

CORPORATION OF THE COUNTY OF HASTINGS
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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TABLE OF CONTENTS

| | Page Number |
|--|----------------|
| MANAGEMENT REPORT | |
| INDEPENDENT AUDITORS' REPORT | |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Statement of Financial Position | 1 |
| Statement of Operations and Accumulated Surplus | 2 |
| Statement of Change in Net Financial Liabilities | 3 |
| Statement of Cash Flows | 4 |
| Notes to the Financial Statements | 5 - 17 |
| Schedule of Tangible Capital Assets | 18 |
| Schedules of Segment Disclosure | 19 - 20 |
| TRUST FUNDS | |
| Independent Auditors' Report | 21 |
| Statement of Financial Position | 22 |
| Statement of Continuity | 23 |
| Notes to the Financial Statements | 24 |

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"WORKING AND GROWING TOGETHER"

www.hastingscounty.com

CORPORATION OF THE COUNTY OF HASTINGS

For The Year Ended December 31, 2012

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the County of Hastings are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

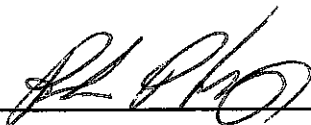
The County maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the County's assets are appropriately accounted for and adequately safeguarded.

The County's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

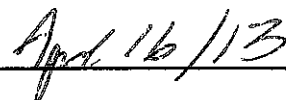
Council reviews and approves the County's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the County of Hastings. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditors' report.

The consolidated financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the County. Collins Barrow Kawarthas LLP has full and free access to Council.

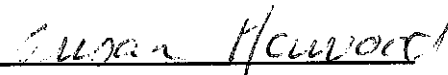
Warden



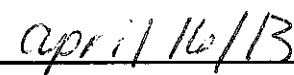
Date



Director of Finance/
Treasurer



Date





Collins Barrow

Chartered Accountants

Collins Barrow Kawarthas LLP
272 Charlotte Street
Peterborough, Ontario
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INDEPENDENT AUDITORS' REPORT

www.collinsbarrowkawarthas.com

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Hastings

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the County of Hastings and its local board, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and 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 consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are 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 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 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 the auditors' 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, the auditor considers internal controls 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 controls. 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, these consolidated financial statements present fairly, in all material respects, the financial position of the County of Hastings and its local board as at December 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Accountants
Licensed Public Accountants

Peterborough, Ontario
July 30, 2013

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2012

| | 2012 | 2011 |
|--|---------------------|---------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash | 18,170,541 | 16,476,652 |
| Investments (note 6) | 2,261,901 | 2,209,228 |
| Trade and other receivables | 6,319,959 | 6,204,679 |
| Long term receivables (note 11) | 2,209,499 | 2,148,473 |
| TOTAL FINANCIAL ASSETS | 28,961,900 | 27,039,032 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 9,294,350 | 8,557,255 |
| Deferred revenue - obligatory reserve funds (note 7) | 254,121 | 490,991 |
| Deferred revenue - other | 599,278 | 529,015 |
| Long term debt (note 9) | 42,102,120 | 44,782,756 |
| Employee benefits payable (note 11) | 6,414,472 | 5,893,585 |
| TOTAL LIABILITIES | 58,664,341 | 60,253,602 |
| NET FINANCIAL LIABILITIES | (29,702,441) | (33,214,570) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 8) | 92,584,576 | 94,768,024 |
| Prepaid expenses | 208,766 | 350,886 |
| TOTAL NON-FINANCIAL ASSETS | 92,793,342 | 95,118,910 |
| ACCUMULATED SURPLUS (note 12) | 63,090,901 | 61,904,340 |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2012

| | Budget 2012 \$ | Actual 2012 \$ | Actual 2011 \$ |
|--|----------------------|----------------------|----------------------|
| REVENUES | | | |
| Property taxation | 12,520,138 | 12,567,730 | 12,085,534 |
| User charges | 13,974,604 | 15,093,926 | 14,181,159 |
| Government of Canada | 226,006 | 36,614 | 44,301 |
| Province of Ontario | 66,583,610 | 66,317,186 | 68,426,391 |
| Other municipalities | 22,061,472 | 21,796,863 | 21,992,522 |
| Provincial Offences Act - fines | 2,100,000 | 1,659,797 | 2,066,927 |
| Federal gas tax earned | 1,546,275 | 1,431,845 | 1,333,099 |
| Investment income | 206,000 | 307,115 | 296,826 |
| Donations | - | 129,020 | 20,400 |
| Other | - | 54,226 | - |
| TOTAL REVENUES | 119,218,105 | 119,394,322 | 120,447,159 |
| EXPENSES | | | |
| General government | 3,441,138 | 3,674,633 | 3,500,871 |
| Protection services | 1,874,500 | 1,521,084 | 1,804,881 |
| Transportation services | 1,500,194 | 1,499,781 | 1,327,668 |
| Health services | 15,945,935 | 16,156,113 | 15,444,571 |
| Social and family services | 77,657,144 | 75,577,703 | 76,368,450 |
| Social housing | 18,084,781 | 18,095,720 | 19,004,119 |
| Recreation and cultural services | - | - | (39,070) |
| Planning and development | 1,321,163 | 1,682,727 | 1,901,872 |
| TOTAL EXPENSES | 119,824,855 | 118,207,761 | 119,313,362 |
| ANNUAL SURPLUS/(DEFICIT) | (606,750) | 1,186,561 | 1,133,797 |
| ACCUMULATED SURPLUS - beginning of year | 61,904,340 | 61,904,340 | 60,770,543 |
| ACCUMULATED SURPLUS - end of year | 61,297,590 | 63,090,901 | 61,904,340 |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES For the Year Ended December 31, 2012

