

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

CONTENTS

Five Year Financial Review.....	1 - 2
Management’s Responsibility for the Consolidated Financial Statements	3
Independent Auditor’s Report	4 - 5
Consolidated Statement of Financial Position.....	6
Consolidated Statement of Operations	7
Consolidated Statement of Changes in Net Financial Assets.....	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements.....	10 - 22
Schedule 1 ▶ Continuity of Reserves and Reserve Funds.....	23 - 24
Schedule 2 ▶ Tangible Capital Assets.....	25 - 26
Independent Auditor’s Report ▶ Trust Funds.....	27 - 28
Trust Fund ▶ Statement of Financial Position and Statement of Financial Activities.....	29
Trust Fund ▶ Notes to the Financial Statements.....	30

**County of Frontenac
Consolidated
Financial Statements
December 31, 2018**

County of Frontenac
Five Year Financial Review
(not subject to audit)

December 31	2018	2017	2016	2015	2014
Population (Statistics Canada)	26,677	26,677	26,677	26,375	26,375
Number of Households (MPAC)	19,588	19,461	19,358	19,296	19,183
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential	5,351,072	5,229,875	5,274,145	4,994,041	4,717,670
Multi-residential	6,006	5,697	5,416	5,093	4,769
Commercial	50,325	49,096	48,787	47,928	47,059
Industrial	16,468	15,368	13,117	12,249	12,137
Farmland	180,121	153,079	130,330	125,041	118,822
Total	5,603,992	5,453,115	5,471,795	5,184,352	4,900,457
Rates of Taxation					
▸ residential (municipal)	0.178446	0.175201	0.166857	0.170059	0.171918
▸ multi-residential (municipal)	0.178446	0.175201	0.166857	0.170059	0.171918
▸ commercial (municipal)	0.178446	0.175201	0.166857	0.170059	0.171918
▸ industrial (municipal)	0.178446	0.175201	0.166857	0.170059	0.171918
Revenues for County Purposes (000's)	\$	\$	\$	\$	\$
▸ Taxation	9,823	9,400	9,041	8,745	8,356
▸ Government transfers	27,087	25,304	24,619	23,536	23,312
▸ Other	5,299	5,310	4,948	4,907	5,124
▸ Revenues related to capital assets	11	444	746	(1,370)	1,996
Total	42,220	40,458	39,354	35,818	38,788
Expenditures (000's)					
▸ Operations	40,597	38,698	38,642	37,147	36,128
▸ Amortization	1,616	1,576	1,420	1,508	1,417
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	18.16%	15.80%	13.00%	13.15%	9.81%
▸ % of Taxation (>(50%))**	78.02%	67.25%	55.52%	56.10%	45.54%

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

County of Frontenac
Five Year Financial Review
(not subject to audit)

December 31	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Long Term Debt					
▶ Net long term debt (000's)	5,093	6,265	7,368	8,406	9,381
▶ Long term debt charges (000's)	1,528	1,528	1,528	1,528	1,528
▶ Total annual repayment limit (000's)	2,236	2,194	2,092	1,959	1,443
▶ Long term debt per household (Frontenac portion)	83	83	83	95	107
▶ Debt charges (000's)					
▶ tax supported	334	334	334	334	334
▶ City of Kingston	711	711	711	711	711
▶ Government of Ontario	483	483	483	483	483
<hr/>					
Municipal Equity (000's)					
▶ Surplus and Reserves	13,103	12,889	12,770	13,619	13,468
▶ Invested in capital assets	18,679	17,261	15,614	14,048	15,520
▶ Asset consumption ratio	37.27%	36.40%	35.38%	34.81%	30.38%
▶ Reserves as % of operating expenses (>20%)**	32.27%	33.31%	33.05%	36.66%	37.28%
<hr/>					
Financial Indicators					
▶ Sustainability					
▶ financial assets to liabilities	1.8027	1.6056	1.3997	1.3753	1.2443
▶ financial assets to liabilities excluding long term debt	3.8638	4.0163	3.3864	3.8531	3.1281
▶ long term debt to tangible capital assets	21.42%	26.63%	32.06%	37.44%	37.67%
▶ capital reserves to accumulated amortization	43.03%	47.34%	51.40%	53.71%	53.57%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%)**	3.62%	3.82%	3.96%	4.12%	3.94%
▶ Total operating revenue to taxable assessment	0.75%	0.73%	0.71%	0.72%	0.79%
▶ Working capital to operating expenses (>10%)**	31.42%	32.53%	32.06%	35.83%	36.50%
▶ Vulnerability					
▶ Operating government transfers ▶ to operating revenue	64.17%	63.24%	63.77%	63.36%	63.36%
▶ Total government transfers ▶ to total revenues	64.18%	63.64%	64.45%	63.70%	63.92%



