088</u>
<u>Net budgeted expenses per statement of operations</u>	<u>(155,939)</u>
Capital budgeted tax revenue	-
Capital grant and other revenue	5,501,248
Capital transfer from reserves	8,650,082
<u>Capital expenditures</u>	<u>14,151,330</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

21. Adoption of new accounting policies:

Effective January 1, 2019, the County adopted Canadian public sector accounting standard PS3430 Restructuring transactions. 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, 2019.

22. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social impact.

At the time of approval of these consolidated financial statements, the County has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary closure of administrative facilities, with some staff setup to work remotely, and phased reopening in limited capacities based on provincial health guidelines
- Incurred additional costs for enhanced facility cleaning, PPE acquisition, and other safety measures to promote physical distancing for the public and County staff.
- Deferrals of property tax billing and waiving of interest charges on water and wastewater billings
- Decline in certain revenues, such as user fees for recreational facilities, interest, and investment income.

Staff will continue to support municipal organizations in lobbying upper levels of government for assistance for municipalities in recovering from the COVID-19 pandemic.

At this time these factors present uncertainty over cash flows, and may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

23. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

24. 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.

(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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

24. Segmented information (continued):

(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, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Heath Services	Social and family services	Social Housing	Recreation and Cultural Services	Planning and Development Services	Total
Revenues:										
User Charges	\$ (199,622)	\$ (1,001,105)	\$ (495,632)	\$ (10,681,351)	\$ (68,657)	\$ (1,756,603)	\$ -	\$ (853,468)	\$ (625,141)	\$ (15,681,579)
Government Grants	(3,788,852)	(123,110)	(694,308)	(645,728)	(1,506,457)	(4,006,320)	-	(189,287)	(25,977)	(10,980,039)
Other Municipalities	-	-	-	-	-	-	-	-	-	-
Investment Income	(404,455)	-	-	(7,570)	-	-	(422)	(22,567)	(12)	(435,026)
Fines and penalties	(429,629)	(593,403)	(57,243)	(48,602)	-	-	-	-	-	(1,128,877)
Donations	-	(5,550)	(5,000)	-	-	(2,870)	-	(38,700)	(283,454)	(335,574)
Other Revenue	-	-	-	-	-	-	-	(193,233)	-	(193,233)
Additional Revenues- Obligatory	(50,000)	(19,652)	-	-	-	-	-	-	(533,107)	(602,759)
	(4,872,558)	(1,742,820)	(1,252,183)	(11,383,251)	(1,575,114)	(5,765,793)	(422)	(1,297,255)	(1,467,691)	(29,357,087)
Expenses:										
Salaries, Wages and Employee Benefits	3,981,705	2,838,099	4,502,831	2,430,001	623	5,987,702	-	3,057,850	1,494,847	24,293,658
Interest on Long Term Debt	-	124,269	203,001	945,309	35,898	-	-	69,788	3,641	1,381,906
Materials	2,163,349	1,018,256	2,587,893	3,783,273	35,738	714,965	-	1,622,895	728,915	12,655,284
Contracted and general services	710,994	4,967,697	2,288,544	2,872,590	2,821,544	628,734	-	356,474	22,451	14,669,028
Rents and financial expenses	276,705	33,397	446,468	22,191	-	2,864	14,843	17,095	79,177	892,740
External transfers	-	437,576	-	-	625,137	744,169	873,228	643,116	12	3,323,238
Inter-Functional Adjustments	(429,300)	(28,537)	-	303,010	230,000	-	-	-	-	75,173
Amortization	253,727	601,283	5,141,715	2,305,260	143,359	167,396	-	992,110	14,731	9,619,581
	6,957,180	9,992,040	15,170,452	12,661,634	3,892,299	8,245,830	888,071	6,759,328	2,343,774	66,910,608
Excess of expenses over revenue before the undernoted items	\$ 2,084,622	\$ 8,249,220	\$ 13,918,269	\$ 1,278,383	\$ 2,317,185	\$ 2,480,037	\$ 887,649	\$ 5,462,073	\$ 876,083	\$ 37,553,521
Property Taxation										(39,971,462)
Contributions from others (tangible capital assets)										(3,058,392)
Net loss on disposal of tangible capital assets										810,982
Annual (Surplus)									\$	(4,665,351)