| | Budget 2012 \$ | Actual 2012 \$ | Actual 2011 \$ |
|--|----------------------|----------------------|----------------------|
| ANNUAL SURPLUS/(DEFICIT) | (606,750) | 1,186,561 | 1,133,797 |
| Amortization of tangible capital assets | 4,257,263 | 4,417,226 | 4,257,263 |
| Acquisition of tangible capital assets | - | (2,267,595) | (2,820,150) |
| Loss on disposal of tangible capital assets | - | 20,222 | 39,053 |
| Proceeds on sale of tangible capital assets | - | 13,595 | 11,503 |
| (Increase)/decrease in prepaid expenses | - | 142,120 | (35,664) |
| DECREASE IN NET FINANCIAL LIABILITIES | 3,650,513 | 3,512,129 | 2,585,802 |
| NET FINANCIAL LIABILITIES - beginning of year | (33,214,570) | (33,214,570) | (35,800,372) |
| NET FINANCIAL LIABILITIES - end of year | (29,564,057) | (29,702,441) | (33,214,570) |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2012

| | 2012 | 2011 |
|--|--------------------|--------------------|
| | \$ | \$ |
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Annual surplus | 1,186,561 | 1,133,797 |
| (Increase)/decrease in trade and other receivables | (115,280) | 2,184,859 |
| Increase in long term receivables | (61,026) | (30,476) |
| (Increase)/decrease in prepaid expenses | 142,120 | (35,664) |
| Increase/(decrease) in accounts payable and accrued liabilities | 737,095 | (1,196,661) |
| Decrease in deferred revenue - obligatory reserve funds | (236,870) | (138,124) |
| Increase/(decrease) in deferred revenue - other | 70,263 | (523,170) |
| Non-cash charges to operations | | |
| Amortization of tangible capital assets | 4,417,226 | 4,257,263 |
| Loss on disposal of tangible capital assets | 20,222 | 39,053 |
| Increase in employee benefits payable | 520,887 | 431,499 |
| Net increase in cash from operating transactions | 6,681,198 | 6,122,376 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (2,267,595) | (2,820,150) |
| Proceeds on disposal of tangible capital assets | 13,595 | 11,503 |
| Net decrease in cash from capital transactions | (2,254,000) | (2,808,647) |
| INVESTING | | |
| Increase in investments | (52,673) | (64,733) |
| FINANCING | | |
| Debt principal repayments | (2,680,636) | (2,516,854) |
| INCREASE IN CASH | 1,693,889 | 732,142 |
| CASH - beginning of year | 16,476,652 | 15,744,510 |
| CASH - end of year | 18,170,541 | 16,476,652 |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

The County of Hastings is an upper tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus 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 and controlled by the County. These financial statements include:

- County of Hastings Local Housing Corporation

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust Funds

Trust funds and their related operations administered by the County are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(c) 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, if any, of tangible capital assets is amortized, over the expected useful life of the asset, as follows:

| | |
|--------------------------------|--|
| Land improvements | 25-50 years straight-line |
| Buildings | 50-100 years straight-line |
| Building components | 10-50 years straight-line |
| Leasehold improvements | current lease term plus one renewal term |
| Machinery and equipment | 2-50 years straight-line |
| Ambulances | percentage of use |
| Other vehicles | 7 years straight-line |
| Computer hardware and software | 4 years straight-line |
| Roads and bridges | 15-50 years straight-line |

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the County because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the County unless they are sold.

(e) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

(f) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(g) Government Funding

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

(h) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the County's best information and judgment. Such amounts are not expected to change materially in the near term.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.
- The values of employee future amounts payable depend on certain actuarial and economic assumptions (see note 11).
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

(i) Financial Instruments

The County's financial instruments consist of cash, investments, trade and other receivables, long term receivables, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values and that the County does not have any significant concentration of interest, currency or credit risk.

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Reserves and Reserve Funds

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

2. TRUST FUNDS

Trust funds administered by the County amounting to \$156,877 (2011 - \$158,085) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. As such balances are held in trust by the County for the benefit of others, they are not presented as part of the County's financial position or operations.

3. PENSION AGREEMENTS

The County makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time 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.

Contributions required on account of current service in 2012 were \$2,897,383 (2011 - \$2,435,122).

4. BUDGET FIGURES

The budget, approved by the County, for 2012 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Liabilities. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

5. SOCIAL HOUSING

The County of Hastings Housing Corporation was incorporated under Part III of The Ontario Business Corporations Act in response to the Province's overall initiative to devolve Social Housing to local municipalities. The Corporation currently provides 1,421 units of subsidized housing to its tenants and their families.

