



CORPORATION OF THE COUNTY OF HASTINGS
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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"WORKING AND GROWING TOGETHER"
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CORPORATION OF THE COUNTY OF HASTINGS

For The Year Ended December 31, 2018

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 auditor, 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 auditor's report.

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

Warden



Date

June 27, 2019

Director of Finance/
Treasurer



Date

June 27, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the County of Hastings and its local board (the County), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets/(liabilities) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the County as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the County to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 16, 2019

CORPORATION OF THE COUNTY OF HASTINGS**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2018**

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	17,916,234	20,575,827
Investments (note 3)	2,511,563	2,468,360
Trade and other receivables	6,697,168	7,197,614
Long term receivables	2,294,513	2,243,345
TOTAL FINANCIAL ASSETS	29,419,478	32,485,146
LIABILITIES		
Accounts payable and accrued liabilities	11,529,711	10,907,634
Deferred revenue - obligatory reserve funds (note 4)	262,914	144,084
Deferred revenue - other	591,470	1,137,901
Long term debt (note 5)	26,380,522	30,081,259
Employee future benefits payable (note 6)	8,903,247	8,335,601
TOTAL LIABILITIES	47,667,864	50,606,479
NET FINANCIAL ASSETS/(LIABILITIES)	(18,248,386)	(18,121,333)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	94,598,838	91,024,562
Prepaid expenses	436,883	171,858
TOTAL NON-FINANCIAL ASSETS	95,035,721	91,196,420
ACCUMULATED SURPLUS (note 9)	76,787,335	73,075,087

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
 For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Property taxation	14,294,585	14,357,350	13,978,144
User charges	14,870,933	15,930,179	15,396,632
Government of Canada	254,542	265,782	229,870
Province of Ontario	92,911,153	82,876,191	77,463,860
Other municipalities	24,419,815	24,230,797	23,365,157
Provincial Offences Act - fines (note 13)	1,800,000	2,056,939	1,836,275
Federal gas tax earned (note 4)	1,154,975	1,154,974	1,286,900
Investment income	188,410	391,666	265,032
Other	-	4,221	10,875
Gain (loss) on disposal of tangible capital assets	1,086,216	138,521	669,700
TOTAL REVENUES	150,980,629	141,406,620	134,502,445
EXPENSES			
General government	4,035,292	4,418,345	3,973,756
Protection services	1,694,924	1,844,117	1,727,952
Transportation services	1,337,866	1,416,237	1,330,719
Health services	21,280,194	21,237,434	19,785,028
Social and family services	87,348,374	84,104,474	80,211,362
Social housing	24,094,588	23,372,474	22,775,789
Planning and development	1,407,086	1,301,291	1,136,439
TOTAL EXPENSES	141,198,324	137,694,372	130,941,045
ANNUAL SURPLUS	<u>9,782,305</u>	3,712,248	3,561,400
ACCUMULATED SURPLUS - beginning of year		73,075,087	69,513,687
ACCUMULATED SURPLUS - end of year		76,787,335	73,075,087

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)
For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS	9,782,305	3,712,248	3,561,400
Amortization of tangible capital assets	4,812,155	5,107,692	4,812,155
Purchase of tangible capital assets	(18,208,289)	(8,794,989)	(4,341,038)
Gain on disposal of tangible capital assets	(1,086,216)	(138,521)	(669,700)
Proceeds on sale of tangible capital assets	1,086,216	251,542	1,290,729
Change in prepaid expenses	-	(265,025)	392,039
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	(3,613,829)	(127,053)	5,045,585
NET FINANCIAL ASSETS/(LIABILITIES) - beginning of year	(18,121,333)	(18,121,333)	(23,166,918)
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(21,735,162)	(18,248,386)	(18,121,333)

