

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

CONTENTS

Five Year Financial Review.....	1 - 2
Management’s Responsibility for the Consolidated Financial Statements	3
Independent Auditor’s Report	4 - 6
Consolidated Statement of Financial Position.....	7
Consolidated Statement of Operations	8
Consolidated Statement of Changes in Net Financial Assets.....	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements.....	11 - 23
Schedule 1 ▶ Continuity of Reserves and Reserve Funds.....	24 - 25
Schedule 2 ▶ Tangible Capital Assets.....	26 - 27
Independent Auditor’s Report ▶ Trust Funds	28 - 30
Trust Fund ▶ Statement of Financial Position and Statement of Financial Activities.....	31
Trust Fund ▶ Notes to the Financial Statements.....	32

**County of Frontenac
Consolidated
Financial Statements
December 31, 2019**

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

December 31	2019	2018	2017	2016	2015
Population (Statistics Canada)	26,677	26,677	26,677	26,677	26,375
Number of Households (MPAC)	19,668	19,588	19,461	19,358	19,296
<hr/>					
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential	5,489,065	5,351,072	5,229,875	5,274,145	4,994,041
Multi-residential	6,287	6,006	5,697	5,416	5,093
Commercial	52,569	50,325	49,096	48,787	47,928
Industrial	18,118	16,468	15,368	13,117	12,249
Farmland	204,987	180,121	153,079	130,330	125,041
Total	5,771,026	5,603,992	5,453,115	5,471,795	5,184,352
<hr/>					
Rates of Taxation					
▸ residential (municipal)	0.182728	0.178446	0.175201	0.166857	0.170059
▸ multi-residential (municipal)	0.182728	0.178446	0.175201	0.166857	0.170059
▸ commercial (municipal)	0.182728	0.178446	0.175201	0.166857	0.170059
▸ industrial (municipal)	0.182728	0.178446	0.175201	0.166857	0.170059
<hr/>					
Revenues for County Purposes (000's)	\$	\$	\$	\$	\$
▸ Taxation	10,354	9,823	9,400	9,041	8,745
▸ Government transfers	28,882	27,087	25,304	24,619	23,536
▸ Other	5,471	5,299	5,310	4,948	4,907
▸ Revenues related to capital assets	295	11	444	746	(1,370)
Total	45,002	42,220	40,458	39,354	35,818
<hr/>					
Expenditures (000's)					
▸ Operations	42,606	40,597	38,698	38,642	37,147
▸ Amortization	1,701	1,616	1,576	1,420	1,508
<hr/>					
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	23.54%	18.16%	15.80%	13.00%	13.15%
▸ % of Taxation (>(50%))**	101.65%	78.02%	67.25%	55.52%	56.10%

** 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	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Long Term Debt					
▶ Net long term debt (000's)	3,847	5,093	6,265	7,368	8,406
▶ Long term debt charges (000's)	1,528	1,528	1,528	1,528	1,528
▶ Total annual repayment limit (000's)	2,309	2,236	2,194	2,092	1,959
▶ Long term debt per household (Frontenac portion)	83	83	83	83	95
▶ 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	14,777	13,103	12,889	12,770	13,619
▶ Invested in capital assets	19,412	18,679	17,261	15,614	14,048
▶ Asset consumption ratio	38.75%	37.27%	36.40%	35.38%	34.81%
▶ Reserves as % of operating expenses (>20%)**	34.68%	32.27%	33.31%	33.05%	36.66%
<hr/>					
Financial Indicators					
▶ Sustainability					
▶ financial assets to liabilities	2.1349	1.8027	1.6056	1.3997	1.3753
▶ financial assets to liabilities excluding long term debt	3.6482	3.8638	4.0163	3.3864	3.8531
▶ long term debt to tangible capital assets	16.54%	21.42%	26.63%	32.06%	37.44%
▶ capital reserves to accumulated amortization	45.23%	43.03%	47.34%	51.40%	53.71%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%)**	3.45%	3.62%	3.82%	3.96%	4.12%
▶ Total operating revenue to taxable assessment	0.77%	0.75%	0.73%	0.71%	0.72%
▶ Working capital to operating expenses (>10%)**	33.73%	31.42%	32.53%	32.06%	35.83%
▶ Vulnerability					
▶ Operating government transfers ▶ to operating revenue	64.60%	64.17%	63.24%	63.77%	63.36%
▶ Total government transfers ▶ to total revenues	64.83%	64.18%	63.64%	64.45%	63.70%