As the Service Manager, on behalf of the Cities of Belleville and Quinte West and the County of Hastings, the County is now the sole shareholder of the Corporation.

On January 1, 2001 the Ontario Housing Corporation transferred 1,115 units and certain head office assets to the Corporation. The properties transferred carried the following restriction:

"The properties cannot be transferred or mortgaged or otherwise encumbered, developed or redeveloped or disposed of by any person without prior consent of the Minister of Municipal Affairs and Housing."

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

6. INVESTMENTS

Included in investments are the following restricted investments recorded at cost:

| | Market Value | 2012 | 2011 |
|--|-----------------|-----------|-----------|
| | \$ | \$ | \$ |
| RBC Dominion Securities | | | |
| Cash | 4,708 | 4,708 | 2,972 |
| Bonds | 34,605 | 28,474 | 28,474 |
| | 39,313 | 33,182 | 31,446 |
| Phillips, Hager & North Investment Funds Ltd. | | | |
| Short term bond fund | 2,203,876 | 2,228,719 | 2,177,782 |
| | 2,243,189 | 2,261,901 | 2,209,228 |

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the County is summarized below:

| | 2012 | 2011 |
|-----------------|---------|---------|
| | \$ | \$ |
| Federal gas tax | 254,121 | 490,991 |

The continuity of deferred revenue - obligatory reserve funds is as follows:

| | 2012 | 2011 |
|------------------------------|-----------|-----------|
| | \$ | \$ |
| Balance - beginning of year | 490,991 | 629,115 |
| Add amounts received: | | |
| Federal gas tax | 1,194,975 | 1,194,975 |
| Less transfer to operations: | | |
| Federal gas tax earned | 1,431,845 | 1,333,099 |
| Balance - end of year | 254,121 | 490,991 |

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

8. TANGIBLE CAPITAL ASSETS

The net book value of the County's tangible capital assets are:

| | 2012 | 2011 |
|----------------------------|------------|------------|
| | \$ | \$ |
| General | | |
| Land and land improvements | 9,778,381 | 9,756,614 |
| Buildings | 75,894,796 | 77,678,444 |
| Machinery and equipment | 4,523,878 | 5,065,490 |
| Vehicles | 1,320,058 | 1,295,484 |
| Infrastructure | | |
| Roads and bridges | 708,054 | 786,338 |
| | 92,225,167 | 94,582,370 |
| Assets under construction | 359,409 | 185,654 |
| | 92,584,576 | 94,768,024 |

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2011 - \$Nil) and no interest capitalized (2011 - \$Nil).

Tangible capital assets allocated by segment are as follows:

| | 2012 | 2011 |
|----------------------------|------------|------------|
| | \$ | \$ |
| General government | 6,925,974 | 7,981,553 |
| Transportation services | 708,059 | 786,343 |
| Health services | 1,369,376 | 1,442,966 |
| Social and family services | 39,302,824 | 40,080,412 |
| Social housing | 44,213,495 | 44,411,902 |
| Planning and development | 64,848 | 64,848 |
| | 92,584,576 | 94,768,024 |

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

9. LONG TERM DEBT

(a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

| | 2012 | 2011 |
|--|-----------|-----------|
| | \$ | \$ |
| Long term debt issued by the County of Hastings – North Hastings Professional Building matures April 30, 2026 and renewable April 30, 2016. It is repayable in blended monthly instalments of \$5,050 with interest at the rate of 5.24% per annum. | 580,511 | 609,848 |
| Long term debt issued by the County of Hastings - Centennial Manor matures May 30, 2022. It is repayable in blended monthly instalments of \$55,817 with interest at the rate of 3.70% per annum. | 5,320,294 | 5,756,981 |
| Long term debt issued by the County of Hastings - Centennial Manor matures May 30, 2022. It is repayable in blended monthly instalments of \$19,588 with interest at the rate of 3.66% per annum. | 1,881,239 | 2,026,530 |
| Long term debt issued by the County of Hastings - Centennial Manor matures May 31, 2022 and renewable April 30, 2016. It is repayable in blended monthly instalments of \$3,524 with interest at the rate of 5.24% per annum. | 313,783 | 338,910 |
| Long term debt issued by the County of Hastings - Hastings Manor matures September 30, 2023 and renewable September 30, 2013. It is repayable in blended monthly instalments of \$52,004 with interest at the rate of 4.82% per annum. | 5,233,043 | 5,594,110 |
| Long term debt issued by the County of Hastings - Hastings Manor matures September 17, 2023 and renewable December 17, 2013. It is repayable in blended monthly instalments of \$52,747 with interest at the rate of 4.90% per annum. | 5,281,269 | 5,645,701 |
| Long term debt issued by the County of Hastings - Hastings Manor matures August 31, 2023 and renewable March 31, 2014. It is repayable in blended monthly instalments of \$66,819 with interest at the rate of 4.97% per annum. | 6,619,762 | 7,083,493 |
| Long term debt issued by the County of Hastings - Hastings Manor matures September 30, 2023 and renewable May 31, 2014. It is repayable in blended monthly instalments of \$21,614 with interest at the rate of 5.04% per annum. | 2,149,282 | 2,296,286 |
| Long term debt reissued by the County Housing Corporation to the Canada Mortgage and Housing Corporation (CMHC) matures January 1, 2028, renewed March 1, 2013 and is secured by the land and building at 48A Brant Street, Deseronto, Ontario. It is repayable in blended monthly instalments of \$11,753 with interest at the rate of 3.90% per annum. | 1,608,703 | 1,686,083 |

