

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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**County of Frontenac
Consolidated
Financial Statements
December 31, 2017**

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

December 31	2017	2016	2015	2014	2013
Population (Statistics Canada)	26,677	26,677	26,375	26,375	26,375
Number of Households (MPAC)	19,461	19,358	19,296	19,183	18,433
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential	5,229,875	5,274,145	4,994,041	4,717,670	4,435,145
Multi-residential	5,697	5,416	5,093	4,769	4,446
Commercial	49,096	48,787	47,928	47,059	45,056
Industrial	15,368	13,117	12,249	12,137	12,826
Farmland	153,079	130,330	125,041	118,822	112,955
Total	5,453,115	5,471,795	5,184,352	4,900,457	4,610,428
Rates of Taxation					
▸ residential (municipal)	0.175201	0.166857	0.170059	0.171918	0.178401
▸ multi-residential (municipal)	0.175201	0.166857	0.170059	0.171918	0.178401
▸ commercial (municipal)	0.175201	0.166857	0.170059	0.171918	0.178401
▸ industrial (municipal)	0.175201	0.166857	0.170059	0.171918	0.178401
Revenues for County Purposes (000's)	\$	\$	\$	\$	\$
▸ Taxation	9,400	9,041	8,745	8,356	8,242
▸ Government transfers	25,304	24,619	23,536	23,312	22,756
▸ Other	5,310	4,948	4,907	5,124	4,641
▸ Revenues related to capital assets	444	746	(1,370)	1,996	---
Total	40,458	39,354	35,818	38,788	35,639
Expenditures (000's)					
▸ Operations	38,698	38,642	37,147	36,128	35,867
▸ Amortization	1,576	1,420	1,508	1,417	1,606
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	15.80%	13.00%	13.15%	9.81%	9.23%
▸ % of Taxation (>(50%))**	67.25%	55.52%	56.10%	45.54%	40.97%

** 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	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Long Term Debt					
▶ Net long term debt (000's)	6,265	7,368	8,406	9,381	10,300
▶ Long term debt charges (000's)	1,528	1,528	1,528	1,528	1,528
▶ Total annual repayment limit (000's)	2,194	2,092	1,959	1,443	1,431
▶ Long term debt per household (Frontenac portion)	83	83	95	107	122
▶ 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	12,889	12,770	13,619	13,468	13,871
▶ Invested in capital assets	17,261	15,614	14,048	15,520	12,407
▶ Asset consumption ratio	36.40%	35.38%	34.81%	30.38%	30.64%
▶ Reserves as % of operating expenses (>20%)**	33.31%	33.05%	36.66%	37.28%	38.79%
<hr/>					
Financial Indicators					
▶ Sustainability					
▶ financial assets to liabilities	1.6056	1.3997	1.3753	1.2443	1.1989
▶ financial assets to liabilities excluding long term debt	4.0163	3.3864	3.8531	3.1281	3.0479
▶ long term debt to tangible capital assets	26.63%	32.06%	37.44%	37.67%	45.36%
▶ capital reserves to accumulated amortization	47.34%	51.40%	53.71%	53.57%	62.20%
▶ Flexibility					
▶ Debt charges to total operating revenue (<5%)**	3.82%	3.96%	4.12%	3.94%	4.15%
▶ Total operating revenue to taxable assessment	0.73%	0.71%	0.72%	0.79%	0.79%
▶ Working capital to operating expenses (>10%)**	32.53%	32.06%	35.83%	36.50%	38.13%
▶ Vulnerability					
▶ Operating government transfers to operating revenue	63.24%	63.77%	63.36%	63.36%	63.85%
▶ Total government transfers to total revenues	63.17%	64.45%	63.70%	63.92%	62.88%

Management's Responsibility for the Consolidated Financial Statements

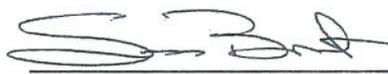
The accompanying consolidated financial statements of the Corporation of the County of Frontenac are the responsibility of the County's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting 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, 2017 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, 2017 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 18, 2018.

