

AUDITORS' REPORT

To His Worship the Mayor and Members of Council
of **THE CORPORATION OF THE
COUNTY OF PRINCE EDWARD:**

We have audited the consolidated statement of financial position of The Corporation of The County of Prince Edward as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of The County of Prince Edward as at December 31, 2007 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.




CHARTERED ACCOUNTANTS
Licensed Public Accountants

Picton, Ontario.
March 28, 2008

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
FINANCIAL ASSETS		
Cash	\$ 8,953,420	\$ 9,897,593
Taxes receivable	2,013,586	1,997,531
Trade and other receivables	2,006,529	1,798,687
Long term receivables	<u>601,246</u>	<u>685,129</u>
Total assets	\$ <u>13,574,781</u>	\$ <u>14,378,940</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,794,560	\$ 3,370,196
Deposits	296,039	252,315
Deferred revenue (note 2)	2,246,564	591,887
Long-term debt (note 3)	14,280,896	12,347,832
Solid waste landfill closure and post-closure (note 4)	623,571	564,477
Post-employment benefits	<u>62,585</u>	<u>25,000</u>
Total liabilities	<u>21,304,215</u>	<u>17,151,707</u>
MUNICIPAL POSITION		
Operating fund (Schedule 1)	970,049	565,756
Capital fund (Schedule 2)	(3,202,333)	(2,336,649)
Reserves and reserve funds (Schedule 3)	9,340,787	11,787,798
Amounts to be recovered in future years	<u>(14,837,937)</u>	<u>(12,789,672)</u>
Municipal Position	<u>(7,729,434)</u>	<u>(2,772,767)</u>
Total Liabilities and Municipal Position	\$ <u>13,574,781</u>	\$ <u>14,378,940</u>

Approved by:



 Richard Shannon - Chief Administrative Officer



 Wanda Thissen - Treasurer

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	BUDGET	ACTUAL	ACTUAL
	<u>2007</u>	<u>2007</u>	<u>2006</u>
Revenues			
Net taxes available for municipal purposes (note 5)	\$ 21,365,454	\$ 21,443,447	\$ 20,418,155
User fees and sale of goods and services	7,272,657	7,996,443	7,194,701
Government of Canada	2,260,105	111,177	237,863
Province of Ontario	11,746,107	12,161,430	11,768,634
Investment earnings	175,000	522,635	478,985
Fines and penalties	656,000	711,995	658,710
Licences and permits	30,500	51,887	68,277
Donations	28,000	275,870	471,956
Other	<u>1,058,500</u>	<u>1,149,885</u>	<u>607,541</u>
	<u>44,592,323</u>	<u>44,424,769</u>	<u>41,904,822</u>
Expenditures (note 6)			
Current			
General government	3,708,103	3,445,619	3,804,793
Protection services	6,595,065	6,194,561	5,746,340
Transportation services	6,420,053	6,510,601	5,444,884
Environmental services	5,109,233	6,514,781	4,705,945
Health services	2,531,052	2,592,910	2,501,613
Social and family services	8,053,399	8,019,254	7,807,449
Social housing	724,980	724,980	721,898
Recreation and cultural services	3,547,384	3,544,256	3,381,464
Planing and development	<u>1,397,155</u>	<u>1,244,442</u>	<u>1,278,471</u>
	<u>38,086,424</u>	<u>38,791,404</u>	<u>35,392,857</u>
Capital			
General government	87,000	83,192	643,829
Protection services	257,100	236,729	250,485
Transportation services	5,898,600	6,024,383	3,731,227
Environmental services	5,770,400	3,427,413	1,125,717
Health services	30,000	-	116,570
Social and family services	348,000	390,273	222,450
Recreation and cultural services	625,255	428,042	525,496
Planning and development	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,016,355</u>	<u>10,590,032</u>	<u>6,615,774</u>
	<u>51,102,779</u>	<u>49,381,436</u>	<u>42,008,631</u>
Net revenues (expenditures)	(<u>6,510,456</u>)	(<u>4,956,667</u>)	(<u>103,809</u>)
Financing			
Debenture and other long term borrowings	4,474,040	2,909,770	1,565,781
Debt repayment (net of recoveries)	(947,500)	(958,184)	(1,000,510)
Solid waste landfill closure and post-closure liabilities	<u>-</u>	59,094	(231,912)
Post-employment benefits	<u>-</u>	37,585	25,000
Increase in amounts to be recovered in future years	<u>3,526,540</u>	<u>2,048,265</u>	<u>358,359</u>
Changes in fund balances	\$ (<u>2,983,916</u>)	\$ (<u>2,908,402</u>)	\$ <u>254,550</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net revenues (expenditures)	\$ (4,956,667)	\$ (103,809)
Decrease (increase) in taxes receivable	(16,055)	(107,523)
Decrease (increase) in trade and other receivables	(207,842)	359,639
Increase (decrease) in accounts payable and accrued liabilities	424,364	167,465
Increase (decrease) in deposits	43,724	80,328
Increase (decrease) in deferred revenue	1,654,677	(62,904)
Increase (decrease) in solid waste landfill closure and post-closure	59,094	(231,912)
Increase (decrease) in post-employment benefits	<u>37,585</u>	<u>25,000</u>
	(<u>2,961,120</u>)	<u>126,284</u>
INVESTING ACTIVITIES		
Decrease (increase) in long-term receivables	<u>83,883</u>	<u>107,504</u>
FINANCING ACTIVITIES		
Debtenture and other long term borrowings	2,909,769	1,576,681
Repayment of long-term debt	(<u>976,705</u>)	(<u>1,021,939</u>)
	<u>1,933,064</u>	<u>554,742</u>
Increase in cash	(944,173)	788,530
CASH, beginning of year	<u>9,897,593</u>	<u>9,109,063</u>
CASH, end of year	\$ <u>8,953,420</u>	\$ <u>9,897,593</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