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, 2018

	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	3,712,248	3,561,400
Items not involving cash		
Amortization of tangible capital assets	5,107,692	4,812,155
Gain on disposal of tangible capital assets	(138,521)	(669,700)
Change in employee future benefits payable	567,646	488,679
Change in non-cash assets and liabilities		
Trade and other receivables	500,446	(1,144,045)
Long term receivables	(51,168)	(63,798)
Prepaid expenses	(265,025)	392,039
Accounts payable and accrued liabilities	622,077	1,175,706
Deferred revenue - obligatory reserve funds	118,830	(50,938)
Deferred revenue - other	(546,431)	21,117
Net change in cash from operating activities	9,627,794	8,522,615
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(8,794,989)	(4,341,038)
Proceeds on disposal of tangible capital assets	251,542	1,290,729
Net change in cash from capital activities	(8,543,447)	(3,050,309)
INVESTING ACTIVITIES		
Purchase of investments	(43,203)	(35,087)
FINANCING ACTIVITIES		
Debt principal repayments	(3,700,737)	(3,570,698)
NET CHANGE IN CASH	(2,659,593)	1,866,521
CASH - beginning of year	20,575,827	18,709,306
CASH - end of year	17,916,234	20,575,827

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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 the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. 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:

- Hastings Local Housing Corporation

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

(b) 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.

Taxation

The County establishes the tax rates annually based on the amount required to be raised. These tax rates are used to levy amounts to the lower tier Municipalities are based on their annual assessment. Adjustments to the lower tier levy amounts for additions to and reductions in assessment are reported in the financial statements when amounts can be reasonably determined.

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.

Other revenue

Fines levied under the Provincial Offenses Act 1997 are recognized when the funds are received. (see note 13).

User charges are recognized as revenue in the year the goods and services are provided.

Investment income is recorded when earned.

Federal gas tax is recognized in the period in which the related expenditures are recorded.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) 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. 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 County's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates;
- The values of employee future benefits payable depend on certain actuarial and economic assumptions; and
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

(d) 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.

(e) 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.

(f) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(g) 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.

(h) 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.

2. **COMPARATIVE FIGURES**

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

3. **INVESTMENTS**

Investments are recorded at cost and are comprised of:

	2018	2017
	\$	\$
RBC Dominion Securities		
Cash	14,874	13,138
Bonds	28,474	28,474
	43,348	41,612
Phillips, Hager & North Investment Funds Ltd.		
Short term bond fund	-	2,426,748
Encasa Financial Inc.		
Short term bond Fund	2,468,215	-
	2,511,563	2,468,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, 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:

	2018	2017
	\$	\$
Federal gas tax	262,914	144,084

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

	2018	2017
	\$	\$
Balance - beginning of year	144,084	195,022
Add amounts received:		
Federal gas tax	1,270,471	1,234,192
Interest	3,333	1,770
	1,273,804	1,235,962
Less transfer to operations:		
Federal gas tax earned	1,154,974	1,286,900
Balance - end of year	262,914	144,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. LONG TERM DEBT

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

	2018	2017
	\$	\$
Long term debt issued for the North Hastings Professional Building matures April 30, 2026. It is repayable in blended monthly instalments of \$4,565 with interest at the rate of 3.08% per annum.	359,178	402,175
Long term debt issued for 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.	2,148,023	2,726,739
Long term debt issued for 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.	771,087	973,881
Long term debt issued for Centennial Manor matures May 31, 2022. It is repayable in blended monthly instalments of \$3,297 with interest at the rate of 2.97% per annum.	128,328	163,509
Long term debt issued for Hastings Manor matures September 30, 2023. It is repayable in blended monthly instalments of \$51,568 with interest at the rate of 4.64% per annum.	2,633,450	3,117,814
Long term debt issued for Hastings Manor matures September 30, 2023. It is repayable in blended monthly instalments of \$52,353 with interest at the rate of 4.74% per annum.	2,667,370	3,156,528
Long term debt issued for Hastings Manor matures August 31, 2023. It is repayable in blended monthly instalments of \$65,835 with interest at the rate of 4.64% per annum.	3,362,046	3,980,419
Long term debt issued for Hastings Manor matures September 30, 2023. It is repayable in blended monthly instalments of \$20,652 with interest at the rate of 4.14% per annum.	1,066,997	1,266,157
Long term debt issued by the Hastings Local Housing Corporation to the Canada Mortgage and Housing Corporation (CMHC) matures March 1, 2023 and is secured by the land and building at 48A Brant Street, Deseronto, Ontario. It is repayable in blended monthly instalments of \$10,425 with interest at the rate of 2.39% per annum.	1,021,139	1,121,636
Long term debt issued by the Hastings Local Housing Corporation to CMHC matures March 1, 2023 and is secured by the land and building at 59 Russell Street, Belleville, Ontario. It is repayable in blended monthly instalments of \$31,747 with interest at the rate of 2.39% per annum.	3,135,233	3,440,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. LONG TERM DEBT, continued