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the County of Frontenac are the responsibility of the County's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The County's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

The consolidated financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the County. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.

Kelly Pender,
Chief Administrative Officer

Susan Brant,
Treasurer





INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the County of Frontenac which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

Opinion

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

A handwritten signature in cursive script that reads "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
April 17, 2019.

**County of Frontenac
Consolidated Statement of Financial Position**

December 31	2018	2017
	\$	\$
ASSETS		
Financial Assets		
Cash	6,738,865	9,258,193
Investments	8,154,731	4,485,972
Accounts receivable	2,318,231	3,015,857
	17,211,827	16,760,022
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	3,736,910	3,510,814
Employee future benefit obligations (note 3)	324,459	311,886
Deferred revenues	183,357	136,768
Deferred revenues ▶ obligatory reserve fund (note 4)	209,879	213,534
Long term liabilities (note 5)	5,093,068	6,265,381
	9,547,673	10,438,383
NET FINANCIAL ASSETS	7,664,154	6,321,639
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	23,772,063	23,526,802
Inventories	215,343	203,559
Prepaid expenses	52,636	29,672
	24,040,042	23,760,033
Commitments (note 11) Contingent Liabilities (note 9)		
MUNICIPAL EQUITY (note 6)	31,704,196	30,081,672

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

County of Frontenac
Consolidated Statement of Operations

For the year ended December 31	(Note 16) Budget	2018	2017
	\$	\$	\$
REVENUES			
Taxation ▶ from other governments	9,870,894	9,822,762	9,400,270
User charges	3,388,988	3,512,732	3,411,593
Government grants ▶ provincial	16,296,061	16,999,875	16,013,414
▶ other municipalities	9,741,708	10,022,082	9,118,317
▶ Federal	297,500	65,497	171,822
Deferred revenues earned (note 4)	801,884	852,018	842,313
Provincial offences fines penalties	127,195	87,968	143,503
Investment income	140,000	240,449	165,722
Other income	770,473	605,815	747,151
TOTAL REVENUES	41,434,703	42,209,198	40,014,105
EXPENDITURES			
General government	2,866,490	2,860,512	2,769,691
Protection to persons and property	6,900	4,138	3,239
Transportation services	1,026,067	1,108,942	1,039,255
Ambulance services	17,430,980	17,832,510	16,662,373
Health services	758,049	758,049	746,847
Social and family services	14,419,988	14,368,606	13,645,575
Libraries	852,147	831,347	821,097
Social housing	739,154	681,181	689,128
Planning and development	1,057,144	1,090,698	1,368,747
Other	983,245	1,061,430	952,184
TOTAL EXPENDITURES	40,140,164	40,597,413	38,698,136
NET REVENUES FROM OPERATIONS	1,294,539	1,611,785	1,315,969
OTHER			
Grants and transfers related to capital			
Other municipalities	191,871	10,739	444,359
ANNUAL SURPLUS	1,486,410	1,622,524	1,760,328
MUNICIPAL EQUITY, BEGINNING OF YEAR	30,081,672	30,081,672	28,321,344
MUNICIPAL EQUITY, END OF YEAR	31,568,082	31,704,196	30,081,672