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.





INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the County of Frontenac (the 'Entity'), which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
May 20, 2020.

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

December 31	2019	2018
	\$	\$
ASSETS		
Financial Assets		
Cash	8,597,637	6,738,865
Investments	8,395,685	8,154,731
Accounts receivable	2,806,495	2,318,231
	19,799,817	17,211,827
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	3,879,123	3,736,910
Employee future benefit obligations (note 3)	349,210	324,459
Deferred revenues	291,263	183,357
Deferred revenues ▶ obligatory reserve fund (note 4)	907,758	209,879
Long term liabilities (note 5)	3,846,892	5,093,068
	9,274,246	9,547,673
NET FINANCIAL ASSETS	10,525,571	7,664,154
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	23,258,926	23,772,063
Inventories	180,952	215,343
Prepaid expenses	134,111	52,636
	23,573,989	24,040,042
Commitments (note 11) Contingent Liabilities (note 9)		
MUNICIPAL EQUITY (note 6)	34,099,560	31,704,196

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	2019	2018
	\$	\$	\$
REVENUES			
Taxation ▶ from other governments	10,376,049	10,354,357	9,822,762
User charges	3,513,961	3,538,501	3,512,732
Government grants ▶ provincial	16,650,700	17,702,995	16,999,875
▶ other municipalities	10,632,294	11,090,845	10,022,082
▶ Federal	---	87,750	65,497
Deferred revenues earned (note 4)	801,884	819,832	852,018
Provincial offences fines penalties	133,211	129,588	87,968
Investment income	140,000	277,539	240,449
Other income	519,646	705,230	605,815
TOTAL REVENUES	42,767,745	44,706,637	42,209,198
EXPENDITURES			
General government	2,997,707	2,965,714	2,860,512
Protection to persons and property	8,740	4,306	4,138
Transportation services	1,076,199	1,165,941	1,108,942
Ambulance services	18,545,230	19,213,836	17,832,510
Health services	771,315	771,315	758,049
Social and family services	15,049,419	14,765,841	14,368,606
Libraries	869,132	876,292	831,347
Social housing	767,106	767,106	681,181
Planning and development	948,804	1,122,699	1,090,698
Other	953,245	953,301	1,061,430
TOTAL EXPENDITURES	41,986,897	42,606,351	40,597,413
NET REVENUES FROM OPERATIONS	780,848	2,100,286	1,611,785
OTHER			
Grants and transfers related to capital			
Other municipalities	180,416	130,491	10,739
Deferred revenue (note 4)	---	164,587	---
	180,416	295,078	10,739
ANNUAL SURPLUS	961,264	2,395,364	1,622,524
MUNICIPAL EQUITY, BEGINNING OF YEAR	31,704,196	31,704,196	30,081,672
MUNICIPAL EQUITY, END OF YEAR	32,665,460	34,099,560	31,704,196