	2018	2017
	\$	\$
Long term debt issued by the Hastings Local Housing Corporation to CMHC matures January 1, 2025 and renewable June 1, 2020 and is secured by the land and building at 424 Bleeker Avenue, Belleville, Ontario. It is repayable in blended monthly instalments of \$17,212 with interest at the rate of 1.39% per annum.	1,204,313	1,392,746
Long term debt issued by the Hastings Local Housing Corporation to the Scotiabank matures April 1, 2022 and is secured by the land and building at 24 Brown Street, Belleville, Ontario. It is repayable in blended monthly instalments of \$15,134 with interest at the rate of 2.04% per annum.	1,979,960	2,119,811
Long term debt issued by the Belleville Non-Profit Housing Corporation and assumed by the Hastings Local 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.	2,172,685	2,378,065
Debenture issued by the County of Hastings to OILC matures June 15, 2041. It is repayable in blended semi-annual instalments of \$118,109 with interest at the rate of 3.30% per annum.	3,730,713	3,841,079
	26,380,522	30,081,259

- (b) The long term debt in (a) issued in the name of the County or the Hastings Local 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 \$992,836 (2017 - \$1,112,335).
- (d) Included in long term debt above are amounts required to finance new facilities at Hastings Manor and Centennial Manor amounting to \$9,729,863 (2017 - \$11,520,918) and \$3,047,438 (2017 - \$3,864,129) respectively. A portion of the net cost of this long term debt is recoverable from other municipalities and the Province of Ontario as follows:
- (i) 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.
 - (ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. LONG TERM DEBT, continued

- (iii) The Province of Ontario provides annual 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 for Hastings Manor and \$415,548 for Centennial Manor.
- (e) The debentures payable by the County Housing Corporation at December 31, 2018 to the Canada Mortgage and Housing Corporation of \$4,050,383 (2017 - \$5,004,40) mature between January 1, 2019 and January 1, 2026 and are secured by land and buildings. These debentures were not assumed by or assigned to the Hastings Local 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 based on the current repayment terms:

	Principal \$	Interest \$	Total \$
2019	3,838,775	888,694	4,727,469
2020	6,546,641	730,726	7,277,367
2021	3,716,862	523,842	4,240,704
2022	4,723,125	355,718	5,078,843
2023	4,310,610	161,425	4,472,035
	23,136,013	2,660,405	25,796,418
2024 to 2028	840,959	468,057	1,309,016
2029 and subsequent years	2,403,550	549,210	2,952,760
	26,380,522	3,677,672	30,058,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. EMPLOYEE FUTURE BENEFITS 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, 2018 which is included in the long term receivable amount of \$2,294,513, is \$1,713,076 (2017 - \$1,639,797).

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:

	2018	2017
	\$	\$
Post employment benefits	2,344,899	2,181,999
Future payments for WSIB costs	3,752,298	3,528,643
Unfunded employee future benefits	6,097,197	5,710,642
Vacation pay	2,620,921	2,439,830
Accumulated sick leave benefit plan	143	143
Severance payouts	184,986	184,986
Other amounts payable	2,806,050	2,624,959
	8,903,247	8,335,601

The actuarial valuation for post-employment benefits as at December 31, 2016 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 - 2016	5.00%
Future health care cost rates - 2017-2019	reducing by .33/year to 4%
Future health care cost rates - 2020 thereafter	4%
Future dental cost rates	4%
Future interest rate	4.25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. EMPLOYEE FUTURE BENEFITS PAYABLE, continued

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

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

	2018	2017
	\$	\$
Accrued benefit obligation at January 1	2,777,352	2,697,494
Unamortized actuarial losses	(595,353)	(663,683)
Liability at January 1	2,181,999	2,033,811
Current year benefit cost	125,042	117,312
Interest	124,313	120,473
Amortization of actuarial loss	68,331	68,331
Less: expected benefit payments	(154,786)	(157,928)
Liability at December 31	2,344,899	2,181,999

The actuarial valuation for future payments for WSIB costs as at December 31, 2016 was based on a number of assumptions about future events, such as inflation rates, interest rates, expected future WSIB payments per lost time injury, 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:

