

Consolidated Financial Statements of

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

Year ended December 31, 2013

Consolidated Financial Statements of

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Year ended December 31, 2013

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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.



Merfin J. Dewing
Chief Administrative Officer



James Hepburn
Director of Finance



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INDEPENDENT AUDITORS' REPORT

To the Members of Council of the Corporation of the County of Prince Edward

We have audited the accompanying consolidated financial statements of The Corporation of the County of Prince Edward, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the County of Prince Edward as at December 31, 2013, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

June 10, 2014

Kingston, Canada

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

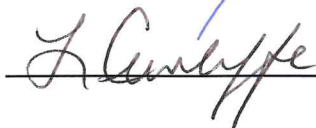
	2013	2012
Financial assets:		
Cash (note 4)	\$ 17,469,165	\$ 16,897,246
Taxes receivable	4,266,374	3,534,317
Trade and other receivables	3,823,687	3,215,071
Long-term investments	55,763	55,763
	<u>25,614,989</u>	<u>23,702,397</u>
Liabilities:		
Temporary borrowing (note 7)	—	8,200,000
Accounts payable and accrued liabilities	7,110,177	7,365,673
Prepaid property taxes (note 8)	1,349,856	1,298,663
Solid waste landfill and post closure liabilities (note 9)	1,827,000	1,810,000
Deferred revenue	258,282	300,667
Deferred revenue – obligatory reserve funds (note 10)	6,337,172	5,503,685
Municipal debt (note 11)	38,931,731	33,598,804
Obligation under capital lease (note 12)	349,721	354,289
	<u>56,163,939</u>	<u>58,431,781</u>
Net debt	(30,548,950)	(34,729,384)
Non-financial assets:		
Tangible capital assets (note 13)	204,068,515	221,482,212
Inventory (note 14)	2,966,099	2,930,530
Prepaid expense	148,362	494,458
	<u>207,182,976</u>	<u>224,907,200</u>
Contingent liabilities (note 18)		
Commitments (note 21)		
Accumulated surplus (note 15)	\$ 176,634,026	\$ 190,177,816

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

Approved by Council:



Peter A. Mertens, Mayor



Kim White, Clerk

Laura Cunliffe - Deputy Clerk

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2013, with comparative information for 2012

	Budget 2013 (note 24)	Actual 2013	Actual 2012
Revenue:			
Net taxes available for municipal purposes	\$ 28,984,230	\$ 28,915,503	\$ 27,361,083
User charges	11,119,675	10,889,061	11,145,902
Government grants	8,934,340	9,248,203	8,964,719
Other municipalities	–	26,817	136,486
Investment income	98,954	154,009	95,961
Interest earned on reserves	–	–	32,125
Fines and penalties	1,093,197	1,141,592	1,016,013
Donations	20,200	125,806	104,429
Total revenue	50,250,596	50,500,991	48,856,718
Expenses (note 20):			
General government	4,919,616	5,061,801	4,810,960
Protection services	8,690,256	8,195,157	8,438,043
Transportation services	12,070,942	12,041,509	12,428,377
Environmental services	10,857,530	10,136,860	9,287,021
Health services	3,211,815	3,229,437	3,077,279
Social and family services	6,979,652	7,109,086	6,893,018
Social housing	1,024,100	1,053,096	937,104
Recreation and cultural services	5,601,065	6,010,529	5,824,166
Planning and development	1,514,465	1,412,117	1,213,934
Total expenses	54,869,441	54,249,592	52,909,902
Net expenses	(4,618,845)	(3,748,601)	(4,053,184)
Other income (expenses) related to capital:			
Government transfers:			
Canada	1,540,000	986,243	2,099,376
Ontario	1,404,270	908,434	66,981
Other	69,500	334,249	314,520
Transfer from obligatory reserve funds (note 10)	150,000	306,523	673,262
Tangible capital assets gain (loss)	25,000	(12,330,638)	(284,187)
	3,188,770	(9,795,189)	2,869,952
Annual deficit		(13,543,790)	(1,183,232)
Accumulated surplus, beginning of year		190,177,816	191,361,048
Accumulated surplus, end of year (note 15)		\$ 176,634,026	\$ 190,177,816

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, 2013, with comparative information for 2012

	2013	2012
Annual deficit	\$ (13,543,790)	\$ (1,183,232)
Amortization of tangible capital assets	9,004,238	8,895,623
Acquisition of tangible capital assets	(3,814,155)	(5,300,811)
Loss on disposal of tangible capital assets	12,113,996	232,738
Proceeds on sale of tangible capital assets	109,235	88,663
Use of supplies inventories	(35,569)	59,591
Acquisition of prepaid expense	346,479	(213,590)
	17,724,224	3,762,214
Change in net debt	4,180,434	2,578,982
Net debt, beginning of year	(34,729,384)	(37,308,366)
Net debt, end of year	\$ (30,548,950)	\$ (34,729,384)

