

Financial Statements

**CORPORATION OF THE COUNTY  
OF FRONTENAC**

Year ended December 31, 2008

# CORPORATION OF THE COUNTY OF FRONTENAC

Financial Statements

Year ended December 31, 2008

## CORPORATION OF THE COUNTY OF FRONTENAC

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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Corporation of the County of Frontenac as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2008 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, resembling a flourish or a checkmark.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 14, 2009

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
Financial assets:		
Cash (note 3)	\$ 18,430,576	\$ 16,490,910
Accounts receivable	2,091,987	1,506,927
	<u>20,522,563</u>	<u>17,997,837</u>
Liabilities:		
Accounts payable and accrued liabilities (note 10)	6,326,739	5,890,800
Deferred revenue	773,598	889,740
Deferred revenue - obligatory reserve fund (note 8)	1,130,548	799,127
Employee benefit obligations (note 6)	127,661	115,012
Long-term liabilities (note 4)	15,033,912	15,691,539
	<u>23,392,458</u>	<u>23,386,218</u>
Net financial asset deficiency	(2,869,895)	(5,388,381)
Other assets:		
Inventory	161,848	149,478
Total net asset deficiency	<u>\$ (2,708,047)</u>	<u>\$ (5,238,903)</u>

## Municipal Position

Capital fund (note 5(a))	\$ 12,737	\$ 16,801
Reserves (note 7)	9,816,477	7,953,015
Reserve funds (note 7)	2,624,312	2,597,832
	<u>12,453,526</u>	<u>10,567,648</u>
Amounts to be recovered from future revenues	(15,161,573)	(15,806,551)
Lease commitments (note 12)		
Contingent liabilities (note 19)		
Total municipal position	<u>\$ (2,708,047)</u>	<u>\$ (5,238,903)</u>

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

Approved by The Corporation of the County of Frontenac:

\_\_\_\_\_ Council Member

\_\_\_\_\_ Council Member

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Financial Activities

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Taxation and user charges:		
Taxation from other governments	\$ 8,256,347	\$ 8,420,892
User charges	2,926,421	3,004,549
Payments in lieu of taxes	47,756	50,159
Grants:		
Province of Ontario	15,372,109	12,539,946
Other municipalities	7,640,607	7,366,260
Other:		
Provincial offences fines penalties	199,082	264,142
Investment income	437,301	412,414
Other	144,027	348,108
Transfer from deferred obligatory reserve fund	91,485	8,253
<b>Total revenue</b>	<b>35,115,135</b>	<b>32,414,723</b>
Expenditures:		
Current (note 18):		
General government	1,615,732	1,366,875
Protection to persons and property	28,457	839
Transportation services	812,535	797,268
Ambulance services	11,346,591	10,032,835
Health services	2,188,504	1,916,357
Social and family services	13,477,509	12,896,649
Libraries	733,297	604,370
Social housing	553,959	548,025
Planning and development	227,166	170,007
Other	29,192	41,103
<b>Total current expenditures</b>	<b>31,012,942</b>	<b>28,374,328</b>
Capital operations:		
General government	492,464	900,542
Transportation services	644,940	638,100
Ambulance services	397,790	1,104,538
Health Services	4,065	-
Social and family services	44,447	444,788
<b>Total capital expenditures</b>	<b>1,583,706</b>	<b>3,087,968</b>
<b>Total expenditures</b>	<b>32,596,648</b>	<b>31,462,296</b>
<b>Net revenue</b>	<b>2,518,487</b>	<b>952,427</b>
Financing:		
Debt principal repayment	(657,627)	(617,871)
Change in employee benefit obligations	12,649	115,012
Change in non-financial asset	12,370	66,045
	(632,608)	(436,814)
<b>Increase in fund balances</b>	<b>\$ 1,885,879</b>	<b>\$ 515,613</b>

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Changes in Financial Position