Discount rate	4%
Loss of earnings benefits	66%
Expected inflation rate	2%
WSIB administration fee	38%
Loss time injury count	24
Mean term of future payments	9 years

The continuity of the liability for future payments for WSIB costs is as follows:

	2018	2017
	\$	\$
Accrued benefit obligation at January 1	3,483,262	3,342,507
Unamortized actuarial gains/(losses)	45,381	(34,060)
Liability at January 1	3,528,643	3,308,447
Current year benefit cost	500,395	483,992
Interest	139,426	133,839
Amortization of actuarial loss	79,441	79,441
Less: expected benefit payments	(495,607)	(477,076)
Liability at December 31	3,752,298	3,528,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

7. TANGIBLE CAPITAL ASSETS

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

	2018	2017
	\$	\$
General		
Land and land improvements	10,136,291	9,733,452
Buildings	71,845,913	71,049,574
Machinery and equipment	6,686,677	5,789,223
Vehicles	1,476,874	1,482,035
Infrastructure		
Roads and bridges	1,613,865	1,730,913
	91,759,620	89,785,197
Assets under construction	2,839,218	1,239,365
	94,598,838	91,024,562

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

During the year there were no write-downs of assets (2017 - \$Nil) and no interest capitalized (2017 - \$Nil).

Tangible capital assets allocated by segment are as follows:

	2018	2017
	\$	\$
General government	11,082,711	11,312,536
Transportation services	1,935,330	2,066,507
Health services	3,003,899	2,271,443
Social and family services	32,400,990	33,333,673
Social housing	46,111,060	41,975,555
Planning and development	64,848	64,848
	94,598,838	91,024,562

8. 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 0.75% per annum. At December 31, 2018 there was no balance outstanding (2017 - \$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

9. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Surplus/(Deficit)		
Housing Corporation	141,955	141,955
Unfunded employee future benefits	(6,097,197)	(5,710,642)
	(5,955,242)	(5,568,687)
Invested In Capital Assets		
Tangible capital assets - net book value	94,598,838	91,024,562
Long term debt	(26,380,522)	(30,081,259)
Unfunded capital - Hastings Manor (b)	(239,534)	(286,464)
Unfunded capital - Hastings Manor (c)	(467,260)	(421,773)
Unfunded capital - Social Housing (c)	(2,243,907)	-
Unfunded capital - EMS (c)	(550,000)	-
	64,717,615	60,235,066
Surplus	58,762,373	54,666,379
Reserves		
Working funds	2,443,292	2,443,292
General purposes	3,706,173	3,510,841
County highways	508,578	546,476
Social services	1,067,796	1,084,872
Ambulance capital	167,792	461,140
Hastings and Centennial Manor	466,165	422,217
Doctor recruitment	575,602	524,302
Social housing	5,308,418	6,172,456
WSIB	2,602,261	2,553,586
Desktop computer replacement	454,586	317,632
Economic development	137,148	151,548
Official plan	210,880	134,075
EMS cross border services	376,271	86,271
Total Reserves	18,024,962	18,408,708
	76,787,335	73,075,087

(b) The 2013 Hastings Manor unfunded capital amount was financed through an interfund loan from general government at prime plus 1.25% and is repayable over a 10 years period until 2023 through an annual charge to Hastings Manor operations.

(c) Unfunded capital amounts that are to be financed with debt in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

10. BUDGET FIGURES

The budget, approved by the County, for 2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets/(Liabilities). The budget 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 PSA reporting requirements. Budget figures are not subject to audit.

The following is a reconciliation of the Council approved budget amounts to the PSA amounts:

	(Unaudited) Revenue \$	(Unaudited) Expenses \$
Council approved budget:		
Operating	129,776,668	143,876,253
Levy	14,099,585	-
Capital	18,208,289	18,208,289
Distribution of gas tax	1,154,974	1,154,974
Total Council approved budget	163,239,516	163,239,516
Less: Tangible capital assets capitalized	-	(18,208,289)
Add: Amortization of tangible capital assets	-	4,812,155
Less: Long term debt proceeds	(3,172,499)	-
Less: Principal repayment of long term debt	-	(3,820,242)
Less: Transfers to/from reserves	(8,594,335)	(4,285,833)
Less: Change in unfunded capital	-	(46,930)
Less: Interdepartmental charges	(4,089,996)	(4,089,996)
Add: POA net payments to other Municipalities	385,792	385,792
Flow through revenue and expenses	3,212,151	3,212,151
Adjusted budget per Consolidated Statement of Operations	150,980,629	141,198,324

11. PENSION AGREEMENTS

Certain employees of the County are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2018 Annual Report disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets of \$95,890 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the County does not recognize any share of the OMERS pension surplus or deficit.

