

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

**FINANCIAL STATEMENTS**

year ended

December 31, 2008

## 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, 2008 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, 2008 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.

Picton, Ontario.  
June 11, 2009



CHARTERED ACCOUNTANTS  
Licensed Public Accountants

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>FINANCIAL ASSETS</b>		
Cash - note 3	\$ 15,657,941	\$ 8,953,420
Taxes receivable	2,775,571	2,786,229
Trade and other receivables	2,727,576	2,006,529
Long-term receivables - note 4	<u>109,254</u>	<u>129,115</u>
	<u>\$ 21,270,342</u>	<u>\$ 13,875,293</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,137,843	\$ 3,794,560
Prepaid property taxes - note 5	850,175	772,643
Other liabilities - note 6	1,315,472	982,195
Deferred revenue - note 7	6,405,526	2,246,564
Municipal debt - note 8	<u>15,838,341</u>	<u>13,808,765</u>
	<u>28,547,357</u>	<u>21,604,727</u>
<b>MUNICIPAL POSITION - note 11</b>		
Current fund (Schedule)	4,376	970,049
Capital fund (Schedule)	(1,320,408)	(3,202,333)
Reserves and reserve funds (Schedule)	<u>10,732,315</u>	<u>8,868,656</u>
	9,416,283	6,636,372
Amounts to be recovered in future years	<u>(16,693,298)</u>	<u>(14,365,806)</u>
	<u>(7,277,015)</u>	<u>(7,729,434)</u>
	<u>\$ 21,270,342</u>	<u>\$ 13,875,293</u>
<b>CONTINGENT LIABILITIES - note 14</b>		

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

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Net taxes available for municipal purposes - note 9	\$ 21,811,790	\$ 22,544,698	\$ 21,443,447
User fees and sale of goods and services	7,989,112	8,206,068	7,996,443
Government transfers			
Canada	486,228	512,142	111,177
Ontario	17,164,320	14,789,390	12,161,430
Investment income	321,459	321,628	522,635
Fines and penalties	731,000	784,940	711,995
Licenses and permits	39,100	38,152	51,887
Donations	75,208	118,513	275,870
Other	813,812	876,359	1,149,885
	<u>49,432,029</u>	<u>48,191,890</u>	<u>44,424,769</u>
<b>EXPENDITURES</b>			
Current			
General government	3,914,479	3,807,074	3,445,619
Protection services	6,817,994	6,659,842	6,194,561
Transportation services	6,858,623	7,259,239	6,510,601
Environmental services	5,163,032	5,343,544	6,514,781
Health services	2,699,866	2,615,904	2,592,910
Social and family services	8,112,720	7,944,935	8,019,254
Social housing	848,606	848,604	724,980
Recreation and cultural services	3,966,399	3,815,039	3,544,256
Planning and development	2,038,840	1,434,917	1,244,442
	<u>40,420,559</u>	<u>39,729,098</u>	<u>38,791,404</u>
Capital			
General government	333,200	435,634	83,192
Protection services	365,664	353,958	236,729
Transportation services	4,521,635	4,321,857	6,024,383
Environmental services	12,032,700	1,545,960	3,427,413
Health services	34,000	40,853	-
Social and family services	114,199	97,680	390,273
Recreation and cultural services	1,204,892	1,062,241	428,042
Planning and development	150,000	152,189	-
	<u>18,756,290</u>	<u>8,010,372</u>	<u>10,590,032</u>
	<u>(9,744,820)</u>	<u>452,420</u>	<u>(4,956,667)</u>
<b>NET REVENUES (EXPENDITURES)</b>			
<b>FINANCING</b>			
Debtenture and other long-term borrowings	7,298,753	3,202,333	2,909,770
Debt repayment	(1,221,600)	(1,172,757)	(911,344)
Benefitting landowners principal repayments		19,861	18,521
Solid waste landfill closure and post-closure liabilities	-	249,560	59,094
Post-employment benefits	-	28,494	37,585
	<u>6,077,153</u>	<u>2,327,491</u>	<u>2,113,626</u>
	<u>\$ (3,667,667)</u>	<u>\$ 2,779,911</u>	<u>\$ (2,843,041)</u>
<b>CHANGES IN FUND BALANCES</b>			