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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, 2019
- 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, 2019, 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 ethical 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 22, 2020

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Cash	\$ 1,033,289	\$ 1,781,140
Investments (note 3)	256,901	238,442
Loans to homeowners	2,083	2,083
	<u>\$ 1,292,273</u>	<u>\$ 2,021,665</u>
Liabilities and Fund Balances		
Due to the County of Prince Edward	\$ 35,732	\$ 6,284
Fund balances	1,256,541	2,015,381
	<u>\$ 1,292,273</u>	<u>\$ 2,021,665</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Individuals' deposits	\$ 147,143	\$ 619,840
Interest earned	45,818	37,250
	<u>192,961</u>	<u>657,090</u>
Expenditures:		
Deposits refunded	905,049	176,050
Payments on behalf of individuals	35,796	41,593
Cemetery maintenance	5,081	4,813
Collection and management fees	1,875	2,113
Library books	4,000	4,000
	<u>951,801</u>	<u>228,569</u>
Change in fund balances	(758,840)	428,521
Fund balances, beginning of year	2,015,381	1,586,860
Fund balances, end of year	<u>\$ 1,256,541</u>	<u>\$ 2,015,381</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, 2019

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, 2019 are comprised of repayable loans of \$2,083 (2018 - \$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, 2019

3. Investments:

Investments consist of the following:

	2019		2018	
	Cost	Market value	Cost	Market value
Bloomfield Cemetery Perpetual Care - Mutual Fund	\$ 93,481	\$ 93,771	\$ 89,768	\$ 88,218
Rose Cemetery Perpetual Care - Mutual Fund	57,923	57,932	45,526	44,141
Sophiasburgh Cemetery Perpetual Care - Mutual Fund	70,979	71,022	68,639	67,216
Bowerman/McFaul Cemetery Perpetual Care - Mutual Fund	23,319	23,331	23,319	22,847
Salem Cemetery Perpetual Care - Mutual Fund	11,199	11,202	11,190	11,020
	\$ 256,901	\$ 257,258	\$ 238,442	\$ 233,442

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, 2019

Description	Cash	Investments	Loans to Homeowners	Total Assets	Balance, end of year
McFarland Home Residents	\$ 113,418	\$ -	\$ -	\$ 113,418	\$ 105,212
Bequests to HJ McFarland Home - Trust Account	1,713	-	-	1,713	1,712
McFarland Home Craft	-	-	-	-	3,708
Macaulay Heritage Park - Trust Account	104,963	-	-	104,963	104,963
Library Large Print Books	7,431	-	-	7,431	7,431
Performance guarantee	759,476	-	-	759,476	728,040
Ameliasburgh Scholarship Trust Account	22,777	-	-	22,777	22,777
Ameliasburgh Museum Endowment - Trust Account	5,213	-	-	5,213	5,213
Wellington Msm Lily Walt Endowment - Trust Account	3,200	-	-	3,200	3,200
Consecon Cemetery Perpetual Care - Trust Account	14,575	-	-	14,575	14,576
Bloomfield Cemetery Perpetual Care - Trust Account	8	81,409	-	81,417	81,415
Bloomfield Cemetery - Stone Care - Trust Account	1	12,072	-	12,073	12,175
Rose Cemetery - Perpetual Care - Trust Account	5	57,923	-	57,928	57,928
Sophiasburgh Cemetery Perpetual Care Trust Account	7	70,979	-	70,986	71,087
Bowerman/McFaul Perpetual Care Trust Account	2	23,319	-	23,321	23,321
Salem Cemetery Care Trust Account	1	11,199	-	11,200	11,201
Pioneer Cemeteries Perpetual Care - Trust Account	499	-	-	499	499
Ontario Home Renewal Program Loan to Home Owner	-	-	2,083	2,083	2,083
Totals	\$ 1,033,289	\$ 256,901	\$ 2,083	\$ 1,292,273	\$ 1,256,541