The County's required contributions to OMERS in 2018 were \$3,477,864 (2017 - \$3,442,831).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

12. EXPENSES BY OBJECT

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

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Salaries and benefits	56,758,443	57,343,850	55,350,968
Interest charges	1,021,456	992,836	1,112,335
Materials	15,812,232	15,004,727	14,293,344
Contracted services	22,778,199	22,689,771	16,673,443
Rents and financial	2,028,762	1,958,545	2,037,950
External transfers	37,987,077	34,596,951	36,660,850
Amortization	4,812,155	5,107,692	4,812,155
	141,198,324	137,694,372	130,941,045

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.

Revenues and expenses related to these operations have been reported as follows:

	2018 \$	2017 \$
Fines	2,056,939	1,836,275
Other revenue	35,842	35,616
Operating costs	(1,256,222)	(1,140,324)
Amounts transferred to City of Belleville	(231,500)	(269,189)
Amounts transferred to City of Quinte West	(204,527)	(176,405)
Net County revenue	400,532	285,973

14. CONTINGENT LIABILITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

15. 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 1,433 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."

16. COMMITMENTS

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

2019	\$1,086,156
2020	1,018,810
2021	723,584
2022	673,564
2023	583,390

- (b) 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:

2019	\$174,500
2020	149,500
2021	137,000
2022	137,000

- (c) The County has agreed to assist the North Hastings Hospital Fund Development Committee. The total commitment is for \$150,000 payable equally over a three year period commencing in 2017. The remaining commitment at December 31, 2018 is \$50,000.
- (d) 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. The remaining commitment at December 31, 2018 is \$50,000.
-

16. COMMITMENTS, continued

- (e) The County has several outstanding commitments for construction and renovations of social housing units. The total outstanding commitments at December 31, 2018 are \$5,373,594 which will be funded through a combination of long term debt, taxation and reserve transfers. In addition, the County has an outstanding commitment related to flow through funding to external agencies for the construction of affordable housing units in the amount of \$366,489 which will be funded through Provincial grants.

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 is allocated based on each segment's net requirements. Internal transfers include rent charges which are allocated based on the segment's square footage usage of the County's buildings and computer replacement costs that are allocated based on the segment's proportionate share of the total number of devices. Allocated administration includes the following: 1) Governance costs that are allocated based on the segment's proportionate share of the total number of committees; 2) Corporate management wages and benefits that are allocated based on the estimated percentage of time each employee spends working for each segment and other costs that are allocated based on the average percentage of corporate management wages and benefits allocated to each department; 3) Human resources wages and benefits that are allocated based on the segment's proportionate share as determined by head count; and 4) Information technologies wages and benefits that are allocated based on the segment's proportionate share of the total number of devices.

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.

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.

17. SEGMENTED INFORMATION, continued**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

Social and family services consist of general assistance, homes for the aged and child care services to inhabitants of the County of Hastings and the Cities of Belleville and Quinte West.

Social Housing

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

Planning and Development

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

18. TRUST FUNDS

Trust funds administered by the County amounting to \$228,759 (2017 - \$208,715) 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.

19. CHANGES IN ACCOUNTING POLICIES

The County has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the County's consolidated financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the County having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the County's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. These sections have been applied retroactively with restatement of prior periods. The adoption of these standards did not have an impact on the County's consolidated financial statements.