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

Welch LLP

An Independent Member of BKR International

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>OPERATIONS</b>		
Net revenues (expenditures)	\$ 452,420	\$ (4,956,667)
(Increase) decrease in taxes receivable	10,658	(16,055)
(Increase) decrease in trade and other receivables	(721,047)	(207,842)
(Increase) decrease in long-term receivables	19,861	18,521
Increase (decrease) in accounts payable and accrued liabilities	343,283	424,364
Increase (decrease) in prepaid property taxes	77,532	-
Increase (decrease) in other liabilities	333,277	140,403
Increase (decrease) in deferred revenue	4,158,962	1,654,677
Net increase in cash from operations	<u>4,674,945</u>	<u>(2,942,599)</u>
<b>FINANCING AND OTHER</b>		
Proceeds of long-term debt	3,202,333	2,909,770
Repayment of long-term debt	<u>(1,172,757)</u>	<u>(911,344)</u>
Net increase in cash from financing and other	<u>2,029,576</u>	<u>1,998,426</u>
<b>NET CHANGE IN CASH</b>	6,704,521	(944,173)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>8,953,420</u>	<u>9,897,593</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 15,657,941</u>	<u>\$ 8,953,420</u>

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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.

*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

The County of Prince Edward Public Library Board

Interdepartmental and organizational transactions and balances are eliminated.

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

*b) Accounting for School Board Transactions*

Taxation and other revenues, expenditures, 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 board and transferred to the school board during the year is reflected in note 9 to these statements.

*c) Trust Funds*

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

*d) Basis of Accounting*

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

*e) Fund Accounting*

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

*f) 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 of acquisition.

*g) Deferred Revenue*

The Corporation receives contributions under the authority of provincial legislation and funding agencies. These funds, by their nature, are restricted in their use, and, until applied to applicable projects, are recorded as deferred revenue. Amounts applied to projects are recorded as revenue in the fiscal period in which they are expended.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

*h) Reserves and Reserve Funds*

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

*i) Government Transfers*

Government transfers are recognized as revenues 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.

*j) 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.

*k) Taxation and Related Revenues*

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Municipal Council incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the school boards. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued. A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment.

Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards as appropriate.

*l) Financial Instruments*

The Municipality's financial instruments consist of cash, taxes receivable, trade and other receivables, long-term receivables, accounts payable and accrued liabilities, deposits and municipal debt. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from its financial instruments.

*m) Tangible Capital Assets*

Effective January 1, 2009, the Municipality will adopt the requirements of Section 3150 - Tangible Capital Assets of Local Governments of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA"). This section will require that the Municipality account for its tangible capital assets on the statement of financial position. Currently the Municipality records the costs of acquisition on the tangible capital assets as expenditures in the statement of financial activities.

As at December 31, 2008, the Municipality had completed an inventory of its capital assets and had commenced the preparation of policies for approval by Council.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

2. ACCOUNTING CHANGES

During the year, the Corporation retroactively changed its method of reporting long-term receivables and municipal debt as a result of clarification in recommendations in the Public Sector Accounting Standards Handbook section 2500, related to the principles of consolidation.

The effect of this change is to decrease the previously reported long-term receivable at December 31, 2007 by \$472,131 and a matching decrease in the previously reported municipal debt at December 31, 2007 by \$472,131. This reduction is due to the offset of inter-fund receivables and debits. In addition, the related reserve fund has been reduced by \$472,131 and amounts to be recovered in future years reduced by a similar amount.

3. RESTRICTED ASSETS

Cash in the amount of \$1,876,956 (2007 - \$1,507,678) has been restricted to support obligatory reserve funds and deferred revenue.

4. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

Tile drainage debentures - to be recovered from landowners over the following 8 years	<u>2008</u>	<u>2007</u>
	\$ 109,254	\$ 129,115

5. PREPAID PROPERTY TAXES

As a service to landowners, the Corporation 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 landowner account. These amounts reverse to net taxation revenue annually.

6. OTHER LIABILITIES

Other liabilities consist of the following:

Deposits	<u>2008</u>	<u>2007</u>
Employee future benefits	\$ 351,261	\$ 296,039
Solid waste landfill closure and post-closure care	91,080	62,585
	<u>873,131</u>	<u>623,571</u>
	\$ 1,315,472	\$ 982,195

a) Deposits

These amounts relate to refundable deposits collected by the Corporation on projects that will require inspection by municipal employees. Once the project has passed the inspection, the deposits are refunded. Should the project fail inspection, the deposit is allocated to offset the cost of municipal employees bringing the project to the accepted standard.



THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

6. OTHER LIABILITIES (continued)

b) *Employee future benefits*

The Corporation provides certain post employment benefits to its employees as well as benefits to employees on long-term disability leave. The Corporation has estimated that this liability, based on the present value of estimated future premium payments, amounted to \$91,080 (2007 - \$62,585). Estimation of this liability on an actuarial basis could result in amounts that differ from this estimate.

c) *Solid Waste Landfill Closure and Post-Closure Care*

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 40 years for Ameliasburgh and Hillier, 11 years for South Marysburgh and 10 years for the Wellington site. Post-closure care is estimated to continue for a period of approximately 20 years.

Reserves set aside for landfill site closure and post-closure requirements amounted to \$1,102,676 at December 31, 2008 (2007 - \$1,037,676).

Landfill Site	Remaining Capacity (Cubic Metres)	Liability December 31, 2008	Liability December 31, 2007
Ameliasburgh	115,560	\$ 147,718	\$ 156,006
Hillier	47,345	142,357	144,868
South Marysburgh	37,790	287,950	159,267
Wellington	14,430	295,106	163,430
	<u>215,125</u>	<u>\$ 873,131</u>	<u>\$ 623,571</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.

7. DEFERRED REVENUE

	Balance December 31, 2007	Additions	Transferred to income	Balance December 31, 2008
Externally restricted				
Parkland	\$ 96,245	\$ 51,859	\$ 5,000	\$ 143,104
Development charges	39,954	269,373	-	309,327
Gasoline Tax - Federal	55,911	815,449	871,359	1
Building Services	306,049	127,434	165,500	267,983
Roads/bridges	-	3,796,433	-	3,796,433
Water/sewer operations	1,690,851	709,394	600,191	1,800,054
	<u>2,189,010</u>	<u>5,769,942</u>	<u>1,642,050</u>	<u>6,316,902</u>
Government transfers	57,554	40,554	10,554	87,554
Donations	-	1,070	-	1,070
	<u>\$ 2,246,564</u>	<u>\$ 5,811,566</u>	<u>\$ 1,652,604</u>	<u>\$ 6,405,526</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**8. MUNICIPAL DEBT**

The balance of municipal debt reported on the Consolidated Statement of Financial Position consists of the following:

	<u>2008</u>	<u>2007</u>
Province of Ontario - financing tile drainage debentures issued to landowners, principal and interest to be recovered from landowners, maturing at various dates to 2016	\$ 109,254	\$ 129,115
Bank of Montreal - repayable by monthly payments of \$33,530, interest at a rate of 4.37%, maturing in 2009	3,508,511	3,751,842
Bank of Montreal - repayable by monthly payments of \$20,717, interest at a rate of 7.43%, maturing in 2010	228,625	252,590
Bank of Montreal - repayable by monthly payments of \$33,847, interest at a rate of 4.44%, maturing in 2010	1,841,195	2,158,029
Bank of Montreal - repayable by monthly payments of \$13,306, interest at a rate of 4.36%, maturing in 2010	1,473,974	1,567,203
Bank of Montreal - repayable by monthly payments of \$12,276, interest at a rate of 4.87%, maturing in 2011	1,403,662	1,480,610
Bank of Montreal - repayable by monthly payments of \$4,335, interest at a rate of 5.26%, maturing in 2011	144,080	187,300
Bank of Montreal - repayable by monthly payments of \$3,193, interest at a rate of 5.26%, maturing in 2011	106,126	137,961
Bank of Montreal - repayable by monthly payments of \$3,726, interest at a rate of 4.96%, maturing in 2012	448,863	470,735
Bank of Montreal - repayable by monthly payments of \$14,703, interest at a rate of 4.96%, maturing in 2012	1,771,024	1,857,325
Bank of Montreal - repayable by monthly payments of \$4,709, interest at a rate of 5.28%, maturing in 2012	203,354	247,860
Bank of Montreal - repayable by monthly payments of \$10,236, interest at a rate of 4.12%, maturing in 2013	1,372,703	-
Bank of Montreal - repayable by monthly payments of \$12,442, interest at a rate of 4.51%, maturing in 2015	876,534	983,708
Bank of Montreal - repayable by monthly payments of \$7,393, interest at a rate of 4.51%, maturing in 2015	520,807	584,487
Bank of Montreal - repayable by monthly payments of \$14,354, interest at a rate of 4.88%, maturing in 2018	<u>1,829,629</u>	<u>-</u>
	<u>\$ 15,838,341</u>	<u>\$ 13,808,765</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**8. MUNICIPAL DEBT (continued)**

Interest included in expenditures in the Consolidated Statement of Financial Activities relating to the bank loans totals \$616,556 with additional interest of \$8,845 being both received from landowners and paid on tile drainage debentures.