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Operations:		
Net revenue	\$ 2,518,487	\$ 952,427
Sources (uses) of funds:		
Decrease (increase) in accounts receivable	(585,060)	622,284
Increase (decrease) in accounts payable and accrued liabilities	435,939	(280,303)
Increase (decrease) in deferred revenue	(116,143)	613,212
Increase in obligatory reserve fund	331,421	333,169
Increase in employee benefit obligations	12,649	115,012
Net change in cash from operations	2,597,293	2,355,801
Financing:		
Debt principal repayments	(657,627)	(617,871)
Increase in cash	1,939,666	1,737,930
Cash, beginning of year	16,490,910	14,752,980
Cash, end of year	\$ 18,430,576	\$ 16,490,910

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Notes to Consolidated Financial Statements

Year ended December 31, 2008

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### 1. Accounting policies:

The consolidated financial statements of the Corporation of the County of Frontenac ("the County") are prepared by management 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 adopted by the Council are as follows:

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the current, capital and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the County and which are owned or controlled by the County. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Fairmount Home for the Aged

Kingston, Frontenac and Lennox and Addington Health Unit (proportionately consolidated)

Kingston, Frontenac and Lennox and Addington Health Unit is accounted for using the proportionate consolidation method of accounting and reporting, whereby the County's pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the financial statements.

- (ii) Non-consolidated entities:

The following joint local board is not consolidated:

Kingston-Frontenac Public Library Board

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

(b) Basis of accounting:

- (i) Capital assets:

The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 1. Accounting policies (continued):

### (c) Inventory:

Inventory is valued at the lower of cost and replacement cost.

### (d) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

### (e) Employee benefit obligations:

The County accrues its obligations for employee benefit plans. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees, which is estimated to be 14 years.

### (f) Deferred revenue – obligatory reserve fund:

The County receives restricted contributions under the authority of provincial legislation and County by-laws. These funds by their nature are restricted in their use, and until applied to applicable expenditures, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expected.

### (g) 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.

### (h) Government transfers:

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 2. Accounting changes – tangible capital assets:

Commencing with the fiscal year beginning January 1, 2009, the County will be adopting CICA Public Sector Accounting Handbook Section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, buildings, vehicles, equipment, land, water systems and other utility systems.

Effective January 1, 2007, the County adopted Public Sector Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets by way of a note to the financial statements until Section 3150 – Tangible Capital Assets comes into affect on January 1, 2009.

As of December 31, 2008, the County does not have adequate information to disclose any of the tangible capital assets by major category.

## 3. Restricted assets:

Cash in the amount of \$3,754,860 (2007 - \$3,396,959) have been restricted to support reserve funds.

## 4. Long-term liabilities:

(a) The long-term liabilities reported on the "Consolidated Statement of Financial Position" are made up of the following:

	2008	2007
Debenture issue	\$ 14,135,802	\$ 14,772,137
Proportionate share of Kingston, Frontenac and Lennox and Addington Health Unit long-term liabilities	898,110	919,402
	<u>\$ 15,033,912</u>	<u>\$ 15,691,539</u>

A debenture was issued on September 12, 2002 maturing September 12, 2022, to finance a building project at Fairmount Home for the Aged. The debenture has an interest rate of 6.157% with principal repayments commencing on September 12, 2003. Debt repayment costs will be recovered from future revenue. The City of Kingston share of the debt repayment was established through a Mediated Settlement dated August 7, 2002 and is based on 50% of the repayments related to the 32 new beds and 74% of the repayments related to the 96 existing beds.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 4. Long-term liabilities (continued):

New debt of \$3,142,000 was issued during 2004 by the Kingston, Frontenac and Lennox and Addington Health Unit to fund a new building project. The amount of \$898,110 (2007 - \$919,402) reflects the County's proportionate share of the Kingston, Frontenac and Lennox and Addington Health Unit's total long-term liabilities upon year end consolidation.