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, 2013, with comparative information for 2012

	2013	2012
Operating activities:		
Annual deficit	\$(13,543,790)	\$ (1,183,232)
Items not involving cash:		
Amortization	9,004,238	8,895,623
Loss on disposal of tangible capital assets	12,113,996	232,738
Solid waste landfill closure and post-closure liabilities	17,000	41,500
Change in non-cash assets and liabilities:		
Taxes receivable	(732,057)	(20,015)
Trade and other receivables	(608,616)	305,961
Prepaid expenses	346,479	(213,590)
Inventory	(35,569)	59,590
Long-term receivables	–	38,283
Accounts payable and accrued liabilities	(255,496)	1,118,375
Prepaid property taxes	51,193	(215,315)
Deferred revenue	(42,385)	29,528
Deferred revenue – obligatory reserve funds	833,487	642,844
Net change in cash from operating activities	7,148,480	9,732,290
Capital activities:		
Acquisition of tangible capital assets	(3,814,155)	(5,300,811)
Loss on sale of tangible capital assets	–	88,663
Proceeds on sale of tangible capital assets	109,235	–
Net change in cash from capital activities	(3,704,920)	(5,212,148)
Financing activities:		
Proceeds from (repayment of) temporary borrowing	(8,200,000)	(21,950,290)
Proceeds from (repayment of) long-term debt	5,332,927	20,035,716
Repayment of obligation under capital lease	(4,568)	(3,676)
Net change in cash from financing activities	(2,871,641)	(1,918,250)
Increase in cash	571,919	2,601,892
Cash, beginning of year	16,897,246	14,295,354
Cash, end of year	\$ 17,469,165	\$ 16,897,246
Interest received	\$ 153,748	\$ 128,086
Interest paid	1,322,661	1,077,310

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, 2013

The Corporation of the County of Prince Edward (the "County") 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 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, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the County and which are owned or controlled by the County. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

The County of Prince Edward Public Library Board

Picton Business Improvement Area Board of Management

Interdepartmental and organizational transactions and balances are eliminated.

(ii) Proportionate consolidation:

The following local boards and joint boards are proportionately consolidated:

Centre and South Hastings Waste Services Board.

The County is a member of the Centre & South Hastings Waste Services Board, a Joint Municipal Service Board operating waste reduction programs including recycling, hazardous waste management and composting. Consistent with generally accepted accounting treatment for government partnerships, the joint service board is accounted for on a proportionate consolidated basis whereby the County's pro-rata share of each of the financial assets, liabilities, non-financial assets, revenue and expenses are combined on a line by line basis in the consolidated financial statements.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Non-consolidated entities:

The following local board is not consolidated:

The Hastings and Prince Edward Counties Health Unit.

(iv) Accounting for school board transactions:

Taxation and other revenues, 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 16 to these statements.

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

(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) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(d) 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.

(e) Deferred revenue – 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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(f) 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.

(g) Reserves and reserve funds:

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

(h) 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.

(i) 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. 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 issuance of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the County 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.

(j) Employee future benefits:

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

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(k) 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, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful life as follows:

Asset	Useful Life - Years
Land improvements	20 - 40
Buildings	20 - 50
Leasehold improvements	10
Vehicles	5 - 20
Equipment	5 - 30
Computer hardware and software	5 - 10
Bridges and structures	40-75
Roads	8 - 50
Underground and other networks	15 - 80

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, transfer of assets to third parties is 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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(l) Inventories of supplies:

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

(m) 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. Significant items subject to such estimates and assumptions include landfill closure and post-closure liability and the employee post employment benefit liability.

Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Change in accounting policies:

(a) Property taxation:

The County adopted Public Sector Accounting Standard PS 3510, Tax Revenue effective January 1, 2013. This standard was adopted on a prospective basis.

Under PS 3510, municipalities recognize property tax revenue using the approved tax rate and the anticipated assessment. Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations. There were no adjustments as a result of the adoption of this standard.

(b) Government transfers:

The County adopted Public Sector Accounting Standard PS 3410, Government Transfers effective January 1, 2013. This standard was adopted on a prospective basis. Under PS 3410, government contribution transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability.

Government transfers distributed are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient. There were no adjustments as a result of the adoption of this standard.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

3. Financial instruments:

The County's financial instruments consist of cash, taxes receivable, trade and other receivables, long-term receivables, long-term investments, bank indebtedness, temporary borrowing, accounts payable and accrued liabilities, other liabilities, municipal debt, and obligations under capital lease. Unless otherwise noted, it is management's opinion that the County is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

4. Restricted assets:

Cash in the amount of \$6,337,172 (2012 - \$5,503,685) has been restricted to support obligatory reserve funds.