Principal payments are estimated to be as follows:

2009	\$ 4,630,956
2010	3,796,134
2011	1,883,492
2012	2,309,651
2013	1,413,050
Thereafter	1,805,058
	<u>\$ 15,838,341</u>

**9. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES**

	2008	2007
Taxes:		
Property taxes	\$ 28,937,111	\$ 27,764,151
Revenue in lieu of taxes	469,116	469,260
Other	189,163	211,074
	<u>29,595,390</u>	<u>28,444,485</u>
Less taxes on behalf of:		
Education	7,050,692	7,001,038
Net taxes available for municipal purposes	<u>\$ 22,544,698</u>	<u>\$ 21,443,447</u>

**10. EXPENDITURES BY OBJECT**

	2008	2007
Salaries, wages and employee benefits	\$ 15,256,490	\$ 14,147,521
Contracted services	15,384,073	13,906,364
Materials, supplies and utilities	10,324,017	15,135,014
Rents and financial expense	662,979	431,387
Interest on long-term debt	625,401	569,166
External transfers	5,161,827	5,191,984
	<u>\$ 47,414,787</u>	<u>\$ 49,381,436</u>

**11. MUNICIPAL POSITION AT THE END OF THE YEAR**

The municipal position is comprised of the following:

	2008	2007
Revenue fund		
County of Prince Edward	\$ (35,758)	\$ 865,749
County of Prince Edward Public Library Board	28,676	101,664
Business Improvement Area	11,458	2,636
	<u>\$ 4,376</u>	<u>\$ 970,049</u>
Capital fund		
Roads	\$ (771,346)	\$ (1,372,703)
Water	(469,062)	(1,829,630)
Sanitary sewer	(80,000)	-
	<u>\$ (1,320,408)</u>	<u>\$ (3,202,333)</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**11. MUNICIPAL POSITION AT THE END OF THE YEAR (continued)**

	2008	2007
Reserves and reserve funds	\$ 10,732,315	\$ 8,868,656
Amounts to be recovered		
Long-term debt	\$ 15,729,087	\$ 13,679,650
Landfill closure and post-closure costs	873,131	623,571
Employee costs	91,080	62,585
	\$ 16,693,298	\$ 14,365,806

**12. BUDGET FIGURES**

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with the current year actual amounts, they have been reflected on the Consolidated Statement of Financial Activities. Budget figures are not subject to audit.

**13. PENSION AGREEMENTS**

The Municipality makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, for those employees who are members. The plan is a contributory 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 registered retirement savings plans and OMERS for 2008 was \$586,955 (2007 - \$564,249) for current service are included as an expenditure on the Consolidated Statement of Financial Activities. There is no past service liability. The actuarial valuation of the OMERS plan at December 31, 2008 indicated a surplus in the plan.

**14. 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 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 \$165,117 (2007 - \$168,606) at December 31, 2008. No amount has been accrued in the financial statements for this contingent liability.
- b) A large industrial ratepayer has appealed their property assessments for the years 2003 to 2007 inclusive. While a settlement was reached during the current period for the 2003 to 2005 tax years, and the liability for that settlement has been reflected in these statements, the appeal for the years 2006 and 2007 are still outstanding, and no amount has been accrued for any potential settlement. The amount under appeal is approximately \$130,000.
- c) As at December 31, 2008, 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.
- d) During the year, the County settled a suit with Hydro One concerning the property at 28 Upper Lake Street in accordance with Bylaw 2259-2008. The County may still be responsible for the 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, 2008**

**15. TRUST FUNDS**

Trust funds administered by the County amounting to \$875,430 (2007 - \$788,152) have not been included in the Consolidated Statement of Financial Position, nor have their operations been included on the Consolidated Statement of Financial Activities. Such balances are held in trust by the County for the benefit of others and are therefore not presented as part of the Municipal financial position or financial activities.

**16. COMMITMENTS**

The County has contracts committing it to payments in future years. The following agreements existed at December 31, 2008.