CORPORATION OF THE COUNTY OF HASTINGS



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2018

	General				Infrastructure	Assets Under Construction	Totals
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges		
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	11,386,944	114,886,260	12,041,199	2,927,181	3,735,218	1,239,365	146,216,167
Add: additions during the year	536,814	3,031,438	1,732,071	765,299	-	2,729,367	8,794,989
Less: disposals during the year	46,093	201,143	155,951	551,468	-	-	954,655
Internal transfers	-	1,129,514	-	-	-	(1,129,514)	-
Balance, end of year	11,877,665	118,846,069	13,617,319	3,141,012	3,735,218	2,839,218	154,056,501
ACCUMULATED AMORTIZATION							
Balance, beginning of year	1,653,492	43,836,686	6,251,976	1,445,146	2,004,305	-	55,191,605
Add: additions during the year	87,882	3,305,955	826,344	770,463	117,048	-	5,107,692
Less: disposals during the year	-	142,485	147,678	551,471	-	-	841,634
Balance, end of year	1,741,374	47,000,156	6,930,642	1,664,138	2,121,353	-	59,457,663
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	10,136,291	71,845,913	6,686,677	1,476,874	1,613,865	2,839,218	94,598,838

CORPORATION OF THE COUNTY OF HASTINGS



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2018

	General Government \$	Protection Services \$	Transportation Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	3,433,911	(253,357)	56,900	3,403,885	3,165,192	3,306,133	1,244,686	14,357,350
User charges	246,638	4,517	50,526	130,732	8,900,522	6,485,111	112,133	15,930,179
Government transfers - operating	105,000	-	-	8,690,452	66,621,768	4,928,455	30,000	80,375,675
Government transfers - capital	51,755	-	-	-	-	2,714,543	-	2,766,298
Other municipalities	177,028	134,273	-	8,799,942	7,357,350	7,762,204	-	24,230,797
Provincial Offences Act - fines	-	2,056,939	-	-	-	-	-	2,056,939
Federal gas tax earned	-	-	1,154,974	-	-	-	-	1,154,974
Investment income	177,865	13,214	-	-	158,284	42,303	-	391,666
Other	-	-	-	-	4,221	-	-	4,221
Gain (loss) on disposal of tangible capital assets	-	-	-	39,208	(38,513)	137,826	-	138,521
Total revenues	4,192,197	1,955,586	1,262,400	21,064,219	86,168,824	25,376,575	1,386,819	141,406,620
Expenses								
Salaries and benefits	5,502,763	606,967	-	15,089,009	31,521,545	3,788,997	834,569	57,343,850
Interest charges	137,636	-	-	-	621,590	233,610	-	992,836
Materials	1,483,022	52,662	91,222	2,431,957	4,717,677	6,024,544	203,643	15,004,727
Contracted services	1,219,305	436,558	38,864	594,846	15,889,273	4,507,443	3,482	22,689,771
Rents and financial	74,737	32,521	-	322,143	276,133	1,245,623	7,388	1,958,545
External transfers	195,624	436,027	1,154,974	1,271,529	26,429,934	5,046,569	62,294	34,596,951
Amortization	650,050	-	131,177	1,043,631	1,426,944	1,855,890	-	5,107,692
Internal transfers	(944,668)	141,835	-	-	671,368	131,465	-	-
Allocated administration	(3,900,124)	137,547	-	484,319	2,550,010	538,333	189,915	-
Total expenses	4,418,345	1,844,117	1,416,237	21,237,434	84,104,474	23,372,474	1,301,291	137,694,372
Net surplus/(deficit)	(226,148)	111,469	(153,837)	(173,215)	2,064,350	2,004,101	85,528	3,712,248