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

County of Frontenac

Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	(Note 16) Budget	2018	2017
	\$	\$	\$
ANNUAL SURPLUS	1,486,410	1,622,524	1,760,328
Amortization of tangible capital assets	1,452,373	1,615,680	1,576,423
Acquisition of tangible capital assets	(1,561,346)	(1,888,654)	(2,161,531)
Gain on sale of tangible capital assets	---	(180,581)	(26,936)
Proceeds on sale of tangible capital assets	---	208,295	67,072
Acquisition of inventories of supplies	---	(215,342)	(203,559)
Acquisition of prepaid expenses	---	(52,636)	(29,672)
Consumption of inventories	---	203,559	225,140
Use of prepaid expenses	---	29,672	95,066
	(108,973)	(280,007)	(457,997)
INCREASE IN NET FINANCIAL ASSETS	1,377,437	1,342,517	1,302,331
NET FINANCIAL ASSETS, BEGINNING OF YEAR	6,321,639	6,321,639	5,019,308
NET FINANCIAL ASSETS, END OF YEAR	7,699,076	7,664,156	6,321,639

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

**County of Frontenac
Consolidated Statement of Cash Flows**

For the year ended December 31	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	1,622,524	1,760,328
Amortization	1,615,680	1,576,423
Gain on disposal of capital assets	(180,581)	(26,936)
	3,057,623	3,309,815
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	697,626	475,585
Accounts payable and accrued liabilities	226,096	(812,417)
Employee future benefit obligations	12,573	11,888
Deferred revenues	46,589	45,197
Deferred revenues ▶ obligatory reserve funds	(3,655)	(262,538)
Inventories	(11,783)	21,581
Prepaid expenses	(22,964)	65,394
	944,480	(455,310)
Working Capital from Operations	4,002,104	2,854,505
INVESTING ACTIVITIES		
Net (increase) decrease in short term investments	(3,668,759)	3,691,618
Net (increase) decrease in investments	(3,668,759)	3,691,618
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,888,654)	(2,161,531)
Proceeds on sale of tangible capital assets	208,295	67,072
Net investment in tangible capital assets	(1,680,359)	(2,094,459)
FINANCING ACTIVITIES		
Debt principal repayments	(1,172,313)	(1,102,828)
Net decrease in cash from financing activities	(1,172,313)	(1,102,828)
NET (DECREASE) INCREASE IN CASH	(2,519,328)	3,348,836
CASH, BEGINNING OF YEAR	9,258,193	5,909,357
CASH, END OF YEAR	6,738,865	9,258,193

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

County of Frontenac

Notes to the Consolidated Financial Statements

December 31, 2018

1. Status of the County of Frontenac

The County of Frontenac (the 'County') was incorporated in 1865 and assumed its responsibilities under the authority of the Provincial Secretary. The County operates as an upper tier government in the County of Frontenac, in the Province of Ontario, Canada and provides municipal services such as emergency measures, public health services, ambulance services, social and family assistance, planning and development and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Corporation of the County of Frontenac are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the County are as follows:

Basis of Consolidation

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the County. 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

- (ii) Non-consolidated entities:

Kingston, Frontenac and Lennox and Addington Public Health is not consolidated and only the contributions by the County are reported on the Consolidated Statement of Operations

The Kingston-Frontenac Public Library Board is not consolidated and only the contributions by the County are reported on the Consolidated Statement of Operations.

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the County are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Basis of Accounting / continued

Tangible Capital Assets

Tangible capital assets are recorded at historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. In certain cases the County used replacement costs and appropriate indices to deflate the replacement cost to an estimated historical cost at the year of acquisition. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Land	
Land Improvements	10 - 30 years
Buildings	10 - 50 years
Vehicles	4.5 - 15 years
Machinery and Equipment	3 to 30 years
Bridges	16 to 50 years
Work in Progress	

Amortization is charged for the months in use. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal.