(b) Principal due on long-term liabilities is summarized as follows:

2009	\$	676,428
2010		719,047
2011		764,351
2012		812,510
2013		863,703
2014 and thereafter		10,299,763
		<hr/>
		\$ 14,135,802

Principal due on proportionately consolidated long-term liabilities of the Kingston, Frontenac, Lennox and Addington Health Unit is summarized as follows:

2009	\$	22,440
2010		23,970
2011		25,628
2012		26,902
2013 and thereafter		799,170
		<hr/>
		\$ 898,110

(c) Charges for long-term liabilities:

Total charges for the year for long-term liabilities which are reported on the consolidated statement of financial activities are as follows:

	2008	2007
Principal payments	\$ 657,627	\$ 617,871
Interest	892,948	916,078
	<hr/>	<hr/>
	\$ 1,550,575	\$ 1,533,949

(d) The long-term debt issued in the name of the County, has 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.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 5. Municipal fund balances at the end of the year:

- (a) The capital fund balance on the "Consolidated Statement of Financial Position" of \$12,737 (2007 - \$16,801) at the end of the year is comprised of the following:

	2008	2007
Unexpended (unfinanced) Kingston, Frontenac and Lennox and Addington Health Unit capital financing	\$ 12,737	\$ 16,801

Approval by by-law has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

Unexpended capital financing represents capital revenues received that are related to capital projects in progress at year end. These funds are reported as part of the capital fund balance and will be used to finance remaining capital project costs in the subsequent year.

Year end reporting of the County's proportionate share of the Kingston, Frontenac and Lennox and Addington Health Unit's unexpended capital is \$12,737 as at December 31, 2008 (2007 - \$16,801).

- (b) The balance available for application to operations for the fiscal year ending December 31, 2008 has been reduced by the following amounts transferred to reserves and reserve funds.

	2008	2007
Working funds - County of Frontenac	\$ 1,622,019	\$ 610,143
Working funds - Fairmount Home for the Aged	31,551	188,263
	\$ 1,653,570	\$ 798,406

Had these reductions not been made the balance would have been shown as an operating surplus of \$1,653,570 (2007 - \$798,406).

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 6. Employee benefit obligations:

Employee non-pension retirement benefits (extended health care and dental benefits for early retirees):

The County provides extended health care, dental and other benefits to one group of Fairmount Home employees. Extended health care and dental benefits continue to be available to early retirees at 100% of their cost up to the age of 60, then between the age of 60 and 65, the retiree will generally be responsible for paying 50% of the benefit premiums.

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed at December 31, 2007.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2008, based on an actuarial update, the accrued benefit obligation was \$127,757.

The significant actuarial assumptions adopted in estimating the County's accrued benefit obligation are as follows:

Discount rate	5.0% per annum
Inflation rate	2.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	4.0% per annum
Health benefits escalation	8% per year starting in 2008, reducing to 4% per year over 12 years to reach 4% per year starting in 2010

Employee non-pension retirement benefits (Extended health care and dental benefits for early retirees) (continued):

Information with respect to the County's non-pension retirement obligations is as follows:

	2008	2007
Opening balance	\$ 115,012	\$ -
Increase due to plan amendment	-	113,370
Expense recognized for the year	6,826	894
Interest cost	5,919	748
Benefit payments	(96)	-
Accrued benefit obligation, end of year	\$ 127,661	\$ 115,012

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 7. Reserves and reserve funds:

The total balance of reserves and reserve funds of \$12,440,789 (2007 - \$10,550,847) is made up of the following:

	2008	2007
Reserves set aside by Council:		
Working funds-County of Frontenac	\$ 5,969,635	\$ 4,446,694
Working funds-Fairmount Home for the Aged	879,258	847,707
Land ambulance	1,389,257	1,198,508
Social housing	314,400	289,400
Library	70,726	144,714
Land use planning	38,000	38,000
County of Frontenac Land ambulance	408,903	408,903
Stabilization reserve	615,000	495,000
Ferry revenue	38,704	36,849
County capital replacement	63,360	42,240
Ontarians with disabilities	10,000	5,000
Severance – Fairmont Home for the Aged	19,234	–
	9,816,477	7,953,015
Reserve funds set aside by Council:		
Administration capital	46,184	45,036
Fairmount donations	82,879	69,318
Fairmount rebuild donations	65,976	60,675
County of Frontenac capital	2,429,273	2,422,803
	2,624,312	2,597,832
	\$ 12,440,789	\$ 10,550,847