The Corporation of 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 are the representation of management prepared in accordance with accounting policies prescribed for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the County and which are owned or controlled by the County. In addition to general government tax-supported operations, they include the following:

The County of Prince Edward Public Library Board

Interdepartmental and organizational transactions and balances are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund Accounting

Funds within the consolidated financial statements consist of the operating, capital, and reserves and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Physical Assets

Physical assets, comprised of capital assets, local improvements, land for future municipal purposes, and inventories of materials and supplies, are recognized as expenditures in the period they are acquired.

(e) Reserves and Reserve Funds for Future Expenditures

Certain amounts, as approved by County Council are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to and/or from reserves and reserve funds are reflected as an adjustment to the respective fund.

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(f) *Government Transfers*

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(g) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenditures during the period. Actual results could differ from those estimates.

2. DEFERRED REVENUE

	Balance December <u>31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance December <u>31, 2007</u>
Externally restricted				
Parkland	\$ 92,154	\$ 4,091	\$ -	\$ 96,245
Development charges	38,256	1,698	-	39,954
Gasoline Tax - Federal	149,517	656,279	749,885	55,911
Building services	246,006	60,043	-	306,049
Water/sewer operations	<u>-</u>	<u>1,690,851</u>	<u>-</u>	<u>1,690,851</u>
	525,933	2,412,962	749,885	2,189,010
Government transfers	53,954	10,554	6,954	57,554
Donations	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
	\$ <u>591,887</u>	\$ <u>2,423,516</u>	\$ <u>768,839</u>	\$ <u>2,246,564</u>

Assets specifically related to the externally restricted resources of \$2,189,010 have been segregated in bank accounts totalling \$2,189,010 at December 31, 2007(2006 - \$525,933).