When conditions indicate that a tangible capital asset no longer contributes to the County's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Inventories and Prepaid Expenses

Inventories and prepaid expenses held for consumption are recorded at the lower of cost or replacement cost.

Pension and Employee Benefits

The County accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Cash and Cash Equivalents

The County considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which 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.

Deferred Revenues

The County defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

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

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the County has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available current funds and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

2. Significant Accounting Policies / continued

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The County has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The County classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

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

3. Employee Future Benefit Obligations

Extended health care and dental:

The County provides extended health care and dental to employees who meet specific criteria within the Fairmount Home and Paramedic Services. 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.

Retirement Benefits

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, 2017.

The accrued benefit obligations relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2018, based on actuarial update, the accrued benefit obligation was \$324,459 (2017 \$311,886).

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

3. Employee Future Benefit Obligations / continued

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

Discount rate	5% per annum
Inflation rate	2% per annum
Salary escalation	3% per annum
Dental benefits escalation	4% per annum
Health benefits escalation	4% per annum

Employee benefit obligations are comprised of:

	2018	2017
	\$	\$
Opening balance	311,886	299,998
Expense recognized for the year	13,694	12,817
Interest cost	12,689	11,963
Benefit payments	(10,395)	(9,476)
Amortization of actuarial losses	(3,415)	(3,416)
Accrued benefit obligation, end of year	324,459	311,886

4. Deferred Revenues

A requirement of public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenues. This requirement is in place as Provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The transactions for the year are summarized as follows:

	2018	2017
	\$	\$
Federal Gas Tax ▶ January 1, 2018	213,534	476,072
Federal grant ▶ gasoline tax	840,069	816,080
Investment income	8,294	8,831
Transfer to operating fund	(852,018)	(842,314)
Transfer to capital fund	---	(245,135)
Federal Gas Tax ▶ December 31, 2018	209,879	213,534

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

5. Long Term Liabilities

- (a) The balance of long term liabilities reported on the "Consolidated Statement of Financial Position" is comprised of the following:

	2018	2017
	\$	\$
Debenture issue	5,093,068	6,265,381
Net long term liabilities at the end of the year	5,093,068	6,265,381

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's 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.

- (b) Principal payments fall due as follows:

	General Revenues
	\$
2019	1,246,176
2020	1,324,693
2021	1,408,157
2022	1,114,042
	5,093,068

- (c) Interest expense on long term liabilities in 2018 amounted to \$355,045 (2017 \$425,201).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

6. Municipal Equity

	2018	2017
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	23,772,063	23,526,802
Long term liabilities	(5,093,068)	(6,265,381)
	18,678,995	17,261,421
Unfunded Future Employee Liabilities	(76,690)	(69,296)
Reserves (Schedule 1)	11,844,871	11,542,559
Reserve Funds (Schedule 1)	1,257,020	1,346,988
Total Municipal Equity	31,704,196	30,081,672

7. Pension Contributions

The County makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the County does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$1,769,193 (2017 \$1,577,988) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Trust Funds

Trust funds administered by the County amounting to \$10,279 (2017 \$8,474) are presented in a separate financial statement of trust fund balances and operations. 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 financial activities.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

9. Contingent Liabilities

- (a) The County is contingently liable for its share of any operating deficit of the Kingston-Frontenac Public Library Board, which is approximately 13% of the accumulated balance as at the end of the year for the Board. The County's share of the accumulated operating surplus (deficit) is \$39,266 (2017 \$40,306).
- (b) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management believes that the County has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, management believes that such claims are not expected to have a material effect on the County's financial position.