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

9. LONG TERM DEBT, continued

| | | |
|--|-------------------|-------------------|
| Long term debt reissued by the County Housing Corporation to CMHC matures February 1, 2028, renewed March 1, 2013 and is secured by the land and building at 59 Russell Street, Belleville, Ontario. It is repayable in blended monthly instalments of \$35,811 with interest at the rate of 3.90% per annum. | 4,925,016 | 5,159,230 |
| Long term debt reissued by the Belleville Non-Profit Housing Corporation and assumed by the County Housing Corporation to CMHC matures January 1, 2025 and renewable June 1, 2015 and is secured by the land and building at 424 Bleeker Avenue, Belleville, Ontario. It is repayable in blended monthly instalments of \$19,727 with interest at the rate of 4.39% per annum. | 2,221,882 | 2,358,674 |
| Long term debt reissued by the Belleville Non-Profit Housing Corporation and assumed by the County Housing Corporation to the Scotiabank matures April 1, 2017 and is secured by the land and building at 24 Brown Street, Belleville, Ontario. It is repayable in blended monthly instalments of \$17,717 with interest at the rate of 4.4985% per annum. | 2,660,124 | 2,751,941 |
| Long term debt reissued by the Belleville Non-Profit Housing Corporation and assumed by the County Housing Corporation to Scotiabank matures November 1, 2020 and is secured by the land and building at 46 Tracey Park Drive, Belleville, Ontario. It is repayable in blended monthly instalments of \$23,545 with interest at the rate of 3.401% per annum. | 3,307,212 | 3,474,969 |
| | <u>42,102,120</u> | <u>44,782,756</u> |

- (b) The long term debt in (a) issued in the name of the County or the County Housing Corporation have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long term debt amounted to \$2,008,644 (2011 - \$2,227,172).
- (d) Included in long term debt above are amounts required to finance new facilities at Hastings Manor and Centennial Manor amounting to \$19,283,356 (2011 - \$20,619,590) and \$7,515,316 (2011 - \$8,122,421) respectively. A portion of the net cost of this long term debt is recoverable from other municipalities and the Province of Ontario as follows:
- The net cost of the debt related to Hastings Manor is sharable with the City of Belleville based on a proportionate share of residents days and with the City of Quinte West based on a proportionate share of weighted assessment.
 - The net cost of the debt related to Centennial Manor is sharable with the City of Belleville (Thurlow and Quinte annex) and the City of Quinte West based on a proportionate share of weighted assessment.

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

9. LONG TERM DEBT, continued

- (iii) The Province of Ontario provides funding for both facilities at the rate of \$10.35 for each approved bed per day, for a period of twenty years from the completion of the projects. The annual contribution from the Province amounts to \$955,752 and \$415,548 for Hastings Manor and Centennial Manor respectively.
- (e) The debentures payable by the County Housing Corporation at December 31, 2012 to the Canada Mortgage and Housing Corporation of \$9,044,549 (2011 - \$9,737,039) matures between January 1, 2014 and January 1, 2026 and are secured by land and buildings. These debentures were not assumed by or assigned to the County Housing Corporation when the Social Housing devolution occurred on January 1, 2001 and are not recorded in these financial statements.
- (f) The long term debt reported in (a) of this note is repayable as follows, for debt renewed subsequent to year-end, repayable amounts are based on the refinanced terms:

| | Principal \$ | Interest \$ | Total \$ |
|---------------------------|-----------------|----------------|-------------|
| 2013 | 2,894,364 | 1,671,969 | 2,102,216 |
| 2014 | 3,030,775 | 1,514,804 | 1,965,940 |
| 2015 | 3,156,993 | 1,388,586 | 1,826,711 |
| 2016 | 3,288,831 | 1,256,749 | 1,678,596 |
| 2017 | 3,426,650 | 1,118,929 | 1,522,735 |
| 2018 to 2022 | 18,397,977 | 3,201,480 | 4,914,444 |
| 2023 and subsequent years | 7,906,530 | 468,330 | 1,004,911 |
| | 42,102,120 | 10,620,847 | 15,015,553 |

10. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

| | Budget 2012 \$ | Actual 2012 \$ | Actual 2011 \$ |
|--|----------------------|----------------------|----------------------|
| Salaries and benefits | 46,847,059 | 47,359,433 | 46,434,673 |
| Interest charges | 2,126,262 | 2,008,644 | 2,227,172 |
| Materials | 15,552,419 | 15,434,177 | 15,933,408 |
| Contracted services | 9,415,703 | 9,689,394 | 9,366,589 |
| Rents and financial | 2,380,448 | 2,394,715 | 2,437,136 |
| External transfers | 39,245,701 | 36,883,950 | 38,618,068 |
| Amortization | 4,257,263 | 4,417,226 | 4,257,263 |
| Loss (gain) on disposal of tangible capital assets | - | 20,222 | 39,053 |
| | 119,824,855 | 118,207,761 | 119,313,362 |

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

11. EMPLOYEE FUTURE AMOUNTS PAYABLE

Certain employee benefits payable are shareable with the City of Belleville and the City of Quinte West. The portion recoverable from the above municipal partners at December 31, 2012 which is included in the long term receivable amount of \$2,209,499, is \$1,495,454 (2011 - \$1,410,731).