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

December 31	2017	2016
	\$	\$
ASSETS		
Financial Assets		
Cash	9,258,193	5,909,357
Investments	4,485,972	8,177,590
Accounts receivable	3,015,857	3,491,442
	16,760,022	17,578,389
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	3,510,814	4,323,231
Employee future benefit obligations (note 3)	311,886	299,998
Deferred revenues	136,768	91,571
Deferred revenues ▶ obligatory reserve fund (note 4)	213,534	476,072
Long term liabilities (note 5)	6,265,381	7,368,209
	10,438,383	12,559,081
NET FINANCIAL ASSETS	6,321,639	5,019,308
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	23,526,802	22,981,830
Inventories	203,559	225,140
Prepaid expenses	29,672	95,066
	23,760,033	23,302,036
Commitments (note 11) Contingent Liabilities (note 9)		
MUNICIPAL EQUITY (note 6)	30,081,672	28,321,344

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	2017	2016
	\$	\$	\$
REVENUES			
Taxation ▶ from other governments	9,455,499	9,400,270	9,041,153
User charges	3,317,078	3,411,593	3,299,848
Government grants ▶ provincial	15,760,498	16,013,414	15,502,560
▶ other municipalities	9,185,600	9,118,317	9,081,225
▶ Federal	247,000	171,822	35,250
Deferred revenues earned (note 4)	978,256	842,313	893,016
Provincial offences fines penalties	120,797	143,503	103,238
Investment income	140,000	165,722	130,038
Other income	468,402	747,151	521,417
TOTAL REVENUES	39,673,130	40,014,105	38,607,745
EXPENDITURES			
General government	2,950,203	2,769,691	2,800,513
Protection to persons and property	6,910	3,239	1,692
Transportation services	997,119	1,039,255	1,027,781
Ambulance services	16,871,302	16,662,373	16,748,837
Health services	746,839	746,847	732,191
Social and family services	13,793,444	13,645,575	13,889,796
Libraries	829,718	821,097	812,960
Social housing	734,625	689,128	842,236
Planning and development	1,262,791	1,368,747	834,286
Other	952,184	952,184	952,184
TOTAL EXPENDITURES	39,145,135	38,698,136	38,642,476
NET REVENUES (EXPENDITURES) FROM OPERATIONS	527,995	1,315,969	(34,731)
OTHER			
Grants and transfers related to capital			
Other municipalities	99,681	444,359	746,243
ANNUAL SURPLUS	627,676	1,760,328	711,512
MUNICIPAL EQUITY, BEGINNING OF YEAR	28,321,344	28,321,344	27,609,832
MUNICIPAL EQUITY, END OF YEAR	28,949,020	30,081,672	28,321,344

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	2017	2016
	\$	\$	\$
ANNUAL SURPLUS	627,676	1,760,328	711,512
Amortization of tangible capital assets	1,495,810	1,576,423	1,419,521
Acquisition of tangible capital assets	(1,529,105)	(2,161,531)	(1,975,647)
Loss on sale of tangible capital assets	---	(26,936)	(31,499)
Proceeds on sale of tangible capital assets	---	67,072	59,416
Acquisition of inventories of supplies	---	(203,559)	(225,140)
Acquisition of prepaid expenses	---	(29,672)	(95,066)
Consumption of inventories	---	225,140	220,314
Use of prepaid expenses	---	95,066	30,387
	(33,295)	(457,997)	(597,714)
INCREASE IN NET FINANCIAL ASSETS	594,381	1,302,331	113,798
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,019,308	5,019,308	4,905,510
NET FINANCIAL ASSETS, END OF YEAR	5,613,689	6,321,639	5,019,308

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	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	1,760,328	711,512
Amortization	1,576,423	1,419,521
Gain on disposal of capital assets	(26,936)	(31,499)
	3,309,815	2,099,534
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	475,585	532,948
Accounts payable and accrued liabilities	(812,417)	632,008
Employee future benefit obligations	11,888	13,601
Deferred revenues	45,197	(38,569)
Deferred revenues ▶ obligatory reserve funds	(262,538)	(81,648)
Inventories	21,581	(4,826)
Prepaid expenses	65,394	(64,679)
	(455,310)	988,835
Working Capital from Operations	2,854,505	3,088,369
INVESTING ACTIVITIES		
Net decrease (increase) in short term investments	3,691,618	(8,177,590)
Net decrease in investments	3,691,618	(8,177,590)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,161,531)	(1,975,647)
Proceeds on sale of tangible capital assets	67,072	59,416
Net investment in tangible capital assets	(2,094,459)	(1,916,231)
FINANCING ACTIVITIES		
Debt principal repayments	(1,102,828)	(1,037,462)
Net decrease in cash from financing activities	(1,102,828)	(1,037,462)
NET INCREASE (DECREASE) IN CASH	3,348,836	(8,042,914)
CASH, BEGINNING OF YEAR	5,909,357	13,952,271
CASH, END OF YEAR	9,258,193	5,909,357

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

County of Frontenac

Notes to the Consolidated Financial Statements

December 31, 2017

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, 2017

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. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

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, 2017

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, 2017

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, 2017, based on actuarial update, the accrued benefit obligation was \$311,886 (2016 \$299,998).