An agreement with the County of Hastings for the provision of land ambulance services to December 31, 2011. Costs will be charged on the basis of services used. Base charges for the 2008 year were \$1,950,317.

An agreement with the Province of Ontario for policing services. Costs will be charged on the basis of services used. Base charges for the 2008 year were \$3,479,070.

An agreement with the City of Quinte West for the provision of bulk water to the areas of Consecon and Carrying Place to July 27, 2027. Costs will be charged on the basis of water used. Base charges for the 2008 year were \$41,372.

An agreement with the City of Belleville for the provision of bulk water to the areas of Rossmore and Fenwood to December 31, 2020. Costs will be charged on the basis of water used. Base charges for the 2008 year were \$275,855.

An agreement with Canadian Waste Services Inc. for the collection of household waste. Base charges for the 2008 year were \$544,173.

**17. 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 Licence Act, Municipal By-laws 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, 2008 are as follows:

	2008	2007
Gross revenues received	\$ 348,437	\$ 412,717
Gross expenditures	188,423	209,414
Net revenues	\$ 160,014	\$ 203,303

**18. COMPARATIVE FIGURES**

Certain prior year amounts have been reclassified to conform with the presentation adopted for the current year.

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Net taxes available for municipal purposes	\$ 21,811,790	\$ 22,544,698	\$ 21,443,447
User fees and sale of goods and services	7,989,112	8,206,068	7,996,443
Government transfers			
Canada	228,042	253,956	111,177
Province of Ontario	10,002,987	12,574,740	11,139,590
Investment earnings	193,000	199,506	329,658
Fines and penalties	731,000	784,940	711,995
Licenses and permits	39,100	38,152	51,887
Donations	75,208	118,513	275,870
Other	<u>4,700</u>	<u>5,000</u>	<u>54,000</u>
Total Revenues	<u>41,074,939</u>	<u>44,725,573</u>	<u>42,114,067</u>
<b>EXPENDITURES</b>			
General government	3,914,479	3,807,074	3,445,619
Protection services	6,817,994	6,659,842	6,194,561
Transportation services	6,858,623	7,259,239	6,510,601
Environmental services	5,163,032	5,343,544	6,514,781
Health services	2,699,866	2,615,904	2,592,910
Social and family services	8,112,720	7,944,935	8,019,254
Social housing	848,606	848,604	724,980
Recreation and cultural services	3,966,399	3,815,039	3,544,256
Planning and development	<u>2,038,840</u>	<u>1,434,917</u>	<u>1,244,442</u>
Total expenditures	<u>40,420,559</u>	<u>39,729,098</u>	<u>38,791,404</u>
<b>NET REVENUES</b>	<u>654,380</u>	<u>4,996,475</u>	<u>3,322,663</u>
<b>FINANCING, TRANSFERS AND OTHER</b>			
Debt repayment	(1,221,600)	(1,172,757)	(911,344)
Benefitting landowners principal repayments		19,861	18,521
Solid waste landfill closure and post-closure liabilities		249,560	59,094
Post-employment benefits		28,494	37,585
Transfers from (to) capital fund	(2,370,864)	(2,182,385)	(4,696,853)
Transfers from (to) reserves and reserve funds	<u>2,894,641</u>	<u>(2,904,921)</u>	<u>2,574,627</u>
Net financing and transfers	<u>(697,823)</u>	<u>(5,962,148)</u>	<u>(2,918,370)</u>
Change in fund balance	\$ <u>(43,443)</u>	(965,673)	404,293
Opening fund balance		<u>970,049</u>	<u>565,756</u>
<b>CLOSING FUND BALANCE</b>	\$ <u><u>4,376</u></u>	\$ <u><u>970,049</u></u>	\$ <u><u>970,049</u></u>