5. Contributions to consolidated joint boards:

Further to note 1(a)(ii) the County paid \$383,815 (2012 - \$358,407) to Centre & South Hasting Waste Services Board for recycling services.

6. 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, 2013, \$Nil (2012 - \$ Nil) was drawn.

7. Temporary borrowings:

In the prior year, the County had arranged bridge financing for a number of capital projects through the Ontario Infrastructure Projects Corporation (OPIC) and the Ontario Infrastructure and Lands Corporation (OILC).

As at December 31, 2013, \$Nil (2012 - \$8,200,000) remained outstanding.

8. 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 landowner account. These amounts reverse to net taxation revenue annually.

9. Solid waste landfill closure 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 CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

9. Solid waste landfill closure and post-closure liabilities (continued):

The remaining life for the landfill sites is estimated to be 9 years for Ameliasburgh, 12 years for Hillier, 7 years for South Marysburgh and 7 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 \$1,001,016 at December 31, 2013 (2012 - \$936,016).

	Remaining capacity (cubic meters)	Liability December 31, 2013	Liability December 31, 2012
Ameliasburgh	84,225	\$ 373,372	\$ 377,752
Hillier	44,640	477,457	474,172
South Marysburgh	22,460	457,709	443,428
Wellington	8,150	518,462	514,648
		\$ 1,827,000	\$ 1,810,000

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.

10. Deferred revenue – obligatory reserve funds:

The balance of deferred revenue consists of the following:

	Balance December 31, 2012	Additions	Transferred to income	Balance December 31, 2013
Externally restricted:				
Parkland	\$ 196,310	\$ 50,632	\$ 101,312	\$ 145,630
Development charges	2,226,846	514,510	152,018	2,589,338
Gasoline tax – Federal	2,601,344	1,596,714	986,243	3,211,815
Building services	158,261	1,945	53,193	107,013
Investing in Ontario Act	43,794	–	43,794	–
Water/sewer operations	277,130	6,246	–	283,376
Total	\$ 5,503,685	\$ 2,170,047	\$ 1,336,560	\$ 6,337,172

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

11. Municipal debt:

The balance of municipal debt consists of the following:

	2013	2012
Bank of Montreal - repayable by monthly payments of \$10,058, interest at a rate of 3.75%, maturing in 2023	\$ 1,005,217	\$ 1,084,884
Bank of Montreal - repayable by monthly payments of \$32,538, interest at a rate of 2.60%, maturing in 2014	32,978	417,207
Bank of Montreal - repayable by monthly payments of \$18,523, interest at a rate of 3.00%, maturing in 2015	71,821	106,296
Bank of Montreal - repayable by monthly payments of \$12,442, interest at a rate of 4.51%, maturing in 2015	261,900	396,139
Bank of Montreal - repayable by monthly payments of \$7,393, interest at a rate of 4.51%, maturing in 2015	155,612	235,372
Bank of Montreal - repayable by monthly payments of \$14,354, interest at a rate of 4.88%, maturing in 2018	1,360,590	1,463,754
Bank of Montreal - repayable by monthly payments of \$5,842, interest at a rate of 4.35%, maturing in 2019	611,900	654,396
Bank of Montreal - repayable by monthly payments of \$32,794, interest at a rate of 3.90%, maturing in 2019	2,102,068	2,407,229
Bank of Montreal - repayable by monthly payments of \$12,626, interest at a rate of 3.25%, maturing in 2020	927,574	1,046,866
Bank of Montreal – repayable by monthly payments of \$3,429, interest at a rate of 3.19%, maturing in 2022	319,040	349,491
Bank of Montreal - repayable by monthly payments of \$13,530, interest at a rate of 3.19%, maturing in 2022	1,258,797	1,378,944
Infrastructure Ontario loan bears interest at 2.85%, payable in semi-annual payments of \$121,112 with maturity date of July 4, 2022	1,911,822	2,095,822
Infrastructure Ontario loan bears interest at 3.51%, payable in semi-annual payments of \$87,508 with maturity date of July 3, 2032	2,411,967	2,500,000
Balance forward	12,431,286	14,136,400

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

11. Municipal debt (continued):

	2013	2012
Balance forward	\$ 12,431,286	\$ 14,136,400
Infrastructure Ontario loan bears interest at 3.61%, payable in semi-annual payments of \$242,335 with maturity date of July 3, 2032	6,679,387	6,923,175
Infrastructure Ontario loan bears interest at 5.32%, payable in semi-annual payments of \$78,809 with maturity date of October 1, 2049	2,515,228	2,539,229
Federation of Canadian Municipalities loan bears interest at 2.0%, payable in semi-annual payments of \$304,543 with maturity date of November 15, 2032	9,605,830	10,000,000
Infrastructure Ontario loan bears interest at 4.22%, payable in semi annual payments of \$286,938 with maturity date of October 3, 2033	7,700,000	—
	<u>\$ 38,931,731</u>	<u>\$ 33,598,804</u>

Interest included in expenses in the Consolidated Statement of Operations relating to municipal debt totals \$1,322,662 (2012 - \$1,225,174).