Actuarial estimates of the future liabilities have been completed and form the basis for the estimated liabilities reported in these consolidated financial statements.

Employee future amounts payable includes the following:

| | 2012 | 2011 |
|---|------------------|------------------|
| | \$ | \$ |
| Vacation pay entitlement | 2,303,357 | 2,165,625 |
| Post employment benefits | 1,489,873 | 1,394,182 |
| Future payments for WSIB costs | 2,415,790 | 2,128,326 |
| Accumulated sick leave benefit plan entitlement | 143 | 143 |
| Severance payouts | 205,309 | 205,309 |
| | 6,414,472 | 5,893,585 |

The actuarial valuation as at December 31, 2009 was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimate. The main actuarial assumptions employed for the valuation are as follows:

| | |
|---|----------------------------|
| Expected inflation rate | 2% |
| Future health care cost rates - 2013 | 6% |
| Future health care cost rates - 2014-2019 | reducing by .33/year to 4% |
| Future health care cost rates - 2020 thereafter | 4% |
| Future dental cost rates | 4% |
| Future interest rate | 5% |

The County sponsors defined benefit plans to pay costs of certain health and other insurance benefits for eligible employees after they retire.

The continuity of the post-employment benefits liability is as follows:

| | 2012 | 2011 |
|---|------------------|------------------|
| | \$ | \$ |
| Accrued benefit obligation at January 1 | 1,394,182 | 1,302,204 |
| Current year benefit cost | 81,042 | 75,671 |
| Interest on post-employment benefit liability | 81,053 | 77,407 |
| Amortization of actuarial loss | 19,092 | 19,092 |
| Less: benefit payments | (85,496) | (80,192) |
| Accrued benefit obligation at December 31 | 1,489,873 | 1,394,182 |

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

12. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

| | 2012 | 2011 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Surplus/(Deficit) | | |
| Housing Corporation | 141,955 | 141,955 |
| Unfunded employee future benefits | (3,905,664) | (3,522,508) |
| | (3,763,709) | (3,380,553) |
| Invested In Capital Assets | | |
| Tangible capital assets - net book value | 92,584,576 | 94,768,024 |
| Long term debt | (42,102,120) | (44,782,756) |
| Unfunded capital | (1,059,001) | (1,059,001) |
| | 49,423,455 | 48,926,267 |
| Surplus | 45,659,746 | 45,545,714 |
| Reserves | | |
| Working funds | 2,303,949 | 2,303,949 |
| General purposes | 1,855,629 | 1,205,828 |
| County highways | 791,761 | 745,455 |
| Administration building renovation | 1,025,244 | 1,001,408 |
| Social services | 376,183 | 464,533 |
| Ambulance capital | 536,662 | 717,129 |
| Hastings and Centennial Manor | 1,262,069 | 1,029,975 |
| Doctor recruitment | 239,476 | 129,282 |
| Social housing | 3,796,783 | 3,692,884 |
| WSIB | 2,385,211 | 2,366,844 |
| Desktop computer replacement | 325,202 | 245,064 |
| Economic development | 65,763 | 87,964 |
| Official plan | 110,902 | 102,402 |
| Planning | 4,129 | 4,129 |
| EMS cross border services | 40,503 | 2,764 |
| Total Reserves | 15,119,466 | 14,099,610 |
| Reserve Funds | | |
| Social housing | 2,311,689 | 2,259,016 |
| | 63,090,901 | 61,904,340 |

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

13. PROVINCIAL OFFENCES OFFICES

As a result of the provincial-municipal restructuring under Bill 108, streamlining of administration of Provincial Offences Act ("POA") 1997, the County has assumed responsibility and administration of the POA office and courts.

Revenues from the POA office consists of fines levied under Part I and III (including delay penalties) for POA charges filed at 253 Pinnacle Street in Belleville. Offenders may pay their fines at any court office in Ontario, at which time, their receipt is recorded in the Integrated Courts Operations Network system ("ICON") operated by the Province of Ontario. The County of Hastings recognizes fine revenue when the receipt of funds is recorded by ICON and matched to the offence notice, regardless of the location where payment is made.

Revenue and expenditures related to these operations have been reported as follows:

| | 2012 | 2011 |
|--|----------------|----------------|
| | \$ | \$ |
| Gross revenues | 1,703,602 | 2,107,678 |
| Operating costs | (980,395) | (945,975) |
| Amounts transferred to City of Belleville | (188,462) | (334,376) |
| Amounts transferred to City of Quinte West | (238,684) | (406,748) |
| Net County revenue | 296,061 | 420,579 |

14. CREDIT FACILITY AGREEMENT

The County has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$5,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate less .75% per annum. At December 31, 2012 there was a balance outstanding of \$Nil.