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Government of Canada	\$ 258,186	\$ 258,186	\$ -
Province of Ontario	7,161,333	2,214,650	1,021,840
Other contributions	809,112	871,359	1,095,885
	<u>8,228,631</u>	<u>3,344,195</u>	<u>2,117,725</u>
<b>EXPENDITURES</b>			
General government	333,200	435,634	83,192
Protection services	365,664	353,958	236,729
Transportation services	4,521,635	4,321,857	6,024,383
Environmental services	12,032,700	1,545,960	3,427,413
Health services	34,000	40,853	-
Social and family services	114,199	97,680	390,273
Recreation and cultural services	1,204,892	1,062,241	428,042
Planning and development	150,000	152,189	-
	<u>18,756,290</u>	<u>8,010,372</u>	<u>10,590,032</u>
<b>NET EXPENDITURES</b>	<u>(10,527,659)</u>	<u>(4,666,177)</u>	<u>(8,472,307)</u>
<b>FINANCING AND TRANSFERS</b>			
Debture and other long-term borrowings	7,298,753	3,202,333	2,909,770
Transfers from (to) revenue fund	2,370,864	2,182,385	4,696,853
Transfers from (to) reserves and reserve funds	858,042	1,163,384	-
	<u>10,527,659</u>	<u>6,548,102</u>	<u>7,606,623</u>
Net financing and transfers			
Change in fund balance	\$ -	1,881,925	(865,684)
Opening fund balance		<u>(3,202,333)</u>	<u>(2,336,649)</u>
<b>CLOSING FUND BALANCE</b>	<u>\$ (1,320,408)</u>	<u>\$ (3,202,333)</u>	<u>\$ (3,202,333)</u>

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Investment earnings	\$ -	\$ 122,122	\$ 192,977
Net revenues	<u>-</u>	<u>122,122</u>	<u>192,977</u>
<b>TRANSFERS</b>			
Transfers from (to) revenue fund	(435,027)	2,904,921	(2,574,627)
Transfers from (to) capital fund	(988,064)	(1,163,384)	-
Net transfers	<u>(1,423,091)</u>	<u>1,741,537</u>	<u>(2,574,627)</u>
Change in fund balance	\$ <u>(1,423,091)</u>	1,863,659	(2,381,650)
Opening fund balance		<u>8,868,656</u>	<u>11,250,306</u>
<b>CLOSING FUND BALANCE</b>		<u>\$ 10,732,315</u>	<u>\$ 8,868,656</u>
Analyzed as follows:			
Reserves set aside for specific purpose by Council			
Acquisition of capital assets	\$ 1,737,141	\$ 1,604,896	
Roads construction	400,440	1,260,599	
Recreation programs and facilities	679,793	507,730	
Working capital	575,309	570,223	
Contingencies	2,290,500	1,605,443	
Water and sewer systems	13,463	13,463	
Planning and development	407,681	318,001	
Pits and quarries	<u>231,556</u>	<u>231,535</u>	
Total reserves	<u>6,335,882</u>	<u>6,111,890</u>	
Reserve funds set aside for a specific purpose by Council			
Acquisition of capital assets	2,585,149	311,549	
Roads construction	8,892	5,168	
Water and sewer systems	167,330	148,271	
Contingencies	1,432,239	2,093,443	
Cemetery maintenance	130,503	123,291	
Parking	68,692	71,526	
Lot levies	<u>3,628</u>	<u>3,518</u>	
Total reserve funds	<u>4,396,433</u>	<u>2,756,766</u>	
Total reserves and reserve funds		<u>\$ 10,732,315</u>	<u>\$ 8,868,656</u>

The accompanying notes are an integral part of these 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, 2008, 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, 2008, 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.  
May 25, 2009

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

**STATEMENT OF CONTINUITY  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
	<u>TOTAL</u>	<u>TOTAL</u>
<b>BALANCE, beginning of year</b>	\$ <u>788,152</u>	\$ <u>621,028</u>
<b>RECEIPTS:</b>		
Donations	-	-
Individuals' deposits	282,858	412,571
Interest earned	24,255	31,233
Plot sales	<u>6,580</u>	<u>5,193</u>
	<u>313,693</u>	<u>448,997</u>
<b>EXPENDITURES:</b>		
Payments on behalf of individuals	218,317	271,650
Scholarships	750	1,050
Cemetery maintenance	5,035	5,098
Loans forgiven - OHRP	-	-
Administration fees - OHRP	16	16
Repaid to Province - OHRP	297	297
Swimming	-	-
Macaulay park	-	1,750
Library books	2,000	2,000
Recreation	<u>-</u>	<u>12</u>
	<u>226,415</u>	<u>281,873</u>
<b>BALANCE, end of year</b>	\$ <u><u>875,430</u></u>	\$ <u><u>788,152</u></u>