Principal payments are estimated to be as follows:

2014	\$ 1,271,510
2015	1,255,620
2016	1,133,283
2017	1,170,468
2018	1,971,684
2019 and thereafter	32,129,166
	<u>\$ 38,931,731</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

12. Capital lease obligations:

The following is a schedule of future minimum lease payments:

2014	\$	81,780
2015		81,780
2016		81,780
2017		81,780
2018		81,780
2019 and thereafter		633,794
Total minimum lease payments		1,042,694
Less: amount representing deemed interest		692,973
Balance of obligation		\$ 349,721

Assets under capital lease consist of a building. The lease has an initial term expiring in 2016. The County has the right to renew the lease for two further five year terms.

	2013	2012
Cost of leased tangible capital asset	\$ 375,000	\$ 375,000
Accumulated amortization of leased tangible capital asset	131,250	112,500
	\$ 243,750	\$ 262,500

Amortization expense includes \$18,750 (2012 - \$18,750) on leased tangible capital assets.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

13. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions	Disposals/ adjustments	Balance at December 31, 2013
General:				
Land and land improvements	\$ 19,360,932	\$ 97,811	\$ —	\$ 19,458,743
Building and leasehold improvements	29,299,450	318,912	52,916	29,565,446
Vehicles	12,265,105	649,902	1,337,856	11,577,151
Computer hardware and software	1,168,413	133,622	18,835	1,283,200
Equipment	5,107,141	247,722	79,510	5,275,353
Assets under construction	13,570	76,483	13,570	76,483
Infrastructure:				
Plants and facilities	51,245,134	401,010	—	51,646,144
Roads	165,771,167	667,470	69,344	166,369,293
Underground and other networks	45,428,103	740,719	34,885	46,133,937
Bridges and other structures	27,288,812	949,763	20,015,342	8,223,233
Assets under construction	3,338,371	1,159,519	1,628,778	2,869,112
Total	\$ 360,286,198	\$ 5,442,933	\$ 23,251,036	\$ 342,478,095

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
General:				
Land and land improvements	\$ 3,972,947	\$ —	\$ 358,770	\$ 4,331,717
Building and leasehold improvements	8,809,678	205,990	861,863	9,465,551
Vehicles	7,027,915	1,282,394	693,979	6,439,500
Computer hardware and software	562,392	18,835	132,726	676,283
Equipment	2,185,231	79,510	381,836	2,487,557
Infrastructure:				
Plants and facilities	13,498,143	—	1,591,106	15,089,249
Roads	83,253,368	69,344	3,844,180	87,028,204
Underground and other networks	10,200,626	19,116	590,504	10,772,014
Bridges and other structures	9,293,687	7,723,456	549,274	2,119,505
Total	\$ 138,803,987	\$ 9,398,645	\$ 9,004,238	\$ 138,409,580

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

13. Tangible capital assets (continued):

	Net book value December 31, 2012	Net book value December 31, 2013
General:		
Land and land improvements	\$ 15,387,985	\$ 15,127,026
Building and leasehold improvements	20,489,772	20,099,895
Vehicles	5,237,190	5,137,651
Computer hardware and software	606,021	606,917
Equipment	2,921,910	2,787,796
Assets under construction	13,570	76,483
Infrastructure:		
Plants and facilities	37,746,991	36,556,895
Roads	82,517,799	79,341,089
Underground and other networks	35,227,477	35,361,923
Bridges and other structures	17,995,125	6,103,728
Assets under construction	3,338,371	2,869,112
Total	\$ 221,482,211	\$ 204,068,515

(a) Work-in-progress:

Assets under construction having a value of \$2,869,111 (2012 - \$3,338,371) 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:

During the year, the county was advised that the province assumed ownership of the Skyway Bridge. The cost and accumulated amortization was removed from the tangible capital assets totalling a net book value reduction of \$12,292,887.

The loss on disposal of tangible capital assets during the year was \$12,113,996 (2012 - \$232,738).