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	2019	(Note 17) 2018
	\$	\$	\$
ANNUAL SURPLUS	961,264	2,395,364	1,622,524
Amortization of tangible capital assets	1,658,628	1,700,642	1,615,680
Acquisition of tangible capital assets	(879,886)	(1,224,545)	(1,888,654)
Gain on sale of tangible capital assets	---	16,741	(180,581)
Proceeds on sale of tangible capital assets	---	20,300	208,295
Disposal (acquisition) of inventories of supplies	---	34,391	(11,783)
Acquisition of prepaid expenses	---	(81,476)	(22,964)
	778,742	466,053	(280,007)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	1,740,006	2,861,417	1,342,517
NET FINANCIAL ASSETS, BEGINNING OF YEAR	7,664,154	7,664,154	6,321,637
NET FINANCIAL ASSETS, END OF YEAR	9,404,160	10,525,571	7,664,154

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	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	2,395,364	1,622,524
Amortization	1,700,642	1,615,680
Gain (loss) on disposal of capital assets	16,740	(180,581)
	4,112,746	3,057,623
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	(488,264)	697,626
Accounts payable and accrued liabilities	142,213	226,096
Employee future benefit obligations	24,751	12,573
Deferred revenues	107,906	46,589
Deferred revenues ▶ obligatory reserve funds	697,879	(3,655)
Inventories	34,391	(11,783)
Prepaid expenses	(81,475)	(22,964)
	437,401	944,480
Working Capital from Operations	4,550,147	4,002,104
INVESTING ACTIVITIES		
Net decrease in short term investments	(240,954)	(3,668,759)
Net increase in investments	(240,954)	(3,668,759)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,224,545)	(1,888,654)
Proceeds on sale of tangible capital assets	20,300	208,295
Net investment in tangible capital assets	(1,204,245)	(1,680,359)
FINANCING ACTIVITIES		
Debt principal repayments	(1,246,176)	(1,172,313)
Net decrease in cash from financing activities	(1,246,176)	(1,172,313)
NET INCREASE (DECREASE) IN CASH	1,858,772	(2,519,328)
CASH, BEGINNING OF YEAR	6,738,865	9,258,193
CASH, END OF YEAR	8,597,637	6,738,865

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

County of Frontenac

Notes to the Consolidated Financial Statements

December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019, based on actuarial update, the accrued benefit obligation was \$349,210 (2018 \$324,459).

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2019

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:

	2019	2018
	\$	\$
Opening balance	324,459	311,886
Expense recognized for the year	17,672	13,694
Interest cost	13,608	12,689
Benefit payments	(6,562)	(10,395)
Amortization of actuarial losses	33	(3,415)
Accrued benefit obligation, end of year	349,210	324,459

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:

	2019	2018
	\$	\$
Federal Gas Tax ▶ January 1, 2019	209,879	213,534
Federal grant ▶ gasoline tax	1,664,994	840,069
Investment income	17,304	8,294
Transfer to operating fund	(984,419)	(852,018)
Federal Gas Tax ▶ December 31, 2019	907,758	209,879

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2019

5. Long Term Liabilities

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

	2019	2018
	\$	\$
Debenture issue	3,846,892	5,093,068
Net long term liabilities at the end of the year	3,846,892	5,093,068

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
	\$
2020	1,324,693
2021	1,408,157
2022	1,114,042
	3,846,892

- (c) Interest expense on long term liabilities in 2019 amounted to \$281,306 (2018 \$355,045).
- (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, 2019

6. Municipal Equity

	2019	2018
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	23,258,926	23,772,063
Long term liabilities	(3,846,892)	(5,093,068)
	19,412,034	18,678,995
Unfunded Future Employee Liabilities	(89,643)	(76,690)
Reserves (Schedule 1)	13,609,546	11,844,871
Reserve Funds (Schedule 1)	1,167,623	1,257,020
Total Municipal Equity	34,099,560	31,704,196

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 \$1,765,878 (2018 \$1,769,193) 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 \$11,034 (2018 \$10,279) 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, 2019

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 is \$12,394 (2018 \$39,266).
- (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, 2019, 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 2019 are \$876,291 (2018 \$831,347) 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 2019 \$771,315 (2018 \$758,049).
-

11. Commitments

- (a) The County leases premises under long term operating lease agreements with terms as follows:
 - (i) \$28,750 per annum plus HST to December 31, 2019, adjusted annually for additional rent and realty taxes; adjusted annually for additional rent and realty taxes;
 - (ii) \$44,772 per annum plus HST to December 31, 2020 adjusted annually for a 2% increase per annum through December 2029;
 - (iii) \$67,500 per annum plus HST to December 31, 2020;
 - (iv) \$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, 2019.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2019

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, 2018.