**BALANCE SHEET  
AS AT DECEMBER 31, 2008**

<b>ASSETS</b>		
Cash	\$ 720,930	\$ 420,741
Accounts receivable	6,580	137,805
Investments (note 3)	152,253	231,670
Loans to homeowners	<u>2,438</u>	<u>2,730</u>
	<u>\$ 882,201</u>	<u>\$ 792,946</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 6,771	\$ 4,794
Balance - capital	607,385	530,315
- income	<u>268,045</u>	<u>257,837</u>
	<u>\$ 882,201</u>	<u>\$ 792,946</u>

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
SCHEDULE OF CONTINUITY OF TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>McFARLAND HOME RESIDENTS</u>	<u>McFARLAND HOME BEQUESTS</u>	<u>CRAFT</u>	<u>MACAULAY HERITAGE PARK</u>
<b>BALANCE</b> , beginning of year	\$ <u>88,309</u>	\$ <u>1,448</u>	\$ <u>4,364</u>	\$ <u>88,756</u>
<b>RECEIPTS:</b>				
Donations	-	-	-	-
Individuals' deposits	5,858	-	-	-
Interest earned	2,170	45	126	2,761
Plot sales	-	-	-	-
	<u>8,028</u>	<u>45</u>	<u>126</u>	<u>2,761</u>
<b>EXPENDITURES:</b>				
Payments on behalf of individuals	-	-	985	-
Scholarships	-	-	-	-
Cemetery maintenance	-	-	-	-
Loans forgiven - OHRP	-	-	-	-
Administration fees - OHRP	-	-	-	-
Repaid to Province - OHRP	-	-	-	-
Swimming	-	-	-	-
Macauley park	-	-	-	-
Library books	-	-	-	-
Recreation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>985</u>	<u>-</u>
<b>BALANCE</b> , end of year	\$ <u><u>96,337</u></u>	\$ <u><u>1,493</u></u>	\$ <u><u>3,505</u></u>	\$ <u><u>91,517</u></u>

**BALANCE SHEET  
AS AT DECEMBER 31, 2008**

<b>ASSETS</b>				
Cash	\$ 96,337	\$ 1,493	\$ 3,505	\$ 91,517
Accounts receivable	-	-	-	-
Investments (note 3)	-	-	-	-
Loans to homeowners	-	-	-	-
	<u>96,337</u>	<u>1,493</u>	<u>3,505</u>	<u>91,517</u>
	<u><u>96,337</u></u>	<u><u>1,493</u></u>	<u><u>3,505</u></u>	<u><u>91,517</u></u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Balance - capital	-	-	-	-
- income	96,337	1,493	3,505	91,517
	<u>96,337</u>	<u>1,493</u>	<u>3,505</u>	<u>91,517</u>
	<u><u>96,337</u></u>	<u><u>1,493</u></u>	<u><u>3,505</u></u>	<u><u>91,517</u></u>

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
SCHEDULE OF CONTINUITY OF TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>SWIMMING</u>	<u>PERFORMANCE GUARANTEES</u>	<u>LIBRARY LARGE PRINT BOOKS</u>	<u>AMELIASBURGH SCHOLARSHIP</u>
<b>BALANCE, beginning of year</b>	\$ 11,085	\$ 366,765	\$ 46,148	\$ 21,176
<b>RECEIPTS:</b>				
Donations	-	-	-	-
Individuals' deposits	-	277,000	-	-
Interest earned	345	10,822	1,565	659
Plot sales	-	-	-	-
	345	287,822	1,565	659
<b>EXPENDITURES:</b>				
Payments on behalf of individuals	-	217,332	-	-
Scholarships	-	-	-	750
Cemetery maintenance	-	-	-	-
Loans forgiven - OHRP	-	-	-	-
Administration fees - OHRP	-	-	-	-
Repaid to Province - OHRP	-	-	-	-
Swimming	-	-	-	-
Macaulay park	-	-	-	-
Library books	-	-	2,000	-
Recreation	-	-	-	-
	-	217,332	2,000	750
<b>BALANCE, end of year</b>	\$ 11,430	\$ 437,255	\$ 45,713	\$ 21,085

**BALANCE SHEET  
AS AT DECEMBER 31, 2008**

<b>ASSETS</b>				
Cash	\$ 11,430	\$ 419,381	\$ 51,713	\$ 21,835
Accounts receivable	-	-	-	-
Investments (note 3)	-	17,874	-	-
Loans to homeowners	-	-	-	-
	\$ 11,430	\$ 437,255	\$ 51,713	\$ 21,835
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,000	\$ 750
Balance - capital	-	437,255	-	21,057
- income	11,430	-	45,713	28
	\$ 11,430	\$ 437,255	\$ 51,713	\$ 21,835