## 8. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2008	2007
Balance, beginning of year	\$ 799,127	\$ 465,958
Federal grant – gasoline tax	396,595	317,297
Investment income	26,311	24,125
Transfers to current fund	(91,485)	(8,253)
Balance, end of year	\$ 1,130,548	\$ 799,127
Analyzed as follows:		
Federal gasoline tax	\$ 1,130,548	\$ 799,127

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

## 9. Contributions to joint boards:

- (a) The assets and liabilities of the Kingston-Frontenac Public Library Board, as an unconsolidated joint board, have not been consolidated and are not reported on the "Consolidated Statement of Financial Position".

The operations of this joint board have also not been consolidated. The "Consolidated Statement of Financial Activities" includes only the following contributions made by the County:

	2008	2007
Kingston-Frontenac Public Library Board	\$ 733,297	\$ 604,370

The County is contingently liable for its share of any operating deficit, which is approximately 13.0% of the accumulated balance as at the end of the year for this board. The municipality's share of the accumulated operating surpluses (deficits) of this joint board is as follows:

	2008	2007
Kingston-Frontenac Public Library Board	\$ (14,416)	\$ (4,754)

- (b) The assets, liabilities, revenues and expenses of the Kingston, Frontenac and Lennox and Addington Health Unit have been consolidated using the proportionate consolidation method of accounting and reporting. The County made the following contributions to this joint board:

	2008	2007
Kingston, Frontenac and Lennox and Addington Health Unit	\$ 525,398	\$ 411,621

## 10. Measurement uncertainty - land ambulance cross-border transactions:

During the year, costs are incurred and/or recovered for land ambulance services that are provided by or to other municipalities and that span across municipal boundaries. An amount of \$1,428,573 (2007 - \$2,040,899) is included in accounts payable and accrued liabilities on the consolidated statement of financial position and represents management's estimate of the net amount payable to other municipalities for cross-border transactions for the seven-year period ending December 31, 2008.

Annual cross-border costs incurred and/or recovered are estimated based on a combination of estimated number of calls, estimated average cost per call and annual budget estimates.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## **10. Measurement uncertainty - land ambulance cross-border transactions (continued):**

Reconciliation of actual cross-border costs will occur subsequent to final inter-municipal approval of the cost calculation method. Any adjustments to costs incurred and/or recovered will be reported as an adjustment to expenditures on the statement of financial activities in the year of reconciliation.

## **11. Trust funds:**

Trust funds administered by the County amounting to \$19,541 (2007 - \$15,248) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

## **12. Lease commitments:**

The County leases premises under long-term operating lease agreements with terms as follows:

Five years ending November 2008 at an annual rental of \$36,650, with a further five years at an annual rental of \$25,500;

Forty months ending December 2010 at a base rate of \$23,600 adjusted annually by consumer price index.

## **13. Commitments:**

In 2008, the Corporation of the County of Frontenac pledged \$54,000 annually for 10 years to the University Hospitals Kingston Foundation, a joint fund raising appeal undertaken by the Foundation on behalf of local hospitals. The County has provided \$54,000 as the first of 10 payments, as of December 31, 2008.

## **14. Pension agreements:**

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 229 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for current service in 2008 was \$801,720 (2007 - \$701,587).

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 15. Cost sharing allocations:

The Local Service Realignment Cost Sharing Agreement sets out formulae under which the costs for Social Services, Child Care, Social Housing, Provincial Offences, and Land Ambulance are shared between the County of Frontenac and the City of Kingston. A new cost sharing arrangement was derived for the period of 2004 to 2006 through an arbitrated settlement and continued on a year to year basis in 2008. Program costs for Social Services and Child Care are distributed on the basis of caseload and Social Housing costs are allocated by the location of the unit. The administrative costs for these services are allocated on the basis of weighted assessment. The cost of Land Ambulance and the net revenue of Provincial Offences are distributed on the basis of weighted assessment.