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, 2019

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

	2019	2018
	\$	\$
Land	1,031,147	996,411
Land Improvements	2,309,210	2,275,789
Buildings	15,110,002	15,369,142
Vehicles	1,393,313	1,345,088
Machinery and Equipment	2,682,200	2,990,940
Bridges	718,492	731,810
Work in Progress	14,562	62,883
	23,258,926	23,772,063

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, 2019

15. Segmented Information / continued

2019	Salaries, Wages & Employee Benefits	Rents and Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	1,344,519	6,489	1,272,317	954,011	341,679	3,919,015
Protection to Persons and Property	---	---	4,306	---	---	4,306
Transportation	1,035,233	---	121,875	---	8,832	1,165,940
Health Services						
Public Health Services	---	---	771,315	---	---	771,315
Ambulance	15,182,080	213,835	3,046,665	---	771,256	19,213,836
Social and Family Assistance						
General Assistance	---	---	1,181,850	---	---	1,181,850
Assistance to Aged Persons	10,301,584	281,306	2,433,365	---	567,736	13,583,991
Social Housing	---	---	767,106	---	---	767,106
Recreation and Cultural Services						
Libraries	---	---	876,292	---	---	876,292
Planning and Development	442,870	---	668,690	---	11,139	1,122,699
2019	28,306,286	501,630	11,143,781	954,011	1,700,642	42,606,350

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2019

15. Segmented Information / continued

2018	Salaries, Wages & Employee Benefits	Rents and 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, 2019

16. Budget Figures

The 2019 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	42,767,745	44,706,637
Total Expenses	(41,986,897)	(42,606,350)
Net Revenues	780,848	2,100,287
Amortization	1,658,628	1,700,642
Adjusted Net Revenues	2,439,476	3,800,929
Capital Revenues	180,416	295,078
Funds Available	2,619,892	4,096,007
Capital Expenditures	(879,886)	(1,224,545)
Disposal of Tangible Capital Assets	---	37,040
Principal Repayments	(1,246,176)	(1,246,176)
Unfunded Expense	---	12,953
Increase in Operating Surplus	493,830	1,675,279
Allocated as Follows:		
Net Transfers from reserves	493,830	1,675,279

17. Comparative Figures

Some reclassification of prior year's figures was necessary in order to conform to this year's presentation.

County of Frontenac

Schedule 1 ► Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 16) Budget	2019	2018
	\$	\$	\$
Revenues			
Investment income	---	85,685	72,302
Total Net Revenues	---	85,685	72,302
Net Transfers From / (To) Other Funds			
Transfers from operations	1,311,905	1,120,658	667,329
Transfers to capital acquisitions	(568,075)	468,935	(527,287)
Total Net Transfers	743,830	1,589,593	140,042
Balances, Change in Year	743,830	1,675,278	212,344
Balances, Beginning of Year	13,101,891	13,101,891	12,889,547
Reserves and Reserve Fund Balances, End of Year	13,845,721	14,777,169	13,101,891