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
SCHEDULE OF CONTINUITY OF TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	AMELIASBURGH MUSEUM	WELLINGTON MUSEUM	CONSECON CEMETERY PERPETUAL CARE	BLOOMFIELD CEMETERY PERPETUAL CARE
<b>BALANCE</b> , beginning of year	\$ 4,408	\$ 5,949	\$ 12,324	\$ 61,112
<b>RECEIPTS:</b>				
Donations	-	-	-	-
Individuals' deposits	-	-	-	-
Interest earned	137	185	384	2,194
Plot sales	-	-	-	880
	137	185	384	3,074
<b>EXPENDITURES:</b>				
Payments on behalf of individuals	-	-	-	-
Scholarships	-	-	-	-
Cemetery maintenance	-	-	-	2,194
Loans forgiven - OHRP	-	-	-	-
Administration fees - OHRP	-	-	-	-
Repaid to Province - OHRP	-	-	-	-
Swimming	-	-	-	-
Macaulay park	-	-	-	-
Library books	-	-	-	-
Recreation	-	-	-	-
	-	-	-	2,194
<b>BALANCE</b> , end of year	\$ 4,545	\$ 6,134	\$ 12,708	\$ 61,992

**BALANCE SHEET  
AS AT DECEMBER 31, 2008**

<b>ASSETS</b>				
Cash	\$ 4,545	\$ 6,134	\$ 12,708	\$ 6
Accounts receivable	-	-	-	880
Investments (note 3)	-	-	-	61,106
Loans to homeowners	-	-	-	-
	\$ 4,545	\$ 6,134	\$ 12,708	\$ 61,992
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Balance - capital	1,000	-	7,100	61,992
- income	3,545	6,134	5,608	-
	\$ 4,545	\$ 6,134	\$ 12,708	\$ 61,992

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
SCHEDULE OF CONTINUITY OF TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ROSE CEMETERY PERPETUAL FUND	SOPHIASBURGH CEMETERY PERPETUAL CARE	BOWERMAN/ McFAUL CEMETERY PERPETUAL CARE	HOME RENEWAL PROGRAM
<b>BALANCE, beginning of year</b>	\$ 23,228	\$ 34,995	\$ 15,058	\$ 3,027
<b>RECEIPTS:</b>				
Donations	-	-	-	-
Individuals' deposits	-	-	-	-
Interest earned	970	1,272	599	21
Plot sales	680	4,970	50	-
	<u>1,650</u>	<u>6,242</u>	<u>649</u>	<u>21</u>
<b>EXPENDITURES:</b>				
Payments on behalf of individuals	-	-	-	-
Scholarships	-	-	-	-
Cemetery maintenance	970	1,272	599	-
Loans forgiven - OHRP	-	-	-	-
Administration fees - OHRP	-	-	-	16
Repaid to Province - OHRP	-	-	-	297
Swimming	-	-	-	-
Macaulay park	-	-	-	-
Library books	-	-	-	-
Recreation	-	-	-	-
	<u>970</u>	<u>1,272</u>	<u>599</u>	<u>313</u>
<b>BALANCE, end of year</b>	<u>\$ 23,908</u>	<u>\$ 39,965</u>	<u>\$ 15,108</u>	<u>\$ 2,735</u>

**BALANCE SHEET  
AS AT DECEMBER 31, 2008**

<b>ASSETS</b>				
Cash	\$ 2	\$ 4	\$ 2	\$ 318
Accounts receivable	680	4,970	50	-
Investments (note 3)	23,226	34,991	15,056	-
Loans to homeowners	-	-	-	2,438
	<u>\$ 23,908</u>	<u>\$ 39,965</u>	<u>\$ 15,108</u>	<u>\$ 2,756</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 20
Balance - capital	23,908	39,965	15,108	-
- income	-	-	-	2,736
	<u>\$ 23,908</u>	<u>\$ 39,965</u>	<u>\$ 15,108</u>	<u>\$ 2,756</u>

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

**THE CORPORATION OF THE COUNTY OF PRINCE EDWARD  
TRUST FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 Plan 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, 2008 are comprised of repayable loans of \$2,438 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 \$152,253 (2007 - \$231,670) reported on the balance sheet at cost have a market value of \$150,628 (2007 - \$231,957) at year end.