3. LONG-TERM DEBT

(a) Debt payable, issued in the name of The County of Prince Edward, includes the following amounts:

	<u>2007</u>	<u>2006</u>
Debentures	\$ 129,115	\$ 147,636
Bank loans	13,679,650	11,662,704
Reserve fund loans	<u>472,131</u>	<u>537,492</u>
Net long-term debt	\$ <u>14,280,896</u>	\$ <u>12,347,832</u>
Interest charges on long-term debt	\$ <u>569,166</u>	\$ <u>544,225</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Principal payments on long-term debt for the next five years are estimated as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax-supported debt	\$ 1,237,979	\$ 1,298,628	\$ 1,362,318	\$ 1,422,511	\$ 1,391,984
Less: payments on offsetting amounts receivable	<u>19,861</u>	<u>21,299</u>	<u>22,844</u>	<u>17,811</u>	<u>13,245</u>
	<u>\$ 1,218,118</u>	<u>\$ 1,277,329</u>	<u>\$ 1,339,474</u>	<u>\$ 1,404,700</u>	<u>\$ 1,378,739</u>

(b) Annual debt repayment limit:

The Ministry of Municipal Affairs and Housing has calculated the 2007 debt repayment limit as follows:

Net revenue fund revenues (2005)	\$ <u>26,548,009</u>
25% of net revenue fund revenues	\$ 6,637,002
Net debt charges (2005)	<u>1,212,218</u>
Annual repayment limit	\$ <u>5,424,784</u>

(c) Maturities and interest rates:

Existing long term debt matures in annual amounts to the year 2022 and interest is payable at rates ranging from 4.36% to 8.00% per annum.

4. SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

<u>Landfill Site</u>	<u>Remaining Capacity (Cubic Metres)</u>	<u>Liability December 31, 2007</u>	<u>Liability December 31, 2006</u>
Ameliasburgh	112,370	\$ 156,006	\$ 143,505
Hillier	48,720	144,868	135,616
South Marysburgh	41,690	159,267	138,165
Wellington	16,165	<u>163,430</u>	<u>147,191</u>
		\$ <u>623,571</u>	\$ <u>564,477</u>

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

The liability for closure and post-closure care is calculated as the estimated total expenditures (sum of discounted future cash flows) times the percentage that the cumulative capacity used is of the total estimated capacity. The remaining life for the landfill sites is estimated to be 20 years. The length of time needed for post-closure care of each site is estimated to be 20 years.

Reserves set aside for landfill site closure and post-closure requirements amounted to \$1,037,676 at December 31, 2007 (2006 - \$972,676).

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

5. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	<u>2007</u>	<u>2006</u>
Taxes:		
Property taxes	\$ 27,764,151	\$ 26,468,189
Revenue in lieu of taxes	469,260	477,809
Other	<u>211,074</u>	<u>387,706</u>
	28,444,485	27,333,704
Less taxes on behalf of:		
Education	<u>7,001,038</u>	<u>6,915,549</u>
Net taxes available for municipal purposes	\$ <u>21,443,447</u>	\$ <u>20,418,155</u>

6. EXPENDITURES BY OBJECT

	<u>2007</u>	<u>2006</u>
Salaries, wages and employee benefits	\$ 14,147,521	\$ 13,851,954
Contracted services	13,906,364	9,945,145
Materials, supplies and utilities	15,566,401	12,379,638
Interest and bank charges	569,166	544,225
External transfers	<u>5,191,984</u>	<u>5,287,669</u>
	\$ <u>49,381,436</u>	\$ <u>42,008,631</u>

7. THE COUNTY OF PRINCE EDWARD PUBLIC LIBRARY BOARD

	<u>2007</u>	<u>2006</u>
Financial Position		
Current assets	\$ 147,603	\$ 241,848
Current liabilities	<u>45,939</u>	<u>164,280</u>
Net assets	\$ <u>101,664</u>	\$ <u>77,568</u>
Results of Operations		
Revenues	\$ 198,502	\$ 265,255
Expenditures	<u>851,227</u>	<u>908,430</u>
Net expenditures	\$ (<u>652,725</u>)	\$ (<u>643,175</u>)

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

8. TRUST ASSETS AND LIABILITIES

The County administers trust funds amounting to \$788,152 (2006 - \$621,028). As related trust assets are not owned by the County, the trusts have been excluded from the consolidated financial statements.