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2017

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:

	2017	2016
	\$	\$
Opening balance	299,998	286,397
Expense recognized for the year	12,817	11,996
Interest cost	11,963	11,213
Benefit payments	(9,476)	(6,193)
Amortization of actuarial losses	(3,416)	(3,415)
Accrued benefit obligation, end of year	311,886	299,998

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:

	2017	2016
	\$	\$
Federal Gas Tax ▶ January 1, 2017	476,072	557,719
Federal grant ▶ gasoline tax	816,080	801,884
Investment income	8,831	9,485
Transfer to operating fund	(842,314)	(893,016)
Transfer to capital fund	(245,135)	---
Federal Gas Tax ▶ December 31, 2017	213,534	476,072

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2017

5. Long Term Liabilities

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

	2017	2016
	\$	\$
Debenture issue	6,265,381	7,368,209
Net long term liabilities at the end of the year	6,265,381	7,368,209

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
	\$
2018	1,172,313
2019	1,246,176
2020	1,324,693
2021	1,408,157
2022	1,114,042
	6,265,381

- (c) Interest expense on long term liabilities in 2017 amounted to \$425,201 (2016 \$490,254).
- (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, 2017

6. Municipal Equity

	2017	2016
	\$	\$
Investment in tangible capital assets		
Tangible capital assets	23,526,802	22,981,834
Long term liabilities	(6,265,381)	(7,368,209)
	17,261,421	15,613,625
Unfunded Future Employee Liabilities	(69,296)	(62,604)
Reserves (Schedule 1)	11,542,559	11,165,782
Reserve Funds (Schedule 1)	1,346,988	1,604,541
Total Municipal Equity	30,081,672	28,321,344

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 \$1,577,988 (2016 \$1,530,159) 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 \$8,474 (2016 \$9,151) 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, 2017

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 \$40,306 (2016 \$(7,596)).
- (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, 2017, 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 2017 are \$821,097 (2016 \$812,959) 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 2017 \$746,847 (2016 \$732,191).
-

11. Commitments

- (a) The County leases premises under long term operating lease agreements with terms as follows:
 - (i) \$27,000 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) \$27,450 per annum in 2017;
 - (iv) \$56,768 per annum plus HST to December 31, 2017;
 - (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 2008, the County pledged \$54,000 annually for 10 years to the University Hospitals Kingston Foundation, a joint fund raising appeal undertaken by the Foundation on behalf of local hospitals. The County has provided \$54,000 as the tenth of 10 payments, as of December 31, 2017.

County of Frontenac

Notes to the Consolidated Financial Statements

December 31, 2017

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, 2016.

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, 2017

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

	2017	2016
	\$	\$
Land	959,898	627,268
Land Improvements	2,275,832	1,693,564
Buildings	15,839,439	16,309,737
Vehicles	1,207,139	1,001,872
Machinery and Equipment	2,444,058	2,590,944
Bridges	745,129	758,445
Work in Progress	55,307	---
	23,526,802	22,981,830

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, 2017

15. Segmented Information / continued

2017	Salaries, Wages & Employee Benefits	Rents and Debenture 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, 2017

15. Segmented Information / continued

2016	Salaries, Wages & Employee Benefits	Rents and Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	1,339,311	---	1,181,893	953,392	278,101	3,752,697
Protection to Persons and Property	---	---	1,692	---	---	1,692
Transportation	932,510	---	91,209	---	4,062	1,027,781
Health Services						
Public Health Services	---	---	732,191	---	---	732,191
Ambulance	13,530,719	---	2,626,049	---	592,069	16,748,837
Social and Family Assistance						
General Assistance	---	---	1,225,072	---	---	1,225,072
Assistance to Aged Persons	9,416,254	490,254	2,212,927	---	545,289	12,664,724
Social Housing	---	---	842,236	---	---	842,236
Recreation and Cultural Services						
Libraries	---	---	812,960	---	---	812,960
Planning and Development	364,500	---	469,786	---	---	834,286
2016	25,583,294	490,254	10,196,015	953,392	1,419,521	38,642,476

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2017

16. Budget Figures

The 2017 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 Statement of Operations. The revenues attributable to these items continue to be included in the 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 financial statements:

	Budget	Actual
	\$	\$
Total Revenues	39,673,130	40,014,105
Total Expenditures	(39,145,135)	(38,698,136)
Net Revenues	527,995	1,315,969
Amortization	1,495,810	1,576,423
Adjusted Net Revenues	2,023,805	2,892,392
Capital Revenues	99,681	444,359
Funds Available	2,123,486	3,336,751
Capital Expenditures	(1,529,105)	(2,161,531)
Disposal of Tangible Capital Assets	---	40,140
Principal Repayments	(1,102,828)	(1,102,828)
Unfunded Expense	---	6,692
(Decrease) Increase in Operating Surplus	(508,447)	119,224
Allocated as Follows:		
Net Transfers from reserves	(508,447)	119,224