14. Inventory:

The inventory is comprised of the following:

	2013	2012
Inventory for resale	\$ 10,053	\$ 12,553
Inventory for own consumption	530,906	518,341
Gravel and sand supplies	2,425,140	2,399,636
Balance, end of year	\$ 2,966,099	\$ 2,930,530

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

15. Accumulated surplus:

The accumulated surplus is comprised of the following:

	2013	2012
Equity in tangible capital assets	\$ 204,068,384	\$ 221,482,212
Less: related debt	(37,019,407)	(31,708,104)
Less: unfinanced capital projects	(4,071,149)	(10,933,435)
Add: unspent capital funding	669,787	—
	<u>163,647,615</u>	<u>178,840,673</u>
Reserves set aside for specific purpose by Council:		
Acquisition of capital assets	4,510,243	1,702,829
Roads construction	1,563,002	588,179
Recreation programs and facilities	335,842	736,193
Working capital	600,840	595,734
Contingencies	1,388,376	2,497,905
Protection services	22,400	19,900
Water and sewer systems	6,762	13,463
Planning and development	485,183	456,105
Business Improvement Area	49,024	25,267
Social services	56,371	58,871
Pits and quarries	98,529	98,529
Total reserves	<u>9,116,572</u>	<u>6,792,975</u>
Reserve funds set aside for specific purpose by Council:		
Acquisition of capital assets	89,480	103,103
Roads construction	443,042	358,695
Recreation programs and facilities	—	107,078
Water and sewer systems	1,673,915	2,437,301
Contingencies	1,336,018	1,319,080
Cemetery maintenance	155,913	152,278
Parking	29,115	2,142
Lot levies	3,824	3,778
Total reserve funds	<u>3,731,307</u>	<u>4,483,455</u>
Total reserves and reserve funds	<u>12,847,879</u>	<u>11,276,430</u>
Amounts to be recovered:		
Landfill closure and post-closure costs	(1,827,000)	(1,810,000)
Employee future benefits (note 1(j))	(253,000)	(208,014)
Unrestricted surplus:		
The County of Prince Edward	987,917	759,245
The County of Prince Edward Public Library Board	576,868	600,557
Business Improvement Area	9,046	878
Centre and South Hastings Waste Services Board	644,701	718,047
	<u>\$ 176,634,026</u>	<u>\$ 190,177,816</u>

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

16. Operations of school boards:

During the 2013, 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:

	2013	2012
Amounts requisitioned	\$ 7,996,586	\$ 7,926,625

17. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS) which is a multiemployer plan, on behalf of 187 members of its staff. 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 2013 was \$475,803 (2012 - \$419,503) for current service and are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus. There is no past service liability.

18. 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 \$54,881 at December 31, 2013 (2012 - \$66,870). No amount has been accrued in the financial statements for this contingent liability.

(b) As at December 31, 2013, 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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

18. Contingent liabilities (continued):

- (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 financial statements as an estimate cannot be reasonably determined at this time.

19. Trust funds:

Trust funds administered by the County amounting to \$594,646 (2012 - \$635,559) have not been included in the Consolidated Statement of Financial Position nor have their operations been included on the Consolidated Statement of Operations. 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 operations.

20. Supplementary information

	Budget 2013	Actual 2013	Actual 2012
Salaries, wages and employee benefits	\$ 17,571,456	\$ 18,079,185	\$ 17,673,932
Interest on long-term debt	1,664,934	1,322,662	1,309,722
Materials and supplies	9,684,688	9,732,066	9,566,766
Contracted services and general services	12,050,692	11,343,159	11,328,313
Rents and financial services	1,118,415	977,895	494,055
External transfers	3,749,643	3,790,387	3,642,769
Amortization of tangible capital assets	9,029,613	9,004,238	8,894,345
	\$ 54,869,441	\$ 54,249,592	\$ 52,909,902

21. Commitments:

The County has contracts committing it to payments in future years. The following agreements existed at December 31, 2013:

- (a) At December 31, 2013, the County has outstanding capital project contractual commitments of approximately \$315,000.
- (b) At December 31, 2013, the County has a commitment to purchase a vehicle for a cost of approximately \$190,000.
- (c) An agreement with the County of Hastings for the provision of land ambulance services to December 31, 2015. Costs will be charged on the basis of services used. Base charges for the 2013 year were \$2,219,500.
- (d) An agreement with the Province of Ontario for policing services to 2014. Costs will be charged on the basis of services used. Base charges for the 2013 year were \$4,893,286.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