Trust funds under County administration are as follows:

	Balance December <u>31, 2006</u>	Net Deposits (Withdrawals)	Interest	Balance December <u>31, 2007</u>
McFarland Home Residents	\$ 87,220	\$ (1,876)	\$ 2,965	\$ 88,309
McFarland Home Bequests	1,387	-	61	1,448
Macaulay Heritage Park	86,730	(1,750)	3,776	88,756
Cemetery Perpetual Care	125,976	14,788	5,953	146,717
Home Renewal Program	3,308	(313)	32	3,027
Other	<u>316,407</u>	<u>125,042</u>	<u>18,446</u>	<u>459,895</u>
	<u>\$ 621,028</u>	<u>\$ 135,891</u>	<u>\$ 31,233</u>	<u>\$ 788,152</u>

9. CONTINGENT LIABILITIES

- (a) As a result of arbitration awards, McFarland Home 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 and Safety 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 and Safety 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 \$168,606 (2006- \$160,809) at the end of the year.

- (b) A large industrial ratepayer has appealed their property assessments for the years 2003 to 2007 inclusive. If their appeal is successful, the County could suffer a significant loss of tax dollars.
- (c) The County and Hydro One are currently in negotiations regarding the possible re-acquisition by the County of Hydro One property at 28 Upper Lake Street. In addition, the County may be required to compensate Hydro One for interior improvements made, as well as paying for property improvements required in the near future. The County may also be responsible for environmental clean-up of the property, the cost of which should be covered by insurance.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

CONTINGENT LIABILITIES

- (d) The County is subject to various legal claims arising in the normal course of its operations, the ultimate result of which cannot be determined at this time. The ultimate disposition of these claims may differ from amounts which have been recorded in the accounts.