10. Contributions to Joint Boards

- (a) The assets and liabilities of the Kingston-Frontenac Public Library Board have not been consolidated. The County contributions to the Library Board for 2018 are \$831,347 (2017 \$821,097) and are reported on the Consolidated Statement of Operations.
 - (b) The assets and liabilities of the Kingston-Frontenac and Lennox and Addington Health Board have not been consolidated. The County made the following contributions to the Kingston, Frontenac and Lennox and Addington Health Board for 2018 \$758,049 (2017 \$746,847).
-

11. Commitments

- (a) The County leases premises under long term operating lease agreements with terms as follows:
 - (i) \$27,500 per annum plus HST to December 31, 2017, adjusted annually for additional rent and realty taxes; adjusted annually for additional rent and realty taxes;
 - (ii) \$28,000 per annum plus HST;
 - (iii) \$27,999 per annum in 2018;
 - (iv) \$60,903 per annum plus HST to December 31, 2018;
 - (v) \$4,000 per annum plus HST first five year term to 2015 and the following 15 years \$4,000 plus CPI escalator, plus HST;
- (b) In 2018, the County pledged \$55,061 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 \$55,061 as the first of 10 payments, as of December 31, 2018.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

11. Commitments / continued

- (c) In 2012, the Kingston Frontenac Housing Corporation entered into an agreement with the City of Kingston to pay \$12,500 per year beginning in 2012 to provide for a new septic system at the social housing site in Verona. Through the cost sharing agreement with the City of Kingston the County of Frontenac is obligated for 100% of the costs of the social housing units in the County, including this annual repayment.
-

12. Cost Sharing Allocations

The Local Service Realignment 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. 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.

13. Risk Management

In the normal course of operations, the County is exposed to a variety of financial risks which are actively managed by the County.

The County's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The County's exposure to and management of risk has not changed materially from December 31, 2017.

Credit Risk

Credit risk arises from the possibility that the entities to which the County provides services to may experience difficulty and be unable to fulfill their obligations. The County is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The County does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The County is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents. Changes in variable interest rates could cause unanticipated fluctuations in the County's operating results.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

13. Risk Management / continued

Liquidity Risk

Liquidity risk is the risk that the County will not be able to meet its obligations as they fall due. The County requires working capital to meet day-to-day operating activities. Management expects that the County's cash flows from operating activities will be sufficient to meet these requirements.

14. Tangible Capital Assets

	2018	2017
	\$	\$
Land	996,411	959,898
Land Improvements	2,275,789	2,275,832
Buildings	15,369,142	15,839,439
Vehicles	1,345,088	1,207,139
Machinery and Equipment	2,990,940	2,444,058
Bridges	731,810	745,129
Work in Progress	62,883	55,307
	23,772,063	23,526,802

For additional information, see Schedule 2 ▶ Tangible Capital Assets.

15. Segmented Information

The County is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of operations.

Departments have been separately disclosed in the segmented information, along with the service they provide, as set out in the schedule below.

For each reported segment, 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

15. Segmented Information / continued

2018	Salaries, Wages & Employee Benefits	Rents and Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	1,220,699	10,127	1,295,772	1,063,059	332,283	3,921,940
Protection to Persons and Property	---	---	4,138	---	---	4,138
Transportation	998,726	---	106,154	---	4,062	1,108,942
Health Services						
Public Health Services	---	---	758,049	---	---	758,049
Ambulance	14,188,562	218,767	2,712,045	---	713,136	17,832,510
Social and Family Assistance						
General Assistance	---	---	1,128,715	---	---	1,128,715
Assistance to Aged Persons	9,865,470	355,045	2,453,179	---	566,199	13,239,893
Social Housing	---	---	681,181	---	---	681,181
Recreation and Cultural Services						
Libraries	---	---	831,347	---	---	831,347
Planning and Development	350,269	---	740,429	---	---	1,090,698
2018	26,623,726	583,939	10,711,009	1,063,059	1,615,680	40,597,413

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

15. Segmented Information / continued

2017	Salaries, Wages & Employee Benefits	Rents and Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	1,257,414	---	1,166,368	952,737	345,356	3,721,875
Protection to Persons and Property	---	---	3,239	---	---	3,239
Transportation	937,111	---	98,082	---	4,062	1,039,255
Health Services						
Public Health Services	---	---	746,847	---	---	746,847
Ambulance	13,363,933	---	2,635,463	---	662,977	16,662,373
Social and Family Assistance						
General Assistance	---	---	1,217,196	---	---	1,217,196
Assistance to Aged Persons	9,139,099	425,201	2,300,051	---	564,028	12,428,379
Social Housing	---	---	689,128	---	---	689,128
Recreation and Cultural Services						
Libraries	---	---	821,097	---	---	821,097
Planning and Development	358,097	---	1,010,650	---	---	1,368,747
2017	25,055,654	425,201	10,688,121	952,737	1,576,423	38,698,136