County of Frontenac

Schedule 1 ► Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 16) Budget	2017	2016
	\$	\$	\$
Revenues			
Investment income	---	47,376	41,474
Total Net Revenues	---	47,376	41,474
Net Transfers From / (To) Other Funds			
Transfers from operations	1,333,782	152,134	(1,233,863)
Transfers to capital acquisitions	(1,842,229)	(80,286)	344,268
Total Net Transfers	(508,447)	71,848	(889,595)
Balances, Change in Year	(508,447)	119,224	(848,121)
Balances, Beginning of Year	12,770,323	12,770,323	13,618,444
Reserves and Reserve Fund Balances, End of Year	12,261,876	12,889,547	12,770,323

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	2017	2016
	\$	\$
Reserves set aside for specific purposes by Council:		
Operating		
County of Frontenac ▶ working fund	1,220,798	1,249,347
▶ operating	32,458	21,510
Frontenac Paramedic Service ▶ Severance	192,957	217,139
▶ WSIB	572,206	92,832
Fairmount Home ▶ operating	45,020	27,681
▶ severance	19,141	568
Sustainability	249,748	337,838
Asset Replacement		
Capital replacement	2,141,893	1,788,953
Ontarians with Disabilities	90,000	80,000
Land acquisition	---	299,637
Fairmont Home ▶ capital replacement	865,669	846,752
Fairmount Home ▶ capital reserve fund *	1,181,914	1,285,740
Frontenac Paramedic Service ▶ vehicle replacement	621,145	809,366
▶ equipment replacement	1,472,721	1,204,655
External Agency Reserves		
Library reserve	206,390	188,769
Social housing ▶ Out of Scope	227,686	215,186
Renovates program reserve	100,858	100,858
Strategic Regional Reserves		
Investing in Ontario reserve fund *	---	149,961
Strategic projects reserve	1,934,727	2,418,159
Stabilization Reserves		
County of Frontenac	1,477,760	1,239,902
Legally Restricted		
Frontenac Howe Islander Ferry Reserve	49,204	26,629
Donations *	121,029	120,297
Pathways *	44,045	48,544
Frontenac Howe Island Ferry WSIB	22,178	---
Total Reserves and Reserve Funds	12,889,547	12,770,323
Reserves	11,542,559	11,165,782
Reserve Funds *	1,346,988	1,604,541
Total Reserves and Reserve Funds	12,889,547	12,770,323

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.

County of Frontenac
Schedule 2 ► 2016 Tangible Capital Assets

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16
	\$	\$	\$	\$
Land	536,076	91,192	---	627,268
Land Improvements	2,092,468	147,978	(6,380)	2,234,066
Buildings	22,120,650	---	---	22,120,650
Vehicles	3,046,387	628,881	(569,530)	3,105,738
Machinery & Equipment	5,817,767	1,139,350	(290,053)	6,667,064
Bridges	797,779	---	---	797,779
Work in Progress	31,754	(31,754)	---	---
	34,442,881	1,975,647	(865,963)	35,552,565

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Land	---	---	---	---	627,268
Land Improvements	415,377	127,039	(1,914)	540,502	1,693,564
Buildings	5,340,617	470,296	---	5,810,913	16,309,737
Vehicles	2,218,120	431,826	(546,080)	2,103,866	1,001,872
Machinery & Equipment	3,989,134	377,038	(290,052)	4,076,120	2,590,944
Bridges	26,012	13,322	---	39,334	758,445
Work in Progress	---	---	---	---	---
	11,989,260	1,419,521	(838,046)	12,570,735	22,981,830

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, 2017 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, 2017 and the financial activities for the year ended in accordance with Canadian Public Sector Accounting Standards.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
April 18, 2018.

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

December 31	Fairmount Home Residents'	Bridget Fowler	2017	2016
	\$	\$	\$	\$
ASSETS				
Cash	4,286	4,188	8,474	9,151
FUND BALANCES	4,286	4,188	8,474	9,151

Statement of Financial Activities

For the year ended December 31	Fairmount Home Residents'	Bridget Fowler	2017	2016
	\$	\$	\$	\$
REVENUES				
Residents' deposits	10,281	---	10,281	11,677
Interest	---	441	441	410
	10,281	441	10,722	12,087
EXPENDITURES				
Residents' withdrawals	11,099	---	11,099	10,224
Payments	---	300	300	300
	11,099	300	11,399	10,524
NET (EXPENDITURES) REVENUES FOR THE YEAR	(818)	141	(677)	1,563
BALANCE AT THE BEGINNING OF THE YEAR	5,104	4,047	9,151	7,588
BALANCE AT THE END OF THE YEAR	4,286	4,188	8,474	9,151

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

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

December 31, 2017

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.