10. TANGIBLE CAPITAL ASSETS

During 2007, The Corporation of the County of Prince Edward continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007 the Corporation of the County of Prince Edward had obtained a complete listing for all land, buildings, infrastructure and linear assets, machinery and equipment and vehicles. A complete listing of values is currently underway and expected to be completed by December 31, 2008.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE 1 - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Net taxes available for municipal purposes (note 5)	\$ 21,365,454	\$ 21,443,447	\$ 20,418,155
User fees and sale of goods and services	7,272,657	7,996,443	7,194,701
Government of Canada	760,105	111,177	237,863
Province of Ontario	10,846,107	11,139,590	11,709,008
Investment earnings	175,000	329,658	277,906
Fines and penalties	656,000	711,995	658,710
Licences and permits	30,500	51,887	68,277
Donations	28,000	275,870	471,956
Other	<u>115,000</u>	<u>54,000</u>	<u>887,818</u>
	<u>41,248,823</u>	<u>42,114,067</u>	<u>41,924,394</u>
Expenditures:			
General government	3,708,103	3,445,619	3,804,793
Protection services	6,595,065	6,194,561	5,746,340
Transportation services	6,420,053	6,510,601	5,444,884
Environmental services	5,109,233	6,514,781	4,705,945
Health services	2,531,052	2,592,910	2,501,613
Social and family services	8,053,399	8,019,254	7,807,449
Social housing	724,980	724,980	721,898
Recreation and cultural services	3,547,384	3,544,256	3,381,464
Planning and development	<u>1,397,155</u>	<u>1,244,442</u>	<u>1,278,471</u>
	<u>38,086,424</u>	<u>38,791,404</u>	<u>35,392,857</u>
Net revenues	<u>3,162,399</u>	<u>3,322,663</u>	<u>6,531,537</u>
Financing and transfers			
Debt repayment	(947,500)	(958,184)	(1,000,510)
Solid waste landfill closure and post closure liabilities	-	59,094	(231,912)
Post-employment benefits	-	37,585	25,000
Transfers from (to) capital fund	(5,198,815)	(4,696,853)	(3,857,190)
Transfers from (to) reserves and reserve funds	<u>2,980,716</u>	<u>2,639,988</u>	<u>(1,541,840)</u>
Net financing and transfers	(<u>3,165,599</u>)	(<u>2,918,370</u>)	(<u>6,606,452</u>)
Change in fund balance	(3,200)	404,293	(74,915)
Opening fund balance	<u>3,200</u>	<u>565,756</u>	<u>640,671</u>
Closing fund balance	\$ <u>-</u>	\$ <u>970,049</u>	\$ <u>565,756</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE 2 - CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Government of Canada	\$ 1,500,000	\$ -	\$ -
Province of Ontario	900,000	1,021,840	59,626
Other contributions	<u>943,500</u>	<u>1,095,885</u>	<u>-</u>
	<u>3,343,500</u>	<u>2,117,725</u>	<u>59,626</u>
Expenditures:			
General government	87,000	83,192	643,829
Protection services	257,100	236,729	250,485
Transportation services	5,898,600	6,024,383	3,731,227
Environmental services	5,770,400	3,427,413	1,125,717
Health services	30,000	-	116,570
Social and family services	348,000	390,273	222,450
Recreation and cultural services	625,255	428,042	525,496
Planning and development	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,016,355</u>	<u>10,590,032</u>	<u>6,615,774</u>
Net expenditures	(<u>9,672,855</u>)	(<u>8,472,307</u>)	(<u>6,556,148</u>)
Financing and transfers			
Debenture and other long-term borrowings	4,474,040	2,909,770	1,565,781
Transfers from (to) operating fund	5,198,815	4,696,853	3,857,190
Transfers from (to) reserves and reserve funds	<u>-</u>	<u>-</u>	<u>30,000</u>
Net financing and transfers	<u>9,672,855</u>	<u>7,606,623</u>	<u>5,452,971</u>
Change in fund balance	-	(865,684)	(1,103,177)
Opening fund balance	<u>-</u>	(<u>2,336,649</u>)	(<u>1,233,472</u>)
Closing fund balance	\$ <u>-</u>	\$ (<u>3,202,333</u>)	\$ (<u>2,336,649</u>)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE 3 - RESERVES AND RESERVE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>2007</u>	<u>2006</u>
Revenues			
Investment earnings	\$ <u> -</u>	\$ <u> 192,977</u>	\$ <u> 201,079</u>
Net revenues	<u> -</u>	<u> 192,977</u>	<u> 201,079</u>
Transfers			
Transfers from (to) operating fund	(2,980,716)	(2,639,988)	1,541,840
Transfers from (to) the capital fund	-	-	(30,000)
Transfer to obligatory reserve fund	<u> -</u>	<u> -</u>	<u>(280,277)</u>
Net transfers	(<u>2,980,716</u>)	(<u>2,639,988</u>)	(<u>1,231,563</u>)
Change in fund balance	(2,980,716)	(2,447,011)	1,432,642
Opening fund balance	<u> -</u>	<u> 11,787,798</u>	<u> 10,355,156</u>
Closing fund balance	\$ (<u>2,980,716</u>)	\$ <u> 9,340,787</u>	\$ <u> 11,787,798</u>

Analyzed as follows:

Reserves set aside for specific purpose by Council:

- Acquisition of capital assets	\$ 1,604,896	\$ 1,684,136
- Roads construction	1,260,599	2,136,466
- Recreation programs and facilities	507,730	201,407
- Working capital	570,223	565,542
- Contingencies	1,605,443	1,115,556
- Water and sewer systems	13,463	1,414,562
- Planning and development	318,001	333,318
- Pits and quarries	<u>231,535</u>	<u>231,535</u>
Total reserves	<u>6,111,890</u>	<u>7,682,522</u>