CORPORATION OF THE COUNTY OF HASTINGS



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2017

	General Government \$	Protection Services \$	Transportation Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	1,721,683	(232,548)	75,673	3,869,328	4,072,009	3,266,070	1,205,929	13,978,144
User charges	199,946	3,503	45,629	187,091	8,648,565	6,198,207	113,691	15,396,632
Government transfers - operating	123,500	-	-	7,912,583	62,642,157	5,251,924	-	75,930,164
Government transfers - capital	50,565	-	-	-	-	1,713,001	-	1,763,566
Other municipalities	199,623	128,286	-	8,045,764	7,831,234	7,160,250	-	23,365,157
Provincial Offences Act - fines	-	1,836,275	-	-	-	-	-	1,836,275
Federal gas tax earned	131,926	-	1,154,974	-	-	-	-	1,286,900
Investment income	108,679	9,304	-	-	107,686	39,363	-	265,032
Other	-	-	-	-	10,875	-	-	10,875
Gain (loss) on disposal of tangible capital assets	-	-	-	10,179	-	659,521	-	669,700
Total revenues	2,535,922	1,744,820	1,276,276	20,024,945	83,312,526	24,288,336	1,319,620	134,502,445
Expenses								
Salaries and benefits	5,078,615	563,358	-	14,410,163	31,043,426	3,512,226	743,180	55,350,968
Interest charges	142,592	-	-	-	731,321	238,422	-	1,112,335
Materials	1,353,833	48,956	17,463	2,257,815	3,983,467	6,482,370	149,440	14,293,344
Contracted services	1,192,993	368,803	32,291	198,386	11,885,754	2,987,220	7,996	16,673,443
Rents and financial	95,387	30,256	-	282,923	287,965	1,334,031	7,388	2,037,950
External transfers	149,197	445,594	1,154,974	1,309,859	27,769,792	5,786,171	45,263	36,660,850
Amortization	640,541	-	125,991	859,365	1,402,979	1,783,279	-	4,812,155
Internal transfers	(932,646)	141,835	-	-	659,346	131,465	-	-
Allocated administration	(3,746,756)	129,150	-	466,517	2,447,312	520,605	183,172	-
Total expenses	3,973,756	1,727,952	1,330,719	19,785,028	80,211,362	22,775,789	1,136,439	130,941,045
Net surplus/(deficit)	(1,437,834)	16,868	(54,443)	239,917	3,101,164	1,512,547	183,181	3,561,400

Baker Tilly KDN LLP
272 Charlotte St.
Peterborough, ON
Canada K9J 2V4

INDEPENDENT AUDITOR'S REPORT

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

T: Baker Tilly KDN LLP
F: 272 Charlotte St.

Peterborough, ON
Canada K9J 2V4

Qualified Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the County of Hastings (the Trust Funds), which comprise the statement of financial position as at December 31, 2018, the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2018, and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

In common with many municipal trust funds, the completeness of the revenue derived from residents is 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, assets and fund balances at the end of the year.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements of the Trust Funds as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust Funds's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Funds's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Funds's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 16, 2019

TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
At December 31, 2018

	Benevolent Trust \$	Centennial Manor \$	Hastings Manor \$	2018 Total \$	2017 Total \$
FINANCIAL ASSETS					
Cash	473	107,875	74,599	182,947	158,920
Investment (note 3)	40,928	-	-	40,928	40,928
Accrued interest	699	-	-	699	26
Due from Hastings Manor	-	-	1,295	1,295	251
Due from Centennial Manor	-	2,890	-	2,890	8,590
	42,100	110,765	75,894	228,759	208,715
FUND BALANCES	42,100	110,765	75,894	228,759	208,715

TRUST FUNDS
STATEMENT OF CONTINUITY
For the Year Ended December 31, 2018

	Benevolent Trust \$	Centennial Manor \$	Hastings Manor \$	2018 Total \$	2017 Total \$
BALANCES - beginning of year	41,454	93,784	73,477	208,715	178,167
RECEIPTS					
Interest earned	673	-	-	673	509
Received from residents	-	60,346	111,548	171,894	158,852
Donations	-	6,481	12,202	18,683	34,997
	673	66,827	123,750	191,250	194,358
EXPENSES					
Personal needs	-	49,846	118,531	168,377	156,703
Refunds to residents	-	-	35	35	-
Donations	-	-	2,767	2,767	7,080
Other	27	-	-	27	27
	27	49,846	121,333	171,206	163,810
BALANCES - end of year	42,100	110,765	75,894	228,759	208,715

The accompanying notes are an integral part of these financial statements

**TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook.

(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) 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. PURPOSE OF TRUSTS

Benevolent Trust - On November 25, 1987, the Corporation of the County of Hastings (through Hastings Centennial Manor) was bequeathed with funds from the estate of Robert Clark. Interest on the funds are to be used to purchase items for the enjoyment of the residents, not covered by the Home's normal operating budget.

Centennial Manor and Hastings Manor - These funds are for these Homes for the Aged, Long Term Care residents and represent their personal funds that are to be used exclusively for the residents' personal items.

3. INVESTMENT

This investment is stated at cost which approximates market value and consists of a term deposit which earns interest at the rate of 1.65% (2017 - 1.65%) and matures on February 16, 2019.