21. Commitments (continued):

- (e) 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 2013 year were \$81,159.
- (f) An agreement with the City of Belleville for the provision of bulk water to the areas of Rossmore and Fenwood Gardens to December 31, 2020. Costs will be charged on the basis of water used. Base charges for the 2013 year were \$376,036.
- (g) An agreement with Waste Management of Canada Corporation for the collection of household waste and organics to July 31, 2018. Base charges for the 2013 year were \$848,465.
- (h) The County has entered into an agreement to repurchase a property at an amount to be determined by an appraisal of the property.
- (i) The County has an outstanding commitment to Tri-County Healthcare Foundation Joint Diagnostic Imaging Campaign of \$150,000 payable \$100,000 in 2014 and \$50,000 in 2015.
- (j) The County has an outstanding commitment to University Hospitals Kingston Foundation of \$200,000 payable \$50,000 annually from 2014 to 2017.
- (k) The County has an outstanding commitment to Loyalist College of \$65,000, payable in 2014. During 2013, \$65,000 was paid to Loyalist College.
- (l) The County has an outstanding commitment to Prince Edward Fitness and Aquatic Centre of \$78,000, payable in 2014.
- (m) The County has commitments under various operating leases. The minimum lease payments under these leases are as follows:

2014	\$	174,434
2015		140,789
2016		100,621
2017		97,795
2018		94,969
	\$	608,608

22. 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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

22. Provincial offences administration (continued):

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, 2013 are as follows:

	2013	2012
Gross revenues received	\$ 529,539	\$ 427,060
Gross expenditures	291,317	255,713
Net revenues	\$ 238,222	\$ 171,347

23. 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, Treasury Department, Purchasing Department, Information Technology and Human Resources.

(b) Protection services:

The Protection Services segment is comprised of the following service areas: Police Services: 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.

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

23. Segmented information (continued):

(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 Hastings County.

(f) Social and family services:

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

(g) Social housing:

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

(h) Recreation and cultural services:

The Recreation and Cultural Services segment is comprised of the following service areas: Parks, Trails and Sports fields; 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 was provided in accordance with the financial reporting guidelines established by the Public Sector Accounting Board of the CICA (section PS2700). 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

24. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2013 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 2013 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:

	2013 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 44,395,716
Add:	
Water and Wastewater Services	6,823,244
Library Board	193,321
Center and South Hastings Waste Services	348,010
Less:	
Reserve fund transfers and other budget adjustments	1,509,695
Total adjusted budget for revenue	50,250,596
Operating expenses	42,986,778
Add:	
Water and Wastewater Services	6,823,244
Library Board	1,387,658
Center and South Hastings Waste Services	424,193
Estimate for amortization	8,782,845
Less:	
Principal repayments of debt	2,384,130
Reserve fund transfers and other budget adjustments	3,151,147
Total adjusted budget for expenses	54,869,441
Net budgeted expenses per statement of operations	(4,618,845)
Capital budgeted tax revenue	359,522
Capital grant and other revenue	3,188,770
Capital transfer from reserves	1,993,905
Capital expenditures	(5,542,197)
Water and Wastewater Services, capital revenue	754,000
Water and Wastewater Services, capital expenses	(754,000)

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Schedule of Segment Disclosure

Year ended December 31, 2013

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Subtotal
Revenue:								
User charges	\$ 144,390	\$ 637,154	\$ 299,374	\$ 6,675,456	\$ 29,581	\$ 1,618,095	\$ –	\$ 9,404,050
Government grants	2,112,939	1,567,743	1,865,766	477	1,226,432	3,758,458	–	10,531,815
Other municipalities	–	–	–	–	–	26,817	–	26,817
Investment income	140,054	–	–	–	–	–	–	140,054
Fines and penalties	1,141,592	–	–	–	–	–	–	1,141,592
Donations	–	–	–	–	260	5,100	–	5,360
Other revenue	–	–	–	–	–	–	–	–
	3,538,975	2,204,897	2,165,140	6,675,933	1,256,273	5,408,470	–	21,249,688
Expenses:								
Salaries, wages and employee benefits	3,291,048	2,015,631	2,719,514	2,070,037	–	4,768,795	–	14,865,025
Interest on long-term debt	–	–	409,812	716,466	77,212	8,954	–	1,212,444
Materials and supplies	925,206	898,806	2,081,798	2,924,394	48,002	925,289	–	7,803,495
Contracted services and general services	476,053	4,611,307	1,737,621	1,389,958	2,262,633	119,870	–	10,597,442
Rents and financial expenses	355,772	68,341	206,969	45,807	29,566	2,044	–	708,499
External transfers	203,823	304,247	–	–	591,326	1,155,600	1,053,096	3,308,092
Interfunctional adjustments	(342,500)	(6,319)	–	240,000	125,000	–	–	16,181
Amortization	152,399	303,143	4,885,795	2,323,695	95,697	128,534	–	7,889,263
	5,061,801	8,195,156	12,041,509	9,710,357	3,229,436	7,109,086	1,053,096	46,400,441
Excess of revenue over expenses (expenses over revenue) before property tax								
	\$ (1,522,826)	\$ (5,990,259)	\$ (9,876,369)	\$ (3,034,424)	\$ (1,973,163)	\$ (1,700,616)	\$ (1,053,096)	\$ (25,150,753)