Reserve funds set aside for specific purpose by Council:

- Acquisition of capital assets	311,549	444,733
- Roads construction	477,299	685,233
- Water and sewer systems	148,271	110,664
- Contingencies	2,093,443	2,684,632
- Cemetery maintenance	123,291	111,574
- Parking	71,526	65,071
- Lot levies	<u>3,518</u>	<u>3,369</u>
Total reserve funds	<u>3,228,897</u>	<u>4,105,276</u>
Total reserves and reserve funds	\$ <u> 9,340,787</u>	\$ <u> 11,787,798</u>

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of **THE CORPORATION OF
THE COUNTY OF PRINCE EDWARD:**

We have audited the balance sheet of the trust funds of **THE CORPORATION OF THE COUNTY OF PRINCE EDWARD** as at December 31, 2007 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the County as at December 31, 2007 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements.



CHARTERED ACCOUNTANTS
Licensed Public Accountants

Picton, Ontario.
March 28, 2008.

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
TRUST FUNDS**

**STATEMENT OF CONTINUITY
FOR YEAR ENDED DECEMBER 31, 2007**

	<u>2007 TOTAL</u>
BALANCE , beginning of year	\$ <u>621,028</u>
RECEIPTS:	
Donations	-
Individuals' deposits	412,571
Interest earned	31,233
Plot sales	<u>5,193</u>
	<u>448,997</u>
EXPENDITURES:	
Payments on behalf of individuals	271,650
Scholarships	1,050
Cemetery maintenance	5,098
Loans forgiven - OHRP	-
Administration fees - OHRP	16
Repaid to Province - OHRP	297
Swimming	-
Macaulay park	1,750
Library books	2,000
Recreation	<u>12</u>
	<u>281,873</u>
BALANCE , end of year	\$ <u>788,152</u>
 BALANCE SHEET	
AS AT DECEMBER 31, 2007	
ASSETS	
Cash	\$ 420,741
Accounts receivable	137,805
Investments (note 3)	231,670
Loans to homeowners	<u>2,730</u>
	\$ <u>792,946</u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 4,794
Balance - capital	530,315
- income	<u>257,837</u>
	\$ <u>792,946</u>

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

Welch I.L.P.

An Independent Member of BKR International

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE OF TRUST FUNDS**

**STATEMENT OF CONTINUITY
FOR YEAR ENDED DECEMBER 31, 2007**

	<u>McFARLAND HOME RESIDENTS</u>	<u>McFARLAND HOME BEQUESTS</u>	<u>CRAFT</u>	<u>MACAULAY HERITAGE PARK</u>
BALANCE, beginning of year	\$ <u>87,220</u>	\$ <u>1,387</u>	\$ <u>6,048</u>	\$ <u>86,730</u>
RECEIPTS:				
Donations	-	-	-	-
Individuals' deposits	-	-	-	-
Interest earned	2,965	61	229	3,776
Plot sales	-	-	-	-
	<u>2,965</u>	<u>61</u>	<u>229</u>	<u>3,776</u>
EXPENDITURES:				
Payments on behalf of individuals	1,876	-	1,913	-
Scholarships	-	-	-	-
Cemetery maintenance	-	-	-	-
Loans forgiven - OHRP	-	-	-	-
Administration fees - OHRP	-	-	-	-
Repaid to Province - OHRP	-	-	-	-
Swimming	-	-	-	-
Macaulay park	-	-	-	1,750
Library books	-	-	-	-
Recreation	-	-	-	-
	<u>1,876</u>	<u>-</u>	<u>1,913</u>	<u>1,750</u>
BALANCE, end of year	\$ <u>88,309</u>	\$ <u>1,448</u>	\$ <u>4,364</u>	\$ <u>88,756</u>