## 16. Budget figures:

The County reviews its operating and capital budgets annually. The approved operating and capital budgets for 2008 are reflected on the Schedules of Current and Capital Fund Operations. Budget figures have not been audited and are presented for information purposes.

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

## 17. Segmented information:

The County of Frontenac is a municipal government institution that provides a range of services to its citizens, including land ambulance, long-term care, transportation, recreational and environmental. For management reporting purposes, the County's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

County services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Protection Services:

Protection is comprised of Emergency Management, a Provincially mandated role.

(b) Transportation Services:

Transportation Services provides Ferry service for Howe Island via the Frontenac Howe Islander. The County is responsible for the redistribution of Arterial Roads funding defined in the Restructuring Order.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 17. Segmented information (continued):

(c) Ambulance Services:

The County is the designated service delivery agent for Land Ambulance service in the County of Frontenac and the City of Kingston.

(d) Health Services:

The Kingston Frontenac Lennox and Addington Health Unit provides services to the County residents and is proportionately funded by participating Municipalities and the Province of Ontario.

(e) Social and Family Services:

- (f) The County of Frontenac cost shares the provision of Social and Family Services with the City of Kingston which is the consolidated municipal service manager in this area. The County maintains an oversight role. Fairmount Home for the Aged:

The County operates Fairmount Home for the Aged, a 128 bed Long Term Care Facility.

(g) Libraries:

The Kingston Frontenac Public Library provides services throughout the County.

(h) Social Housing:

The County of Frontenac cost shares the provision of Social Housing with the City of Kingston which is the consolidated municipal service manager in this area. The County maintains an oversight role.

(i) Planning and Development:

The County is the final approval authority for subdivisions and vacant land condominium applications. It facilitates economic development projects throughout the County.

For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

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.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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## 18. Supplementary information:

	2008	2007
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 20,124,531	\$ 18,668,573
Long-term debt interest expense	892,948	931,261
Materials	3,248,234	2,251,450
Contracted services	6,553,164	6,249,878
Rents and financial expenses	155,575	157,535
External transfers	—	50,000
Other	38,490	65,631
	<hr/>	<hr/>
	\$ 31,012,942	\$ 28,374,328

## 19. Contingent liabilities:

The County is involved with pending litigation and claims, which arose in the normal course of operations. In the opinion of the management, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the County. Any adjustments, arising from these matters, will be provided for in future years.

## 20. Fair value of financial instruments:

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue approximates their fair value because of the relatively short period to maturity of the instruments.

The carrying value of the long-term liabilities approximates their fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

# CORPORATION OF THE COUNTY OF FRONTENAC

## Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	Budget (unaudited)	2008 Actual	2007 Actual
<b>Revenue:</b>			
Taxation and user charges:			
Taxation from other governments	\$ 8,164,095	\$ 8,256,347	\$ 8,420,895
User charges	2,947,902	2,926,421	3,004,548
Payments in lieu of taxes	45,585	47,756	50,159
Grants:			
Province of Ontario	13,313,825	15,066,677	12,539,946
Other municipalities	8,348,900	6,995,667	6,728,160
Other:			
Provincial offences fines penalties	159,228	199,082	264,142
Investment income	300,000	354,215	298,993
Other	70,000	111,797	77,020
Transfers from deferred obligatory fund	–	91,485	8,253
<b>Total revenues</b>	<b>33,349,535</b>	<b>34,049,447</b>	<b>31,392,116</b>
<b>Expenditures (note 18):</b>			
General government	1,567,763	1,615,732	1,366,875
Protection to persons and property	66,699	28,457	839
Transportation services	887,458	812,535	797,268
Ambulance services	11,416,780	11,346,591	10,032,835
Health services	2,188,809	2,188,504	1,916,357
Social and family services	13,075,968	13,477,509	12,896,649
Libraries	719,209	733,297	604,370
Social housing	568,323	553,959	548,025
Planning and development	187,357	227,166	170,007
Other	176,500	29,192	41,103
<b>Total expenditures</b>	<b>30,854,866</b>	<b>31,012,942</b>	<b>28,374,328</b>
<b>Net revenue</b>	<b>2,494,669</b>	<b>3,036,505</b>	<b>3,017,788</b>
<b>Financing and transfers:</b>			
Transfers to capital fund	(1,997,660)	(300,125)	(1,119,002)
Transfer to reserves and reserve funds	(668,000)	(2,324,175)	(1,579,248)
Transfers from reserves and reserve funds	828,618	220,403	117,276
Change in employee benefit obligations	–	12,649	115,012
Debt principal repayments	(657,627)	(657,627)	(617,871)
Change in non-financial assets	–	12,370	66,045
	<b>(2,494,669)</b>	<b>(3,036,505)</b>	<b>(3,017,788)</b>
<b>Change in current fund balance</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Opening current fund balance</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Closing current fund balance</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

## Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	Budget (unaudited)	2008 Actual	2007 Actual
<b>Revenues:</b>			
Municipal grants	\$ 644,940	\$ 644,940	\$ 638,100
Sale of assets	25,000	7,143	33,500
Provincial contributions	–	305,432	–
Other	–	–	204,370
<b>Total revenues</b>	<b>669,940</b>	<b>957,515</b>	<b>875,970</b>
<b>Expenditures:</b>			
General government	296,000	492,464	900,543
Transportation services	644,940	644,940	638,100
Ambulance services	993,920	397,790	1,104,538
Health services	4,065	4,065	–
Social and family services	62,800	44,447	444,788
<b>Total expenditures</b>	<b>2,001,724</b>	<b>1,583,706</b>	<b>3,087,969</b>
<b>Net expenditures</b>	<b>(1,331,784)</b>	<b>(626,191)</b>	<b>(2,211,999)</b>
<b>Financing and transfers:</b>			
Transfers from current fund	831,676	300,125	1,119,002
Transfers from reserves and reserve funds	504,172	322,002	1,092,997
	<b>1,335,848</b>	<b>622,127</b>	<b>2,211,999</b>
<b>Change in capital fund balance</b>	<b>4,064</b>	<b>(4,064)</b>	<b>–</b>
<b>Opening capital fund balance</b>	<b>16,801</b>	<b>16,801</b>	<b>16,801</b>
<b>Closing capital fund balance</b>	<b>\$ 20,865</b>	<b>\$ 12,737</b>	<b>\$ 16,801</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

## Schedule of Reserves and Reserve Funds

Year ended December 31, 2008, with comparative figures for 2007

<b>Reserves</b>	Working Capital Frontenac	Working Capital Fairmount	Vehicle Replacement	Equipment Replacement	Ambulance Severance Reserve	Severance Reserve Fairmount	Social Housing Out of Scope Reserve	Ontarians With Disabilities
Interfund transfers:								
Transfers from current year surplus	\$ 1,622,018	\$ 31,551	\$ —	\$ —	\$ —	\$ —	\$ —	—
Transfer to capital fund operations	—	—	(235,883)	(86,119)	—	—	—	—
Transfer to (from) reserve funds	(120,000)	—	—	—	—	—	—	—
Transfer (to) from current funds	20,923	—	348,000	164,750	—	19,234	25,000	5,000
	1,522,941	31,551	112,117	78,631	—	19,234	25,000	5,000
Reserves, beginning of year	4,446,695	847,707	433,473	271,306	493,729	—	289,400	5,000
Reserves, end of year	\$ 5,969,636	\$ 879,258	\$ 545,590	\$ 349,937	\$ 493,729	\$ 19,234	\$ 314,400	\$ 10,000