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	2019	2018
	\$	\$
Reserves set aside for specific purposes by Council:		
Operating		
County of Frontenac ▶ working fund	1,220,798	1,220,798
▶ operating	9,302	9,440
▶ WSIB	16,892	---
Frontenac Paramedic Service ▶ Severance	263,107	226,990
▶ WSIB	1,558,207	1,031,512
Fairmount Home ▶ operating	115,120	62,854
▶ severance	80,615	49,504
Sustainability	190,044	218,746
Community development reserve	34,241	35,000
Economic development grants	---	101,911
Asset Replacement		
Capital replacement	2,764,793	2,543,045
Ontarians with Disabilities	110,000	100,000
Fairmount Home ▶ capital replacement	910,647	883,988
Fairmount Home ▶ capital reserve fund *	970,183	1,075,617
Frontenac Paramedic Service ▶ vehicle replacement	592,117	537,883
▶ equipment replacement	1,307,123	997,625
External Agency Reserves		
Library reserve	185,590	185,590
Social housing ▶ Out of Scope	262,686	237,686
Strategic Regional Reserves		
Strategic projects reserve	2,252,601	1,647,519
Stabilization Reserves		
County of Frontenac	1,662,623	1,633,945
Legally Restricted		
Frontenac Howe Islander Ferry Reserve	49,269	57,270
Donations *	155,572	140,837
Pathways *	41,868	40,566
Frontenac Howe Island Ferry WSIB	23,771	63,564
Total Reserves and Reserve Funds	14,777,169	13,101,890
Reserves	13,609,546	11,844,871
Reserve Funds *	1,167,623	1,257,020
Total Reserves and Reserve Funds	14,777,169	13,101,891

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

County of Frontenac
Schedule 2 ► 2019 Tangible Capital Assets

Asset Class	Cost 01/01/19	Additions	(Disposals)	Cost 31/12/19
	\$	\$	\$	\$
Land	996,411	34,736	---	1,031,147
Land Improvements	3,202,622	228,337	---	3,430,959
Buildings	22,120,650	216,720	---	22,337,370
Vehicles	3,266,100	522,415	(518,898)	3,269,617
Machinery & Equipment	7,448,502	270,659	(627,353)	7,091,808
Bridges	797,779	---	---	797,779
Work in Progress	62,883	14,562	(62,883)	14,562
	37,894,947	1,287,429	(1,209,134)	37,973,242

Asset Class	Accumulated Amortization 01/01/19	Amortization	(Disposals)	Accumulated Amortization 31/12/19	Net Book Value 31/12/19
	\$	\$	\$	\$	\$
Land	---	---	---	---	1,031,147
Land Improvements	926,833	194,916	---	1,121,749	2,309,210
Buildings	6,751,508	475,860	---	7,227,368	15,110,002
Vehicles	1,921,012	450,822	(495,530)	1,876,304	1,393,313
Machinery & Equipment	4,457,562	565,727	(613,681)	4,409,608	2,682,200
Bridges	65,969	13,318	---	79,287	718,492
Work in Progress	---	---	---	---	14,562
	14,122,884	1,700,643	(1,109,211)	14,714,316	23,258,926

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.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the statement of financial statements of the trust fund of the Corporation of the County of Frontenac (the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of financial activities for the year then ended;
- and the notes to the financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
May 20, 2020.

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

December 31	Fairmount Home Residents'	Bridget Fowler	2019	2018
	\$	\$	\$	\$
ASSETS				
Cash	6,419	4,614	11,033	10,279
FUND BALANCES				
	6,419	4,614	11,033	10,279

Statement of Financial Activities

For the year ended December 31	Fairmount Home Residents'	Bridget Fowler	2019	2018
	\$	\$	\$	\$
REVENUES				
Residents' deposits	16,175	---	16,175	10,263
Interest	---	532	532	493
	16,175	532	16,707	10,756
EXPENDITURES				
Residents' withdrawals	15,653	---	15,653	8,651
Payments	---	300	300	300
	15,653	300	15,953	8,951
NET REVENUES FOR THE YEAR				
	522	232	754	1,805
BALANCE AT THE BEGINNING OF THE YEAR				
	5,897	4,382	10,279	8,474
BALANCE AT THE END OF THE YEAR				
	6,419	4,614	11,033	10,279

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

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

December 31, 2019

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.