15. CONTINGENT LIABILITIES

The County, in the course of its operations, has been named in several lawsuits the outcome of which is indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

16. COMMITMENTS

- (a) The County has entered into lease agreements for various office accommodations and equipment. Future lease payments for the next five years are as follows:

| | |
|------|-----------|
| 2013 | \$817,080 |
| 2014 | 710,618 |
| 2015 | 438,103 |
| 2016 | 325,008 |
| 2017 | 248,109 |

- (b) The County has agreed to assist the Tri County Hospital Foundation with their Imagine Campaign for the Quinte Health Care Corporation. The total commitment is for \$1,100,000 payable equally over an eleven year period commencing in the year 2006. Payments made to December 31, 2012 are \$700,000.

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

16. COMMITMENTS, continued

- (c) The County of Hastings has developed a Doctor Recruitment Program. The Program provides education funding to medical students over a 4 to 6 year period. The students enter into an agreement for the funding in exchange for a minimum 5 year commitment to provide medical services within the County of Hastings.

Future payments for the program are as follows:

| | |
|------|-----------|
| 2013 | \$125,000 |
| 2014 | 50,000 |
| 2015 | 50,000 |
| 2016 | 50,000 |
| 2017 | 25,000 |

- (d) The County has agreed to assist the Kingston General Hospital with their redevelopment program. The total commitment is for \$654,000 payable equally over a ten year period commencing in the year 2008. Payments made to December 31, 2012 are \$327,000.
- (e) The County has agreed to assist Loyalist College with their campaign in support of the new Sustainable Skills, Technology and Life Sciences Centre. The total commitment is for \$350,000 payable equally over a seven year period commencing in 2013.
- (f) The County has entered into several renovation agreements which were in progress at December 31, 2012. The total costs for the project are expected to be \$219,420. The costs to December 31, 2012 were \$21,403.

17. SEGMENTED INFORMATION

The County of Hastings is a municipal government organization that provides a range of services to its residents. County services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the County and its programs and services.

Protection Services

Protection services include emergency measures and provincial offences operations for the County of Hastings and the Cities of Belleville and Quinte West.

CORPORATION OF THE COUNTY OF HASTINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

17. SEGMENTED INFORMATION, continued

Transportation Services

The activities of the transportation function include construction and maintenance of the County's roads and bridges and transfer of federal gas tax funding to the lower tier municipalities.

Health Services

The health services function consists of Land Ambulance services for the Counties of Hastings, Prince Edward and the Cities of Belleville and Quinte West and contributions to the Doctor Recruitment Program, Health Care facilities and to the local Health Unit.

Social and Family Services

The social and family services consist of general assistance to inhabitants, homes for the aged and child care services for the County.

Social Housing

The social housing services provides affordable housing to qualified inhabitants of the County of Hastings and the Cities of Belleville and Quinte West

Recreation and Cultural Services

The recreation and cultural services function consists of activities for the County's trail system.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the County.

18. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2012

| | General | | | Infrastructure Roads and Bridges \$ | Assets Under Construction \$ | Totals \$ |
|--|-------------------------------------|-------------------|----------------------------------|--|------------------------------------|-------------------|
| | Land and Land Improvements \$ | Buildings \$ | Machinery and Equipment \$ | | | |
| COST | | | | | | |
| Balance, beginning of year | 10,851,948 | 104,408,476 | 8,251,197 | 2,788,344 | 185,654 | 129,393,710 |
| Add: additions during the year | 141,164 | 1,099,891 | 159,440 | - | 176,372 | 2,267,595 |
| Less: disposals during the year | 17,286 | - | 83,205 | - | - | 569,965 |
| Internal transfers | - | 2,617 | - | - | (2,617) | - |
| Balance, end of year | 10,975,826 | 105,510,984 | 8,327,432 | 2,788,344 | 359,409 | 131,091,340 |
| ACCUMULATED AMORTIZATION | | | | | | |
| Balance, beginning of year | 1,095,334 | 26,730,032 | 3,185,707 | 2,002,006 | - | 34,625,686 |
| Add: additions during the year | 118,556 | 2,886,156 | 688,199 | 78,284 | - | 4,417,226 |
| Less: disposals during the year | 16,445 | - | 70,352 | - | - | 536,148 |
| Balance, end of year | 1,197,445 | 29,616,188 | 3,803,554 | 2,080,290 | - | 38,506,764 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | 9,778,381 | 75,894,796 | 4,523,878 | 708,054 | 359,409 | 92,584,576 |