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2018

16. Budget Figures

The 2018 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements:

	Budget	Actual
	\$	\$
Total Revenues	41,434,703	42,209,198
Total Expenditures	(40,140,164)	(40,597,413)
Net Revenues	1,294,539	1,611,785
Amortization	1,452,373	1,615,680
Adjusted Net Revenues	2,746,912	3,227,465
Capital Revenues	191,871	10,739
Funds Available	2,938,783	3,238,204
Capital Expenditures	(1,561,346)	(1,888,654)
Disposal of Tangible Capital Assets	---	27,713
Principal Repayments	(1,172,313)	(1,172,313)
Unfunded Expense	---	7,394
Increase in Operating Surplus	205,124	212,344
Allocated as Follows:		
Net Transfers from reserves	205,124	212,344

County of Frontenac

Schedule 1 ► Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 16) Budget	2018	2017
	\$	\$	\$
Revenues			
Investment income	---	72,302	47,376
Total Net Revenues	---	72,302	47,376
Net Transfers From / (To) Other Funds			
Transfers from operations	384,411	667,329	152,134
Transfers to capital acquisitions	(179,287)	(527,287)	(80,286)
Total Net Transfers	205,124	140,042	71,848
Balances, Change in Year	205,124	212,344	119,224
Balances, Beginning of Year	12,889,547	12,889,547	12,770,323
Reserves and Reserve Fund Balances, End of Year	13,094,671	13,101,891	12,889,547

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

County of Frontenac

Schedule 1 ▶ Composition of Reserves and Reserve Funds

For the year ended December 31	2018	2017
	\$	\$
Reserves set aside for specific purposes by Council:		
Operating		
County of Frontenac ▶ working fund	1,220,798	1,220,798
▶ operating	9,440	32,458
Frontenac Paramedic Service ▶ Severance	226,990	192,957
▶ WSIB	1,031,512	572,206
Fairmount Home ▶ operating	62,854	45,020
▶ severance	49,504	19,141
Sustainability	218,746	249,748
Community development reserve	35,000	---
Economic development grants	101,911	---
Asset Replacement		
Capital replacement	2,543,045	2,141,893
Ontarians with Disabilities	100,000	90,000
Fairmont Home ▶ capital replacement	883,988	865,669
Fairmont Home ▶ capital reserve fund *	1,075,617	1,181,914
Frontenac Paramedic Service ▶ vehicle replacement	537,883	621,145
▶ equipment replacement	997,625	1,472,721
External Agency Reserves		
Library reserve	185,590	206,390
Social housing ▶ Out of Scope	237,686	227,686
Renovates program reserve	---	100,858
Strategic Regional Reserves		
Strategic projects reserve	1,647,519	1,934,727
Stabilization Reserves		
County of Frontenac	1,633,945	1,477,760
Legally Restricted		
Frontenac Howe Islander Ferry Reserve	57,270	49,204
Donations *	140,837	121,029
Pathways *	40,566	44,045
Frontenac Howe Island Ferry WSIB	63,564	22,178
Total Reserves and Reserve Funds	13,101,890	12,889,547
Reserves	11,844,871	11,542,559
Reserve Funds *	1,257,020	1,346,988
Total Reserves and Reserve Funds	13,101,891	12,889,547