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Schedule of Continuity of Trust Funds

Year ended December 31, 2019

Description	Balance (Jan. 1/19) Beginning of Year	Revenues		
		Individuals' Deposits	Interest Earned	Total Receipts
McFarland Home Residents	\$ 101,672	\$ 37,363	\$ 1,973	\$ 39,336
Bequests to HJ McFarland Home - Trust Account	1,675	-	37	37
McFarland Home Craft	3,708	-	-	-
Macaulay Heritage Park - Trust Account	102,681	-	2,282	2,282
Library Large Print Books	11,175	-	256	256
Performance guarantee	1,508,660	91,143	33,286	124,429
Ameliasburgh Scholarship Trust Account	22,283	-	494	494
Ameliasburgh Museum Endowment - Trust Account	5,100	-	113	113
Wellington Msm Lily Walt Endowment - Trust Account	3,130	-	70	70
Consecon Cemetery Perpetual Care - Trust Account	14,259	-	317	317
Bloomfield Cemetery Perpetual Care - Trust Account	78,215	3,200	2,286	5,486
Bloomfield Cemetery - Stone Care - Trust Account	11,562	600	358	958
Rose Cemetery - Perpetual Care - Trust Account	45,530	12,397	1,348	13,745
Sophiasburgh Cemetery Perpetual Care Trust Account	68,646	2,440	1,984	4,424
Bowerman/McFaul Perpetual Care Trust Account	23,322	-	671	671
Salem Cemetery Care Trust Account	11,192	-	332	332
Pioneer Cemeteries Perpetual Care - Trust Account	488	-	11	11
Ontario Home Renewal Program Loan to Home Owner	2,083	-	-	-
Totals	\$ 2,015,381	\$ 147,143	\$ 45,818	\$ 192,961

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Schedule of Continuity of Trust Funds (continued)

Year ended December 31, 2019

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	\$ -	\$ 35,796	\$ -	\$ -	\$ -	\$ 35,796	\$ 105,212
Bequests to HJ McFarland Home - Trust Account	-	-	-	-	-	-	1,712
McFarland Home Craft	-	-	-	-	-	-	3,708
Macaulay Heritage Park - Trust Account	-	-	-	-	-	-	104,963
Library Large Print Books	-	-	-	-	4,000	4,000	7,431
Performance guarantee	905,049	-	-	-	-	905,049	728,040
Ameliasburgh Scholarship Trust Account	-	-	-	-	-	-	22,777
Ameliasburgh Museum Endowment - Trust Account	-	-	-	-	-	-	5,213
Wellington Msm Lily Walt Endowment - Trust Account	-	-	-	-	-	-	3,200
Consecon Cemetery Perpetual Care - Trust Account	-	-	-	-	-	-	14,576
Bloomfield Cemetery Perpetual Care - Trust Account	-	-	1,640	646	-	2,286	81,415
Bloomfield Cemetery - Stone Care - Trust Account	-	-	345	-	-	345	12,175
Rose Cemetery - Perpetual Care - Trust Account	-	-	963	384	-	1,347	57,928
Sophiasburgh Cemetery Perpetual Care Trust Account	-	-	1,421	562	-	1,983	71,087
Bowerman/McFaul Perpetual Care Trust Account	-	-	389	283	-	672	23,321
Salem Cemetery Care Trust Account	-	-	323	-	-	323	11,201
Pioneer Cemeteries Perpetual Care - Trust Account	-	-	-	-	-	-	499
Ontario Home Renewal Program Loan to Home Owner	-	-	-	-	-	-	2,083
Totals	\$ 905,049	\$ 35,796	\$ 5,081	\$ 1,875	\$ 4,000	\$ 951,801	\$ 1,256,541