**BALANCE SHEET
AS AT DECEMBER 31, 2007**

ASSETS

Cash	\$ 88,309	\$ 1,448	\$ 4,364	\$ 88,756
Accounts receivable	-	-	-	-
Investments	-	-	-	-
Loans to homeowners	-	-	-	-
	<u>\$ 88,309</u>	<u>\$ 1,448</u>	<u>\$ 4,364</u>	<u>\$ 88,756</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Balance - capital	-	-	-	-
- income	<u>88,309</u>	<u>1,448</u>	<u>4,364</u>	<u>88,756</u>
	<u>\$ 88,309</u>	<u>\$ 1,448</u>	<u>\$ 4,364</u>	<u>\$ 88,756</u>

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

Welch LLP

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**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE OF TRUST FUNDS**

**STATEMENT OF CONTINUITY
FOR YEAR ENDED DECEMBER 31, 2007**

	<u>SWIMMING</u>	<u>PERFORMANCE GUARANTEES</u>	<u>LIBRARY LARGE PRINT BOOKS</u>	<u>WELLINGTON FAIR</u>
BALANCE, beginning of year	\$ <u>10,614</u>	\$ <u>222,522</u>	\$ <u>46,017</u>	\$ <u>8</u>
RECEIPTS:				
Donations	-	-	-	-
Individuals' deposits	-	397,878	-	-
Interest earned	471	14,226	2,131	4
Plot sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>471</u>	<u>412,104</u>	<u>2,131</u>	<u>4</u>
EXPENDITURES:				
Payments on behalf of individuals	-	267,861	-	-
Scholarships	-	-	-	-
Cemetery maintenance	-	-	-	-
Loans forgiven - OHRP	-	-	-	-
Administration fees - OHRP	-	-	-	-
Repaid to Province - OHRP	-	-	-	-
Swimming	-	-	-	-
Macaulay park	-	-	-	-
Library books	-	-	2,000	-
Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
	<u>-</u>	<u>267,861</u>	<u>2,000</u>	<u>12</u>
BALANCE, end of year	\$ <u>11,085</u>	\$ <u>366,765</u>	\$ <u>46,148</u>	\$ <u>-</u>

**BALANCE SHEET
AS AT DECEMBER 31, 2007**

ASSETS				
Cash	\$ 11,085	\$ 132,452	\$ 50,148	\$ -
Accounts receivable	-	132,962	-	-
Investments	-	101,351	-	-
Loans to homeowners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,085</u>	<u>\$ 366,765</u>	<u>\$ 50,148</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,000	\$ -
Balance - capital	-	366,765	-	-
- income	<u>11,085</u>	<u>-</u>	<u>46,148</u>	<u>-</u>
	<u>\$ 11,085</u>	<u>\$ 366,765</u>	<u>\$ 50,148</u>	<u>\$ -</u>

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

Welch LLP

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**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE OF TRUST FUNDS**

**STATEMENT OF CONTINUITY
FOR YEAR ENDED DECEMBER 31, 2007**

	<u>AMELIASBURGH SCHOLARSHIP</u>	<u>AMELIASBURGH MUSEUM</u>	<u>WELLINGTON MUSEUM</u>	<u>CONSECON CEMETERY PERPETUAL CARE</u>	<u>BLOOMFIELD CEMETERY PERPETUAL CARE</u>
BALANCE, beginning of year	\$ <u>21,281</u>	\$ <u>4,221</u>	\$ <u>5,696</u>	\$ <u>11,800</u>	\$ <u>57,403</u>
RECEIPTS:					
Donations	-	-	-	-	-
Individuals' deposits	-	-	-	-	-
Interest earned	945	187	253	524	2,414
Plot sales	-	-	-	-	3,393
	<u>945</u>	<u>187</u>	<u>253</u>	<u>524</u>	<u>5,807</u>
EXPENDITURES:					
Payments on behalf of individuals	-	-	-	-	-
Scholarships	1,050	-	-	-	-
Cemetery maintenance	-	-	-	-	2,098
Loans forgiven - OHRP	-	-	-	-	-
Administration fees - OHRP	-	-	-	-	-
Repaid to Province - OHRP	-	-	-	-	-
Swimming	-	-	-	-	-
Macaulay park	-	-	-	-	-
Library books	-	-	-	-	-
Recreation	-	-	-	-	-
	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,098</u>
BALANCE, end of year	\$ <u>21,176</u>	\$ <u>4,408</u>	\$ <u>5,949</u>	\$ <u>12,324</u>	\$ <u>61,112</u>