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2012

| | General Government \$ | Protection Services \$ | Transportation Services \$ | Health Services \$ | Social and Family Services \$ | Social Housing \$ | Planning and Development \$ | Consolidated \$ |
|---|-----------------------------|------------------------------|----------------------------------|--------------------------|--|-------------------------|-----------------------------------|--------------------|
| Revenues | | | | | | | | |
| Property taxation | 2,245,586 | (364,827) | 53,600 | 3,030,576 | 4,279,640 | 2,439,605 | 883,550 | 12,567,730 |
| User charges | 648,649 | 23,111 | 50,564 | 167,754 | 7,709,080 | 5,871,281 | 623,487 | 15,093,926 |
| Government transfers - operating | 255,100 | - | - | 6,447,476 | 54,452,083 | 3,986,600 | 128,223 | 65,269,482 |
| Government transfers - capital | - | - | - | - | 137,545 | 946,773 | - | 1,084,318 |
| Other municipalities | 203,823 | 100,468 | - | 6,400,155 | 9,615,042 | 5,463,875 | 13,500 | 21,796,863 |
| Provincial Offences Act - fines | - | 1,659,797 | - | - | - | - | - | 1,659,797 |
| Federal gas tax earned | - | - | 1,370,625 | - | - | - | 61,220 | 1,431,845 |
| Investment income | 126,375 | 10,547 | - | - | 116,469 | 53,724 | - | 307,115 |
| Donations | - | - | - | - | 129,020 | - | - | 129,020 |
| Other | - | - | - | - | 54,226 | - | - | 54,226 |
| Total revenues | 3,479,533 | 1,429,096 | 1,474,789 | 16,045,961 | 76,493,105 | 18,761,858 | 1,709,980 | 119,394,322 |
| Expenses | | | | | | | | |
| Salaries and benefits | 4,241,528 | 508,147 | 5,062 | 11,455,357 | 27,485,114 | 2,839,174 | 825,051 | 47,359,433 |
| Interest charges | 31,258 | - | - | - | 1,385,135 | 592,251 | - | 2,008,644 |
| Materials | 1,101,217 | 55,240 | 8,117 | 2,038,313 | 5,404,706 | 6,120,513 | 706,071 | 15,434,177 |
| Contracted services | 986,456 | 355,066 | 37,693 | 292,189 | 7,758,424 | 246,447 | 13,119 | 9,689,394 |
| Rents and financial | 78,827 | 30,225 | - | 280,394 | 328,334 | 1,618,825 | 58,110 | 2,394,715 |
| External transfers | 88,700 | 427,146 | 1,370,625 | 976,154 | 29,441,426 | 4,579,899 | - | 36,883,950 |
| Amortization | 321,508 | - | 78,284 | 760,547 | 1,557,889 | 1,698,998 | - | 4,417,226 |
| Loss (gain) on disposal of tangible capital assets | - | - | - | 6,527 | 12,854 | 841 | - | 20,222 |
| Internal transfers | (448,629) | 45,432 | - | - | 415,197 | - | (12,000) | - |
| Allocated administration | (2,726,232) | 99,828 | - | 346,632 | 1,788,624 | 398,772 | 92,376 | - |
| Total expenses | 3,674,633 | 1,521,084 | 1,499,781 | 16,156,113 | 75,577,703 | 18,095,720 | 1,682,727 | 118,207,761 |
| Net surplus/(deficit) | (195,100) | (91,988) | (24,992) | (110,152) | 915,402 | 666,138 | 27,253 | 1,186,561 |

CORPORATION OF THE COUNTY OF HASTINGS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2011

| | General Government | Protection Services | Transportation Services | Health Services | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning and Development | Consolidated |
|--|--------------------|---------------------|-------------------------|-------------------|----------------------------|-------------------|----------------------------------|--------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | | |
| Property taxation | 1,603,700 | (431,771) | 44,042 | 2,909,709 | 4,592,346 | 2,325,008 | - | 1,042,500 | 12,085,534 |
| User charges | 503,857 | 26,772 | 56,580 | 127,028 | 7,589,908 | 5,760,473 | - | 116,541 | 14,181,159 |
| Government transfers - operating | 1,027,700 | - | - | 6,058,738 | 54,415,823 | 4,010,611 | - | 469,055 | 65,981,927 |
| Government transfers - capital | - | - | 227,456 | - | 4,249 | 2,257,060 | - | - | 2,488,765 |
| Other municipalities | 44,655 | 97,213 | - | 6,214,717 | 10,212,557 | 5,423,380 | - | - | 21,992,522 |
| Provincial Offences Act - fines | - | 2,066,927 | - | - | - | - | - | - | 2,066,927 |
| Federal gas tax earned | - | - | 1,194,975 | - | - | - | - | 138,124 | 1,333,099 |
| Investment income | 120,379 | 11,757 | - | - | 99,957 | 64,733 | - | - | 296,826 |
| Donations | - | - | - | - | 20,400 | - | - | - | 20,400 |
| Total revenues | 3,300,291 | 1,770,898 | 1,523,053 | 15,310,192 | 76,935,240 | 19,841,265 | - | 1,766,220 | 120,447,159 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 3,956,663 | 477,202 | 8,342 | 11,044,675 | 27,456,851 | 2,736,544 | - | 754,396 | 46,434,673 |
| Interest charges | 32,753 | - | - | - | 1,574,930 | 619,489 | - | - | 2,227,172 |
| Materials | 1,222,349 | 55,154 | 12,738 | 2,038,139 | 5,084,788 | 6,533,402 | - | 986,838 | 15,933,408 |
| Contracted services | 965,040 | 353,362 | 35,644 | 115,399 | 7,624,870 | 264,176 | - | 8,098 | 9,366,589 |
| Rents and financial | 137,630 | 30,691 | - | 283,732 | 324,733 | 1,602,257 | - | 58,093 | 2,437,136 |
| External transfers | 39,070 | 741,124 | 1,194,975 | 911,102 | 30,534,601 | 5,236,266 | (39,070) | - | 38,618,068 |
| Amortization | 317,084 | - | 75,969 | 715,963 | 1,523,183 | 1,614,401 | - | 10,663 | 4,257,263 |
| Loss (gain) on disposal of tangible capital assets | - | - | - | (6,787) | 22,056 | 23,784 | - | - | 39,053 |
| Internal transfers | (458,234) | 45,432 | - | - | 424,802 | - | - | (12,000) | - |
| Allocated administration | (2,711,484) | 101,916 | - | 342,348 | 1,797,636 | 373,800 | - | 95,784 | - |
| Total expenses | 3,500,871 | 1,804,881 | 1,327,668 | 15,444,571 | 76,368,450 | 19,004,119 | (39,070) | 1,901,872 | 119,313,362 |
| Net surplus/(deficit) | (200,580) | (33,983) | 195,385 | (134,379) | 566,790 | 837,146 | 39,070 | (135,652) | 1,133,797 |