<b>Reserves</b>	Library	County Ambulance Reserve	County Capital Replacement FMT	County Planning OMB Reserve	Stabilization Reserve	Ferry Revenue Reserve	2008 Total	2007 Total
Interfund transfers:								
Transfers from current year surplus	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,653,569	\$ 798,406
Transfer (to) from capital fund operations	—	—	—	—	—	—	(322,002)	(1,092,997)
Transfer from reserve funds	—	—	21,120	—	120,000	—	21,120	21,120
Transfer (to) from current funds	(73,988)	—	—	—	—	1,855	510,774	721,907
	(73,988)	—	21,120	—	120,000	1,855	1,863,461	448,436
Reserves, beginning of year	144,714	408,903	42,240	38,000	495,000	36,849	7,953,016	7,504,580
Reserves, end of year	\$ 70,726	\$ 408,903	\$ 63,360	\$ 38,000	\$ 615,000	\$ 38,704	\$ 9,816,477	\$ 7,953,016

# CORPORATION OF THE COUNTY OF FRONTENAC

## Schedule of Reserves and Reserve Funds (continued)

Year ended December 31, 2008, with comparative figures for 2007

<b>Reserve Funds</b>	Administration Capital	Fairmount Donations	County of Frontenac Rebuild Donations	Frontenac Capital	2008 Total	2007 Total
Revenue:						
Interest earned	\$ 1,149	\$ 2,401	\$ 1,945	\$ 77,591	\$ 83,086	\$ 113,418
Donations	-	21,732	3,355	-	25,087	33,219
Net revenue	1,149	24,133	5,300	77,591	108,173	146,637
Transfer (to) from reserves	-	-	-	(21,120)	(21,120)	(21,120)
Transfer (to) from to current fund	-	(10,573)	-	(50,000)	(60,573)	(58,340)
Reserve funds, beginning of year	45,035	69,319	60,676	2,422,802	2,597,832	2,530,655
<b>Reserve funds, end of year</b>	<b>\$ 46,184</b>	<b>\$ 82,879</b>	<b>\$ 65,976</b>	<b>\$ 2,429,273</b>	<b>\$ 2,624,312</b>	<b>\$ 2,597,832</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

Schedule of Segment Disclosure  
Year ended December 31, 2008

	Protection	Transportation	Ambulance	Social and Family Services	Fairmount Home for the Aged	Libraries
<b>Revenue:</b>						
Taxation from other governments	\$ 14,581	\$ -	\$ 529,524	\$ 2,782,901	\$ 891,286	\$ 754,507
User charges	-	182,985	8,003	-	2,618,390	-
Payments in lieu of taxation	-	-	-	-	-	-
Province of Ontario	-	631,403	5,932,874	-	5,120,318	-
Other municipalities	13,876	-	4,855,760	-	1,893,983	-
Provincial offenses net revenue	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other	-	-	20,430	-	81,250	-
Transfer from deferred obligation reserve fund	-	-	-	-	-	-
<b>Net revenue</b>	<b>28,457</b>	<b>814,388</b>	<b>11,346,591</b>	<b>2,782,901</b>	<b>10,605,227</b>	<b>754,507</b>
Salaries and benefits	-	736,966	9,173,251	-	7,793,861	-
Materials	389	38,927	1,410,162	-	1,031,476	300
Contracted services	27,752	36,642	611,663	2,885,675	832,135	732,997
Rents and financial expenses	-	-	151,515	-	896,674	-
Other	316	-	-	37,688	-	-
<b>Net expenditures</b>	<b>28,457</b>	<b>812,535</b>	<b>11,346,591</b>	<b>2,923,363</b>	<b>10,554,146</b>	<b>733,297</b>
<b>Net revenue (expenditures)</b>	<b>\$ -</b>	<b>\$ 1,853</b>	<b>\$ -</b>	<b>\$ (140,462)</b>	<b>\$ 51,081</b>	<b>\$ 21,210</b>