**BALANCE SHEET
AS AT DECEMBER 31, 2007**

ASSETS					
Cash	\$ 21,176	\$ 4,408	\$ 5,949	\$ 12,324	\$ -
Accounts receivable	-	-	-	-	3,393
Investments	-	-	-	-	57,719
Loans to homeowners	-	-	-	-	-
	<u>\$ 21,176</u>	<u>\$ 4,408</u>	<u>\$ 5,949</u>	<u>\$ 12,324</u>	<u>\$ 61,112</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Balance - capital	21,057	1,000	-	7,100	61,112
- income	119	3,408	5,949	5,224	-
	<u>\$ 21,176</u>	<u>\$ 4,408</u>	<u>\$ 5,949</u>	<u>\$ 12,324</u>	<u>\$ 61,112</u>

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

Welch LLP

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**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
SCHEDULE OF TRUST FUNDS**

**STATEMENT OF CONTINUITY
FOR YEAR ENDED DECEMBER 31, 2007**

	ROSE CEMETERY PERPETUAL CARE	SOPHIASBURGH CEMETERY PERPETUAL CARE	BOWERMAN/ McFAUL CEMETERY PERPETUAL CARE	HOME RENEWAL PROGRAM
BALANCE, beginning of year	\$ <u>22,118</u>	\$ <u>34,655</u>	\$ -	\$ <u>3,308</u>
RECEIPTS:				
Donations	-	-	-	-
Individuals' deposits	-	-	14,693	-
Interest earned	879	1,352	784	32
Plot sales	<u>1,110</u>	<u>340</u>	<u>350</u>	-
	<u>1,989</u>	<u>1,692</u>	<u>15,827</u>	<u>32</u>
EXPENDITURES:				
Payments on behalf of individuals	-	-	-	-
Scholarships	-	-	-	-
Cemetery maintenance	879	1,352	769	-
Loans forgiven - OHRP	-	-	-	16
Administration fees - OHRP	-	-	-	297
Repaid to Province - OHRP	-	-	-	-
Swimming	-	-	-	-
Macaulay park	-	-	-	-
Library books	-	-	-	-
Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>879</u>	<u>1,352</u>	<u>769</u>	<u>313</u>
BALANCE, end of year	\$ <u>23,228</u>	\$ <u>34,995</u>	\$ <u>15,058</u>	\$ <u>3,027</u>

**BALANCE SHEET
AS AT DECEMBER 31, 2007**

ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 322
Accounts receivable	1,110	340	-	-
Investments	22,118	34,655	15,827	-
Loans to homeowners	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,730</u>
	\$ <u>23,228</u>	\$ <u>34,995</u>	\$ <u>15,827</u>	\$ <u>3,052</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 769	\$ 25
Balance - capital	23,228	34,995	15,058	-
- income	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,027</u>
	\$ <u>23,228</u>	\$ <u>34,995</u>	\$ <u>15,827</u>	\$ <u>3,052</u>

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

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**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD
TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. ACCOUNTING POLICIES

Basis of Accounting

Capital receipts, income and expenditures are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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, 2007 comprise repayable loans of \$2,730 and no forgivable loans. Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. 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.

3. INVESTMENTS

The total investments in the trust funds of \$ 231,670 (2006 - \$88,762) reported on the Balance Sheet at cost, have a market value of \$231,957 (2006 - \$90,112) at the end of the year.