INDEPENDENT AUDITORS' REPORT

T. 705.742.3418

F. 705.742.9775

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Hastingswww.collinsbarrowkawarthas.com*Report on the Financial Statements*

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the County of Hastings, which comprise the statement of financial position as at December 31, 2012, the statement of continuity for the year then ended, and 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 controls as management determines are 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 the auditors' 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, the auditor considers internal controls 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 controls. 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.

Except as noted in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many municipal trust funds, revenue is derived from residents the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Trust Funds and we were not able to determine whether any adjustments might be necessary to resident receipts, excess of receipts over expenses, assets and fund balances at the end of the year

Qualified Opinion

Except as noted in the above paragraph, 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, 2012 and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Kawarthas LLP*Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
July 30, 2013

CORPORATION OF THE COUNTY OF HASTINGS

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2012

| | Benevolent Trust \$ | Centennial Manor \$ | Hastings Manor \$ | 2012 Total \$ | 2011 Total \$ |
|--|---------------------------|---------------------------|-------------------------|---------------------|---------------------|
| FINANCIAL ASSETS | | | | | |
| Cash | 1,648 | 58,749 | 47,298 | 107,695 | 110,077 |
| Investment (note 2) | 45,000 | - | - | 45,000 | 45,000 |
| Accrued Interest | 493 | - | - | 493 | 434 |
| Due from Hastings Manor | - | - | 2,268 | 2,268 | 2,547 |
| Due from Centennial Manor | - | 1,421 | - | 1,421 | 1,932 |
| | 47,141 | 60,170 | 49,566 | 156,877 | 159,990 |
| LIABILITIES AND FUND BALANCES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | 1,904 |
| FUND BALANCES | | | | | |
| Capital | 47,141 | 60,170 | 49,566 | 156,877 | 158,086 |
| | 47,141 | 60,170 | 49,566 | 156,877 | 159,990 |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF HASTINGS

TRUST FUNDS

STATEMENT OF CONTINUITY

For the Year Ended December 31, 2012

| | Benevolent Trust \$ | Centennial Manor \$ | Hastings Manor \$ | 2012 Total \$ | 2011 Total \$ |
|-------------------------------------|---------------------------|---------------------------|-------------------------|---------------------|---------------------|
| BALANCES - beginning of year | 46,587 | 56,918 | 54,581 | 158,086 | 190,054 |
| RECEIPTS | | | | | |
| Interest earned | 554 | - | - | 554 | 1,036 |
| Received from residents | - | 52,941 | 122,579 | 175,520 | 199,523 |
| Donations | - | 8,055 | 8,749 | 16,804 | 8,576 |
| | 554 | 60,996 | 131,328 | 192,878 | 209,135 |
| EXPENSES | | | | | |
| Personal needs | - | 57,709 | 135,322 | 193,031 | 200,669 |
| Refunds to residents | - | 35 | - | 35 | 32,511 |
| Donations | - | - | 1,021 | 1,021 | 7,923 |
| | - | 57,744 | 136,343 | 194,087 | 241,103 |
| BALANCES - end of year | 47,141 | 60,170 | 49,566 | 156,877 | 158,086 |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF HASTINGS

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments and their boards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available 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.

(b) Financial Instruments

The Trust Funds financial instruments consist of cash, investment, accrued interest and due from Hastings and Centennial Manors. It is management's opinion that the fair value of these financial instruments are not materially different from their carrying value due to their short term nature. The Trust Funds do not have any significant concentration of credit, currency or interest rate risk.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 and are based on the County's best information and judgment. Actual results could differ from these estimates.

2. INVESTMENT

This investment is stated at cost which approximates market value and consists of a term deposit which earns interest at the rate of 1.55% (2011 - 1.015%) and matures on July 17, 2013.