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Schedule of Segment Disclosure, page 2

Year ended December 31, 2013

	Subtotal	Recreation and Cultural Services	Planning and Development	Picton Library Board	Picton Business Improvement Area	Centre and South Hastings Waste Services Board	Total
Revenue:							
User charges	\$ 9,404,050	\$ 1,069,814	\$ 531,042	\$ 13,760	\$ –	\$ 176,918	\$ 11,195,584
Government grants	10,531,815	251,752	48,331	138,418	6,169	166,396	11,142,881
Other municipalities	26,817	–	–	–	–	–	26,817
Investment income	140,054	–	–	6,946	–	7,008	154,008
Fines and penalties	1,141,592	–	–	–	–	–	1,141,592
Donations	5,360	86,249	–	34,197	–	–	125,806
Other revenue	–	334,249	–	–	–	–	334,249
	21,249,688	1,742,064	579,373	193,321	6,169	350,322	24,120,937
Expenses:							
Salaries, wages and employee benefits	14,865,025	1,603,559	696,720	913,881	–	–	18,079,185
Interest on long-term debt	1,212,444	98,118	12,100	–	–	–	1,322,662
Materials and supplies	7,803,495	1,238,947	436,490	236,952	–	–	9,715,884
Contracted services and general services	10,597,442	317,528	28,568	–	–	399,621	11,343,159
Rents and financial expenses	708,499	185,770	83,627	–	–	–	977,896
External transfers	3,308,092	350,424	140,000	(8,128)	–	–	3,790,388
Interfunctional adjustments	16,181	–	–	–	–	–	16,181
Amortization	7,889,263	853,599	14,611	219,881	–	26,884	9,004,238
	46,400,441	4,647,945	1,412,116	1,362,586	–	426,505	54,249,593
Excess of revenue over expenses (expenses over revenue) before property taxation	\$ (25,150,753)	\$ (2,905,881)	\$ (832,743)	\$ (1,169,265)	\$ 6,169	\$ (76,183)	\$ (30,128,656)
Property taxation							28,915,503
Net loss on disposal of tangible capital assets	–	–	–	–	–	–	(12,330,637)
Annual deficit						\$	\$ (13,543,790)



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INDEPENDENT AUDITORS' REPORT

To the Members of Council of the Corporation of the County of Prince Edward

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the County of Prince Edward, which comprise the statement of financial position as December 31, 2013, the statement of financial activities and changes in fund balance for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the County of Prince Edward as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

June 10, 2014

Kingston, Canada

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Cash	\$ 421,699	\$ 441,477
Investments (note 3)	201,494	191,999
Loans to homeowners	2,083	2,083
	<u>\$ 625,276</u>	<u>\$ 635,559</u>
Liabilities and Fund Balances		
Payable to County	\$ 30,630	\$ -
Fund balances	594,646	635,559
	<u>\$ 625,276</u>	<u>\$ 635,559</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, 2013, with comparative information for 2012

	2013	2012
Revenue:		
Individuals' deposits	\$ 70,577	\$ 67,765
Interest earned	15,882	13,915
	<u>86,459</u>	<u>81,680</u>
Expenditures:		
Payments on behalf of individuals	57,222	55,463
Cemetery maintenance	3,241	3,648
Collection and management fees	1,866	1,395
Deposits refunded	61,043	324,862
Library books	4,000	8,000
	<u>127,372</u>	<u>393,368</u>
Change in fund balances	(40,913)	(311,688)
Fund balances, beginning of year	635,559	947,247
Fund balances, end of year	<u>\$ 594,646</u>	<u>\$ 635,559</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, 2013

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 in conformity with Canadian public sector accounting standards 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. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

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, 2013 are comprised of repayable loans of \$2,083 (2012 - \$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, 2013

3. Investments:

Investments consist of the following:

	2013		2012	
	Cost	Market value	Cost	Market value
Performance guarantees - guaranteed investment certificates	\$ 15,839	\$ 15,839	\$ 15,698	\$ 15,698
Bloomfield Cemetery Perpetual Care - Mutual Fund	78,595	78,833	74,817	77,195
Rose Cemetery Perpetual Care - Mutual Fund	36,370	35,234	33,737	33,893
Sophiasburgh Cemetery Perpetual Care - Mutual Fund	51,745	51,480	49,398	51,142
Bowerman/McFaul Cemetery Perpetual Care - Mutual Fund	18,945	18,998	18,349	18,669
	\$ 201,494	\$ 200,384	\$ 191,999	\$ 196,597