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

County of Frontenac
Schedule 2 ► 2018 Tangible Capital Assets

Asset Class	Cost 01/01/18	Additions	(Disposals)	Cost 31/12/18
	\$	\$	\$	\$
Land	959,898	36,513	---	996,411
Land Improvements	3,014,048	188,574	---	3,202,622
Buildings	22,120,650	---	---	22,120,650
Vehicles	3,098,752	609,657	(442,309)	3,266,100
Machinery & Equipment	6,943,687	1,046,335	(541,520)	7,448,502
Bridges	797,779	---	---	797,779
Work in Progress	55,307	62,883	(55,307)	62,883
	36,990,121	1,943,962	(1,039,136)	37,894,947

Asset Class	Accumulated Amortization 01/01/18	Amortization	(Disposals)	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	\$	\$	\$	\$	\$
Land	---	---	---	---	996,411
Land Improvements	738,216	188,617	---	926,833	2,275,789
Buildings	6,281,211	470,297	---	6,751,508	15,369,142
Vehicles	1,891,613	443,994	(414,595)	1,921,012	1,345,088
Machinery & Equipment	4,499,629	499,453	(541,520)	4,457,562	2,990,940
Bridges	52,650	13,319	---	65,969	731,810
Work in Progress	---	---	---	---	62,883
	13,463,319	1,615,680	(956,115)	14,122,884	23,772,063

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

County of Frontenac
Schedule 2 ► 2017 Tangible Capital Assets

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Land	627,268	332,630	---	959,898
Land Improvements	2,234,066	779,982	---	3,014,048
Buildings	22,120,650	---	---	22,120,650
Vehicles	3,105,738	693,699	(700,685)	3,098,752
Machinery & Equipment	6,667,064	299,913	(23,290)	6,943,687
Bridges	797,779	---	---	797,779
Work in Progress	---	55,307	---	55,307
	35,552,565	2,161,531	(723,975)	36,990,121

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Land	---	---	---	---	959,898
Land Improvements	540,502	197,714	---	738,216	2,275,832
Buildings	5,810,913	470,298	---	6,281,211	15,839,439
Vehicles	2,103,866	449,988	(662,241)	1,891,613	1,207,139
Machinery & Equipment	4,076,120	445,107	(21,598)	4,499,629	2,444,058
Bridges	39,334	13,316	---	52,650	745,129
Work in Progress	---	---	---	---	55,307
	12,570,735	1,576,423	(683,839)	13,463,319	23,526,802

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the County of Frontenac which comprise the statement of financial position of the trust funds as at December 31, 2018 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

The trust funds of the Corporation of the County of Frontenac derives receipts from the Homes for Senior Citizen residents, which are not susceptible to complete audit verification. Accordingly our verification of such receipts was limited to accounting for the amounts recorded in the records of the trust funds.

In our opinion, except for the effect of adjustments which might have been required had receipts from the Homes for Senior Citizens residents been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the County of Frontenac as at December 31, 2018 and the financial activities for the year ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script that reads "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
April 17, 2019.

**County of Frontenac
Trust Funds
Statement of Financial Position**

December 31	Fairmount Home Residents'	Bridget Fowler	2018	2017
	\$	\$	\$	\$
ASSETS				
Cash	5,897	4,382	10,279	8,474
FUND BALANCES	5,897	4,382	10,279	8,474

Statement of Financial Activities

For the year ended December 31	Fairmount Home Residents'	Bridget Fowler	2018	2017
	\$	\$	\$	\$
REVENUES				
Residents' deposits	10,263	---	10,263	10,281
Interest	---	493	493	441
	10,263	493	10,756	10,722
EXPENDITURES				
Residents' withdrawals	8,651	---	8,651	11,099
Payments	---	300	300	300
	8,651	300	8,951	11,399
NET REVENUES (EXPENDITURES) FOR THE YEAR	1,612	193	1,805	(677)
BALANCE AT THE BEGINNING OF THE YEAR	4,285	4,189	8,474	9,151
BALANCE AT THE END OF THE YEAR	5,897	4,382	10,279	8,474

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

**County of Frontenac
Trust Funds
Notes to the Financial Statements**

December 31, 2018

1. Significant Accounting Policies

Reporting Entity

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.