	Social Housing	Planning and Development	Administration	Total	Health Services	Total
<b>Revenue:</b>						
Taxation from other governments	\$ 553,959	\$ 211,569	\$ 1,920,473	\$ 7,658,800	\$ 597,547	\$ 8,256,347
User charges	-	-	45,170	2,854,548	71,873	2,926,421
Payments in lieu of taxation	-	-	47,756	47,756	-	47,756
Province of Ontario	-	15,102	1,754,444	13,454,141	1,612,535	15,066,676
Other municipalities	-	-	325,500	7,089,119	(93,451)	6,995,668
Provincial offenses net revenue	-	-	199,082	199,082	-	199,082
Investment income	-	-	354,215	354,215	-	354,215
Other	-	495	9,622	111,797	-	111,797
Transfer from deferred obligation reserve fund	-	91,485	-	91,485	-	91,485
<b>Net revenue</b>	<b>553,959</b>	<b>318,651</b>	<b>4,656,262</b>	<b>31,860,943</b>	<b>2,188,504</b>	<b>34,049,447</b>
Salaries and benefits	-	85,406	609,940	18,399,424	1,725,106	20,124,530
Materials	-	6,081	297,503	2,784,838	463,398	3,248,236
Contracted services	553,959	137,280	735,060	6,553,163	-	6,553,163
Rents and financial expenses	-	-	334	1,048,523	-	1,048,523
Other	-	(1,602)	2,088	38,490	-	38,490
<b>Net expenditures</b>	<b>553,959</b>	<b>227,165</b>	<b>1,644,925</b>	<b>28,824,438</b>	<b>2,188,504</b>	<b>31,012,942</b>
<b>Net revenue (expenditures)</b>	<b>\$ -</b>	<b>\$ 91,486</b>	<b>\$ 3,011,337</b>	<b>\$ 3,036,505</b>	<b>\$ -</b>	<b>\$ 3,036,505</b>

See accompanying notes to financial statements.



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## AUDITORS' REPORT

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

We have audited the statements of financial position of the trust funds of the Corporation of the County of Frontenac as at December 31, 2008 and the statements of continuity of trust funds for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many trust funds, the Corporation of the County of Frontenac trust funds derive receipts from residents' deposits, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the funds and we were not able to determine whether any adjustments might be necessary to capital receipts, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of residents' deposits referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust funds of the County as at December 31, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

April 14, 2009

# CORPORATION OF THE COUNTY OF FRONTENAC

## Trust Funds Statements of Financial Position

As at December 31, 2008, with comparative figures for 2007

NAME OF FUND	Fairmount Home Residents' Trust Funds	Bridget Fowler Trust fund	2008 Total	2007 Total
<b>Assets</b>				
Cash	\$ 15,974	\$ 3,567	\$ 19,541	\$ 15,248
<b>Capital</b>				
Balances - capital	\$ 15,974	\$ 3,567	\$ 19,541	\$ 15,248

## Trust Funds Statements of Continuity

Year ended December 31, 2008, with comparative figures for 2007

NAME OF FUND	Fairmount Home Residents' Trust Funds	Bridget Fowler Trust fund	2008 Total	2007 Total
Balances, beginning of year	\$ 11,600	\$ 3,648	\$ 15,248	\$ 20,031
Receipts:				
Deposits by residents	22,540	–	22,540	22,953
Interest earned	422	119	541	833
Dividends received	–	100	100	195
	34,562	3,867	38,429	44,012
Expenditures:				
Withdrawals by residents	18,588	–	18,588	28,464
Payment out of fund	–	300	300	300
	18,588	300	18,888	28,764
Balances, end of year	\$ 15,974	\$ 3,567	\$ 19,541	\$ 15,248

The accompanying note is an integral part of these financial statements.

# CORPORATION OF THE COUNTY OF FRONTENAC

Trust Funds

Notes to Financial Statements

Year ended December 31, 2008

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## 1. Significant accounting policies:

The financial statements of the Corporation of the County of Frontenac Trust Funds are prepared by management 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.

### (a) Basis of accounting:

These statements reflect the assets, liabilities, revenue and expenditures of the Trust.

### (b) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

### (c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

## 2. Statement of changes in financial position:

A statement of changes in financial position has not been included in these financial statements as it would not provide additional meaningful information.