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, 2013

	Cash	Investments	Loans to homeowners	Total assets	Payable to the county	Fund balances
McFarland Home Residents	\$ 133,260	\$ -	\$ -	\$ 133,260	\$ (30,630)	\$ 102,630
McFarland Home Bequests	1,574	-	-	1,574	-	1,574
McFarland Home Craft	3,661	-	-	3,661	-	3,661
Macaulay Heritage Park	96,471	-	-	96,471	-	96,471
Library large print books	29,823	-	-	29,823	-	29,823
Performance guarantees	113,505	15,834	-	129,339	-	129,339
Ameliasburgh Scholarship	21,893	-	-	21,893	-	21,893
Ameliasburgh Museum	4,791	-	-	4,791	-	4,791
Wellington Museum	2,941	-	-	2,941	-	2,941
Consecon Cemetery Perpetual Care	13,397	-	-	13,397	-	13,397
Bloomfield Cemetery Perpetual and Stone Care	8	78,599	-	78,607	-	78,607
Rose Cemetery Perpetual Care	4	36,370	-	36,374	-	36,374
Sophiasburgh Cemetery Perpetual Care	5	51,745	-	51,750	-	51,750
Bowerman/McFaul Cemetery Perpetual Care	2	18,945	-	18,947	-	18,947
Pioneer Cemeteries Perpetual Care	364	-	-	364	-	364
Home Renewal Program	-	-	2,083	2,083	-	2,083
	\$ 421,699	\$ 201,493	\$ 2,083	\$ 625,275	\$ (30,630)	\$ 594,645

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Schedule of Continuity of Trust Funds

Year ended December 31, 2013

Receipts	Balance, beginning of year	Individuals' deposits	Interest earned	Total Receipts
McFarland Home Residents	\$ 103,737	\$ 55,175	\$ 941	\$ 56,116
McFarland Home Bequests	1,554	–	20	20
McFarland Home Craft	3,618	–	44	44
Macaulay Heritage Park	95,273	–	1,198	1,198
Performance guarantees	176,720	11,789	1,894	13,683
Library large print books	33,408	–	415	415
Ameliasburgh Scholarship	21,621	–	272	272
Ameliasburgh Museum	4,732	–	59	59
Wellington Museum	2,905	–	37	37
Consecon Cemetery Perpetual Care	13,229	–	166	166
Bloomfield Cemetery Perpetual and Stone Care	74,825	1,350	4,626	5,976
Rose Cemetery Perpetual Care	33,740	1,550	2,037	3,587
Sophiasburgh Cemetery Perpetual Care	49,403	713	3,050	3,763
Bowerman/McFaul Cemetery Perpetual Care	18,351	–	1,118	1,118
Pioneer Cemeteries Perpetual Care	360	–	5	5
Home Renewal Program	2,083	–	–	–
	\$ 635,559	\$ 70,577	\$ 15,882	\$ 86,459

THE CORPORATION OF THE COUNTY OF PRINCE EDWARD

Trust Funds

Schedule of Continuity of Trust Funds

Year ended December 31, 2013

Expenditures	Payments on behalf of individuals	Cemetery maintenance	Collection and management fees	Library book	Deposits refunded	Total expenditures	Balance, end of year
McFarland Home Residents	\$ 57,222	\$ -	\$ -	\$ -	\$ -	\$ 57,222	\$ 102,631
McFarland Home Bequests	-	-	-	-	-	-	1,574
McFarland Home Craft	-	-	-	-	-	-	3,661
Macaulay Heritage Park	-	-	-	-	-	-	96,471
Performance guarantees	-	-	20	-	61,043	61,063	129,339
Library large print books	-	-	-	4,000	-	4,000	29,823
Ameliasburgh Scholarship	-	-	-	-	-	-	21,893
Ameliasburgh Museum	-	-	-	-	-	-	4,791
Wellington Museum	-	-	-	-	-	-	2,941
Consecon Cemetery Perpetual Care	-	-	-	-	-	-	13,396
Bloomfield Cemetery Perpetual and Stone Care	-	1,340	854	-	-	2,194	78,607
Rose Cemetery Perpetual Care	-	670	286	-	-	956	36,374
Sophiasburgh Cemetery Perpetual Care	-	992	423	-	-	1,415	51,751
Bowerman/McFaul Cemetery Perpetual Care	-	239	283	-	-	522	18,947
Pioneer Cemeteries Perpetual Care	-	-	-	-	-	-	364
Home Renewal Program	-	-	-	-	-	-	2,083
	\$ 57,222	\$ 3,241	\$ 1,866	\$ 4,000	\$ 61,043	\$ 127,372	\$ 594,646